MICROFILM DIVIDER

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

ROLL NUMBER

DESCRIPTION

1018

2007 HOUSE APPROPRIATIONS

HB 1018

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 1/10/07

Recorder Job Number: 849

Committee Clerk Signature Sonya J Voigt

Minutes:

Chairman Carlson opened the hearing on House Bill 1018.

Before the specifics of the bill were discussed the committee had to make a motion for the Community Block Grants.

A motion was made by Vice Chairman Carlisle, seconded by Representative Thoreson to approve the Community Block Grants. Motion carried.

Recorder Job number 849 begins here.

Shane Goettle, Commissioner of the Department of Commerce spoke in support of the bill. See attached testimony 1018.1.10.06 A.

Paul Lucy, Director, the Division of Economic Development and Finance spoke in support of the bill. See attached testimony 1018.1.10.07 C.

Mr. Lucy discussed the North Dakota Development Fund, the Dakota Manufacturing Extension Partnership, The North Dakota Trade Office and the Agricultural Products Utilization Commission.

Vice Chairman Carlisle: Did you spend $500,000 in addition to the money we put into the Centers of Excellence?

Paul Govig: That is correct. We covered the remaining costs. That was in the 03 biennium.

Representative Skarphol: I would like Legislative Council to check what was spent on Centers of Excellence in the last biennium.

Mr. Lucy continued his testimony.

Vice Chairman Carlisle: The $1.4million is not in any other budget correct?

Shane Goettle: That is correct.

Vice Chairman Carlisle: Are there any other bills floating around that will affect this budget?

Shane Goettle: House Bill 1027 has a part in it that will establish a Business and Tourism Acceleration Commission. It would function the same as APUC.

Chairman Carlson: Last session we funded the Trade Office out of the Development Fund and what?

Vice Chairman Carlisle: Mill & Elevator.

Shane Goettle: Also Higher Ed.

Mr. Lucy continued his testimony on page 4.

Representative Skarphol: Have you done a report on the overall success of APUC?

Paul Lucy: To my knowledge the recent study did not include all projects.

Chairman Carlson: APUC is funded out of the Chemical Fund is it not? I am trying to think of the name of the fund but cannot remember.

Shane Goettle: There is a fuel tax that funds it.

Representative Skarphol: Unclaimed refunds on the gas tax.

Mr. Lucy continued testimony and summarized any major changes in their budget.

Vice Chairman Carlisle requested a written summary of the budget changes.

Jim Hersch, Director of the Workforce Development Division, spoke in support of the bill. See testimony 1018.1.10.07 D.

Representative Kroeber: Can you expand, you are requesting ten FTEs for the Division of Workforce Development that will work with the nine joint powers agreement. If this is approved when do you hire these people and where would they work and what would they do?

Jim Hersch: The nine positions that are referenced would be stationed in the joint power agreement areas. They would start not any sooner than July 1 when funds become available. We would try to get people on board and trained as quick as we could. What their primary role would be would be to try to make that connection between business and industry and the schools, to make opportunities available and to get the business and industry into the schools, talking about the careers that exist within their business, creating opportunities, to develop a work based learning activity between schools and a business, promoting internships, looking at developing academies to promote specific occupations, getting down even into the K-12 and starting to talk about career opportunities and exciting young people about opportunities that do exist in ND.

Representative Kroeber: Are these like career counselors that are going to be coming into the high schools?

Jim Hersch: They would not be career counselors; they would be career specialists, somebody who has a strong background in business and industry, and somebody that may have some HR experience. We would not be looking at this as being a career counselor or replacing the career counselor initiatives that are out there.

Representative Skarphol: To expand on what Representative Kroeber is asking if they are not going to spend their time in the K-12 system, where do you envision them doing this?

Jim Hersch: I would envision that there primary responsibility would be a liaison between the school system and the business and industry working with the school counselors, educators and getting opportunities for businesses to come into the classroom and talk about the career opportunities, getting opportunities for students to visit businesses, do class tours and those types of things.

Representative Skarphol: Most of the time their time would be dedicated to working with the primary and secondary education system?

Jim Hersch: That is correct.

Chairman Carlson: I am having trouble following the funding when I look at the overall. You have ten new employees but yet you are showing on the workforce development no major increases. Where are these numbers showing up? What is the cost associated with these ten people?

Jim Hersch: The two initiatives would be $1.626million and that is under the ED initiatives.

Representative Skarphol: All General Funds?

Jim Hersch: That is correct.

Representative Kroeber requested a chart showing the last biennium's budget and FTE changes since the last bienniums.

Paul Govig, Director, Division of Community Services, spoke in support of the bill. See testimony 1018.1.10.07 E.

Representative Skarphol: I am curious about that Petroleum violation escrow. There is $330,000, is there on going revenue coming into that?

Paul Govig: No there is not. It was money that the state received about 15 years ago from a court case of overcharging consumer for oil products. North Dakota received a lump sum and we have been using it for energy efficiency and renewable energy projects since.

Representative Skarphol: Is it used up?

Paul Govig: Not quite. We have maybe $2million to go. We will get you that figure.

Representative Skarphol: Paul, you said you need more General Fund dollars for to match the federal when you are actually getting less federal dollars according to what is on the budget detail. Has there been a change in the federal match requirements?

Paul Govig: As is typical we estimate what we are going to get from the federal government so it is always somewhat of a guess on what is going to come through on that. What we are trying to do with our budget is that it is exactly the same as last biennium's except for the 4 & 4 raise.

Chairman Carlson: Do you have borrowing authority now?

Paul Govig: No, if we receive a significantly higher amount from the federal government we have to go to the emergency commission and ask for spending authority.

Representative Skarphol: You have like fifteen different federal fund sources. Can you provide a synopsis of each of those?

Paul Govig: Yes I will get that for you.

Susan Beehler from Mandan spoke regarding the Community Block Grants.

Sara Otte Coleman, Director, Division of Tourism, spoke in support of the bill. See Attachment F.

Vice Chairman Carlisle: Yesterday we heard from the Oil & Gas Department, they have a FTE request for a paleontologist. In the pitch that was made to us that they generate $50,000 to $80,000 for the state because people come into the state to go on these digs. The question came up regarding the tourism's involvement.

Chairman Carlson: Were you aware that they did that?

Sara Otte-Coleman: No Sir, I was not.

Chairman Carlson: It would help us if you made a phone call to Mr. Helms then because his request was almost more of a tourism request than it was a request for just another paleontologist on his staff.

Representative Skarphol: A couple of things have changed quite dramatically in your budget. The printing and postage lines have dramatic changes in my opinion. I am just curious why?

Sara Otte- Coleman: Printing costs have gone up dramatically. Paper and the general bids have come in much higher. Also we are printing more quantity. If you are marketing more you are adding more people that request more information. We have also improved the distribution of our pieces by adding rest areas throughout the state as well as points throughout the region. So the numbers of materials that we are printing have gone up. Postage is also an indicator of successful marketing because of the request for more information.

Representative Skarphol: So the demand for printed material that you can hold in your hand has been maintained as opposed to the web based information that people see.

Sara Otte-Coleman: We did not see the drop that other state got initially when the web site became the main planning and booking tool. I think we will start seeing that leveling off more.

Representative Skarphol: I am on your website looking at it. Most of the interest in it has come out of certain communities. Has the rest of the state not channeled in to this?

Sara Otte-Coleman: We have been working hard to try to get the word out about it. The interesting part of it is that a lot of times it's the business objectives and the business planning problems that tend to flag the different places and different entities. There are a lot of people that are really interested and want to do it but as soon as they charge they open themselves up to liability concerns and all of those other business concerns. That is why when we talk about helping tourism businesses survive and thrive it is not just traditionally a business it may be one of these learning base vacation providers where we can step in to the process that they need to make sure they are protecting their own interests as well. I think there is a ton more interest than you are seeing on there and we are continuing to go out and spread the word. In fact we are presenting a session at Marketplace next week and we continue to go around the state to try to get more people involved.

Representative Skarphol: The letter that you have in your presentation it would seem to me that those folks would be a good tool to use. If you can get them talking about their experiences with the website.

Shane Goettle spoke in support of the bill. See Attachment 1018.1.10.07 H

Chairman Carlson: I read the census numbers. In the year 2000 we had about 642,000 people. Today we are at 637,000. We have basically lost about 5,000 people but we have gained 7,100 jobs.

Shane Goettle: We have recognized that too. If you look at the bottom line population we have more births than deaths in the state so we save a little bit by the fact that we have some young families that are having children. I questioned that too. We have a couple of things, first of all, we have been working with OMB and the Governor's office questioning how the US Census Bureau estimates population figures, that's an important component of it. I also think

that we may be losing some of our seniors because they are filing for their taxes in Arizona or outside the state. These are all questions that we need to ask. We will not know for sure until 2010 when we are actually physically counted again as to the difference.

Susan Geib, North Dakota Trade Office, spoke in support of the bill. See attachment 1018.1.10.07 J

Chairman Carlson: Shane, which part of your budget are we going to address this in?

Shane Goettle: This will be in ED & F.

Chairman Carlson: Do you have a match in your new budget?

Susan Geib: We do.

Chairman Carlson: What is the ratio next time?

Susan Geib: Same ratio so we have to raise $700,000 in other funds to bring to the table.

Representative Skarphol: The matching portion is it match or inkind?

Susan Geib: It is cash.

Chairman Carlson: What was the amount of funding that you will be loosing from Higher Education?

Susan Geib: Last year it was $100,000. We asked for $200,000 this year to double the amount of work.

Vice Chairman Carlisle: Regarding the $100,000, you stated you had a conversation with Eddie Dunn is that correct?

Susan Geib: Yes.

Vice Chairman Carlisle: Over the $100,000 did he tell you why?

Susan Geib: He believes that he does not have adequate discressionary funds to make this a priority.

Representative Kroeber: When we had the meeting in Jamestown I was surprised to see all of the exporters that were there that you really didn't know exported. Throughout the state, roughly how many companies are exporting?

Susan Geib: Our database today has 400 qualified exporters.

Bill Shalhoob, Chairman of the Tourism Alliance Partnership, spoke in support of the bill. See attached testimony 1018.1.10.07 L.

Vice Chairman Carlisle: I have a question for Sara. How do you separate your tourism dollars from those brought in from people looking for work?

Sara Otte- Coleman: It is difficult to define all of those segments. In February you will see the sectors that we measure.

Randy Hatzenbuhler, Theodore Roosevelt Medora Foundation, spoke in support of the bill. See attached testimony 1018.1.10.07 W.

Cole Carley, Fargo/Moorhead Convention and Visitors Bureau, spoke in support of the bill. See attached testimony 1018.1.10.07 X

Randy Schwartz, Dakota MEP, spoke in support of the bill. See attached testimony 1018.1.10.07 Y.

Carol Goodman, President of the Economic Development Association of ND, spoke in support of the bill. See attached testimony 1018.1.10.07 Z

Hearing adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 2/14/07

Recorder Job Number: 3483

Committee Clerk Signature Donya Voegele

Minutes:

Chairman Carlson opened the hearing on House Bill 1018.

Chairman Carlson reviewed the green sheet.

Chairman Carlson: Why do you need the position listed in number one?

Shane Goettle: This person will mainly work with the energy portfolio.

Chairman Carlson: In number 2 we left some language in HB1027 that says that you have to work with Job Service to do this. Committee what is your wishes on the ten FTEs?

Shane Goettle: I understand the committee has some concerns regarding this. We have now looked at a smaller program which would cut the FTEs in half and possibly using contract employees. My only pitch would be that the tenth FTE, I was not only going to have him manage this program but also manage to do intern programs. I would like to have at least one of those ten.

Representative Glassheim: This manager in Bismarck would help get industries into the schools for recruitment?

Shane Goettle: That is correct.

Representative Skarphol: Under the scenario that currently exists with energy, the department is putting a little bit of money into that project is that correct?

Shane Goettle: No, Job Service is funding most of it. The Dept of Commerce is not funding it.

Representative Skarphol: What would the salary requirements be for this one new FTE?

Shane Goettle: $45,000-$50,000 plus benefits totaling roughly $120,000.

Representative Skarphol: Would there be operating costs incorporated with this pilot?

Shane Goettle: Yes there would be operating costs, travel expenses ect.

Representative Glassheim: Can you describe how this would operate?

Shane Goettle: The goal of the effort is to get the kids in high school to consider different industries that have great job opportunities.

A motion was made by Representative Skarphol, seconded by Representative Kempenich to adopt amendment adding $160,000 for one FTE and operating expenses. It will be up to the Department of Commerce to decide the salary that would be put into that position. Motion carried by voice vote.

Chairman Carlson: With number three, are these grants to targeted industries?

Shane Goettle: That is correct as well as an export component.

Representative Glassheim: Who would get this money?

Shane Goettle: This money would be used to stimulate businesses to establish internship programs.

A motion was made by Representative Skarphol, seconded by Representative Thoreson to adopt an amendment adding $200,000 to the internship program making the total to $600,000. It would also establish a reporting line. Motion carried by voice vote.

Committee was recessed until after floor session.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 2/14/07

Recorder Job Number: 3484

Committee Clerk Signature Tonya J. Voegele

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

The committee reviewed the green sheet beginning with number four.

A motion was made by Representative Thoreson, seconded by Representative Skarphol to adopt a verbal amendment regarding a 2-1 match for the Trade Office and language saying that they can raise money for next biennium's match.

Representative Skarphol: We don't want it to be the same money that they used to match this biennium.

Allen Knudson: You could give the department that direction.

Shane Goettle: In the testimony that the model had been a 2-1 ratio but it is for every $2.00 provided from the General Fund it would be $1.00 private sector funds.

Chairman Carlson: Ok I had it backwards. That is a huge difference. Or we could go 1-1?

Motion rescinded.

A motion was made by Representative Thoreson, seconded by Representative Skarphol to adopt a verbal amendment regarding a 1-1 match for the Trade Office and language saying that they can raise money for next biennium's match.

Shane Goettle: Let me say this. Last biennium with $700,000 it was a struggle. I think it would be an extreme struggle to raise $1.4million. This is all a cash match.

Representative Kroeber: If I remember right, those dollars are mainly only coming from companies that they get to join. It would be pretty difficult to get those kinds of dollars.

Chairman Carlson: Here is the devils advocate side to this. Very seldom do we appropriate General Fund money where we allow you to send it directly to a private business. They get to contract with somebody who has no ties to us. They have their own board of directors and we are funding this Trade Office with General Fund dollars. It is not too much to expect accountability and some kind of match.

Representative Skarphol: Considering Mr. Goettle's concern about the fact that he thinks that 1-1 is going to be impossible. We do require that they raise that cash before they can access the money. If we put up the two and they raise the one and we see that it will be a problem for us before we go to conference committee we can always argue it in conference committee.

Motion rescinded.

A motion was made by Representative Skarphol, seconded by Representative Thoreson to adopt a verbal amendment regarding a 2-1 match for the Trade Office and language saying that they can raise money for next biennium's match.

Motion carried.

The committee continued on the green sheet.

Amendment 78018.0106- Removes the funding for the tourism because of the tourism tax that was passed in the Senate.

A motion was made by Representative Skarphol, seconded by Representative Thoreson to adopt amendment 78018.0106 to House Bill 1018.

Motion carried.

Amendment 78018.0103- Employee compensation.

A motion was made by Representative Kempenich, seconded by Representative Glassheim to adopt amendment 78018.0103.

Allen Knudson explained the amendment.

Substitute Motion

A motion was made by Representative Skarphol, seconded by Representative Thoreson to include the words 'performance equity and merit' to amendment 78018.0103. Motion carried.

Amendment 78018.0105

A motion was made by Representative Kempenich, seconded by Representative Skarphol to adopt 78018.0105 to House Bill 1018. Motion carried.

Amendment 78018.0104

A motion was made by Representative Carlisle, seconded by Representative Glassheim to adopt 78018.0104 to House Bill 1018.

Allen Knudson explained the amendment.

Motion carried.

Amendment 78018.0107

A motion was made by Representative Glassheim, seconded by Representative Skarphol to adopt 78018.0107 to House Bill 1018.

A motion was made by Representative Skarphol, seconded by Representative Thoreson for a DO PASS AS AMENDED recommendation to the Full Committee. The committee vote was 8 Yeas, 0 Nays and 0 Absent and Not Voting. The bill will be carried by Chairman Carlson.

FISCAL NOTE

Requested by Legislative Council
04/25/2007

Amendment to: Engrossed HB 1018

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			($4,470,000)		($6,590,000)	
Expenditures						
Appropriations			$2,093,138	$22,920,000		

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

HB 1018 includes many of the provisions originally included in HB 1027 which was the business initiative bill sponsored by the interim Economic Development Committee. Multiple provisions have fiscal impact and are listed in section 2B.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 13: Grants for innovation appropriation. (Career and Technical Education)
Section 14: Centers of Excellence appropriation. (Office of Management and Budget)
Section 15: Centers of Excellence contingent borrowing authority. (Office of Management and Budget)
Section 16: Prairie Public Broadcasting appropriation. (Office of Management and Budget)
Section 18: ND Business Development Engine contingent borrowing authority. (Secretary of State)
Section 23: Higher education report on CCBenefits. (Higher Education)
Section 24: Tax expenditure report pilot project. (Tax Department)
Section 34: Mortgage loan financing program changes. (Housing Finance Agency)
Section 42: Angel fund investment tax credit. (Tax Department)
Sections 43 & 46: Tax deduction of the amount an employee receives in a payment from an employer that is entitled to the workforce recruitment tax credit. (Tax Department)
Section 44: Internship employment tax credit. (Tax Department)
Section 45: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
Section 47: Income tax credit for research and experimental expenditures. (Tax Department)
Section 48: Seed capital investment tax credit limits. (Tax Department)
Section 49: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)
Section 51: Repeal of beginning entrepreneur income tax deduction. (Tax Department)

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.*

Tax Department

Section 42 provides for a tax credit against corporation and individual income tax liabilities relating to investments made in an angel fund that is incorporated in this state. The fiscal impact of this section cannot be determined.

Sections 43 & 46 provides for a deduction in the amount an employee receives in payment of a signing bonus, moving expenses, or nontypical fringe benefits from an employer that is entitled to the workforce recruitment tax credit for hard-to-fill employment positions. The fiscal impact of these sections cannot be determined.

Section 44 provides for a tax credit against corporation and individual income tax liabilities relating to stipends or salaries paid to North Dakota college students hired as interns by North Dakota employers. The fiscal impact of this section cannot be determined.

Section 45 provides for a tax credit against corporation and individual income tax liabilities relating to expenses incurred by employers in the recruitment for hard-to-fill positions for which the annual salary for the position meets or exceeds the state average salary. The fiscal impact of this section cannot be determined.

Section 46 allows the tax credits for internship salaries, recruitment expenses, and research and experimental expenditures contained in Sections 44, 45, and 47 to be claimed on the state's simplified form, Form ND-1.

Section 47 expands the income tax credit for research and experimental expenditures, and allows unused credits to be assigned to other taxpayers. Based on current information, the fiscal impact of this section is an estimated reduction in state general fund revenues of $2.47 million for the 2007-09 biennium. This amount could be low, and the fiscal impact greater, if the broadening and assigning provisions significantly alter behavior.

Section 48 raises the limits on the seed capital investment tax credit program from $2.5 million to $3.5 million per calendar year. The fiscal impact of this section is potentially a reduction in state general fund revenues of $2 million for the 2007-09 biennium.

Section 49 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's ethanol or biofuels plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 51 repeals the beginning entrepreneur tax deduction program, but allows existing contracts to continue to claim the tax deduction until the expiration of the contract. The fiscal impact is under $5000.

Contact: Kathy Strombeck 328-3402

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.*

Board of Higher Education
Section 23

Section 23: Although this section imposes an additional reporting requirement, we do not believe that any new resources, beyond those provided for in the 2007-09 Executive Budget proposal would be required.

Contact: Laura Glatt 328-4116

Housing Finance Agency
Section 34

Section 34: The HFA has requested an appropriation for loan loss reserve for these loans in the amount of $6 million. It is not possible to identify how many loans would be made with verses without the expanded language provided in HB 1027 therefore the fiscal impact at this time is unknown. HFA is moving forward with these programs with the intent that the loans will be repaid and the fiscal impact will be zero.

Contact: Pat Nagel 328-8081

Tax Department

Section 24 requires the Tax Commissioner compile and furnish tax expenditure data to the Department of Commerce to be used in creating a tax expenditure report for the legislative assembly. The Office of Tax Commissioner will incur some costs associated with this requirement, but the costs, although currently undeterminable, will not be

significant unless return information and programming must be changed significantly.

Contact: Kathy Strombeck 328-3402

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The additional appropriations contained within the individual bill sections are as follows:

Section 13: $70,000 General Fund (Career and Technical Education)
Section 14: $15,000,000 Permanent Oil Tax Trust Fund (Office of Management and Budget – Centers of Excellence)
Section 15: $5,000,000 in contingent borrowing authority (Office of Management and Budget – Centers of Excellence)
Section 16: $2,023,138 General Fund (Office of Management and Budget – Prairie Public Broadcasting)
Section 18: $2,920,000 in contingent borrowing authority (Secretary of State)

Total: $2,093,138 General Funds
$22,920,000 Other Funds

Name:	Justin Dever	**Agency:**	Department of Commerce
Phone Number:	328-7258	**Date Prepared:**	04/26/2007

FISCAL NOTE

Requested by Legislative Council
03/27/2007

Amendment to: Engrossed HB 1018

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			($13,400,000)		($13,400,000)	
Expenditures			$575,000		$575,000	
Appropriations			$22,093,138			

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

HB 1018 now includes many of the provisions originally included in HB 1027 which was the business initiative bill sponsored by the interim Economic Development Committee. Multiple provisions have fiscal impact and are listed in section 2B.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 19: Higher education report on CCBenefits. (Higher Education)
Section 20: Tax expenditure report pilot project. (Tax Department)
Section 29: Mortgage loan financing program changes. (Housing Finance Agency)
Section 30: Visitor information centers. (Department of Commerce)
Section 33: Requires the North Dakota image information program to include the private sector. (Department of Commerce)
Section 37: Internship employment tax credit. (Tax Department)
Section 38: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
Section 40: Corporate income tax credit for research and experimental expenditures. (Tax Department)
Section 41: Seed capital investment tax credit limits. (Tax Department)
Section 42: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)
Section 44: Repeal of beginning entrepreneur income tax deduction. (Tax Department)

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.*

Tax Department

Section 37 provides for a tax credit against corporation and individual income tax liabilities relating to stipends or salaries paid to North Dakota college students hired as interns by North Dakota employers. The fiscal impact of this section cannot be determined.

Section 38 provides for a tax credit against corporation and individual income tax liabilities relating to expenses incurred by employers in the recruitment for hard-to-fill positions for which the annual salary for the position meets or exceeds the state average salary. The fiscal impact of this section cannot be determined.

Section 39 allows the tax credits for internship salaries, recruitment expenses, and research and experimental expenditures contained in Sections 37, 38, and 40 to be claimed on the state's simplified form, Form ND-1.

Section 40 expands the income tax credit for research and experimental expenditures, and allows unused credits to be assigned to other taxpayers. Based on current information, the fiscal impact of this section is an estimated reduction in state general fund revenues of $8.4 million for the 2007-09 biennium. This amount could be low, and the fiscal impact greater, if the broadening and assigning provisions significantly alter behavior.

Section 41 raises the limits on the seed capital investment tax credit program from $2.5 million to $5 million per calendar year. The fiscal impact of this section is potentially a reduction in state general fund revenues of $5 million for the 2007-09 biennium.

Section 42 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's ethanol or biofuels plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 44 repeals the beginning entrepreneur tax deduction program, but allows existing contracts to continue to claim the tax deduction until the expiration of the contract. The fiscal impact is under $5000.

Contact: Kathy Strombeck 328-3402

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.*

Board of Higher Education
Section 19

Section 19: Although this section imposes an additional reporting requirement, we do not believe that any new resources, beyond those provided for in the 2007-09 Executive Budget proposal would be required.

Contact: Laura Glatt 328-4116

Department of Commerce
Sections 30 & 33

Section 30: This section allows the division of Tourism to develop and implement a visitor information center assistance program. $525,000 in additional funds would be required in order to implement this program, which would be comprised of $100,000 for training and $425,000 for matching grants.

Section 33: This section expands the requirements for the North Dakota image information program to include private businesses. $50,000 in additional funds would be needed to fully expand this program to the private sector.

Contact: Justin Dever 328-7258

Housing Finance Agency
Section 29

Section 29: The HFA has requested an appropriation for loan loss reserve for these loans in the amount of $6 million. It is not possible to identify how many loans would be made with verses without the expanded language provided in HB 1027 therefore the fiscal impact at this time is unknown. HFA is moving forward with these programs with the intent that the loans will be repaid and the fiscal impact will be zero.

Contact: Pat Nagel 328-8081

Tax Department

Section 20 requires the Tax Commissioner compile and furnish tax expenditure data to the Department of Commerce to be used in creating a tax expenditure report for the legislative assembly. The Office of Tax Commissioner will

incur some costs associated with this requirement, but the costs, although currently undeterminable, will not be significant unless return information and programming must be changed significantly.

Contact: Kathy Strombeck 328-3402

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The additional appropriations contained within the individual bill sections are as follows:

Section 12: $70,000 General Fund (Career and Technical Education)
Section 13: $20,000,000 General Fund (Office of Management and Budget – Centers of Excellence)
Section 15: $2,023,138 General Fund (Office of Management and Budget – Prairie Public Broadcasting)

Total: $22,093,138 General Funds

For the sections that have not been given an appropriation in the bill, it is estimated that the following additional appropriations would be needed for the implementation of each section:

Section 30: $525,000 (Department of Commerce)
Section 33: $50,000 (Department of Commerce)

Total: $575,000 General Funds

Name:	Justin Dever	**Agency:**	Department of Commerce
Phone Number:	328-7258	**Date Prepared:**	03/28/2007

Prepared by the Legislative Council staff for
Representative Carlson
January 26, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 3, after line 14, insert:

"**SECTION 8. EXEMPTION - STATE EMPLOYEE COMPENSATION ADJUSTMENT GUIDELINES - REPORT.** Notwithstanding the provisions of Senate Bill No. 2189, as approved by the sixtieth legislative assembly, the department of commerce shall develop and implement a system for providing compensation adjustments to its employees for the biennium beginning July 1, 2007, and ending June 30, 2009. The system must provide for the determination of each employee's compensation adjustments to be based on performance and merit. Of the funds appropriated in section 3 of this Act, the department may utilize up to $428,542 for these compensation adjustments. The department shall provide a report on its compensation system to the human resource management services division of the office of management and budget by December 31, 2007.

SECTION 9. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIRST LEGISLATIVE ASSEMBLY. The total general fund appropriation line item in section 3 of this Act includes $3,000,000 for transfer to the development fund which is one-time funding. This amount is not a part of the agency's base budget to be used in preparing the 2009-11 executive budget. The department of commerce shall report to the appropriations committees of the sixty-first legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Department of Commerce - House Action

This amendment adds the following new sections:

Section 8 provides the Department of Commerce an exemption from the state employee compensation adjustment guidelines included in Senate Bill No. 2189 and requires the Department of Commerce to provide 2007-09 biennium salary increases to its employees based on a system considering each employee's performance and merit. The department is to report to the Human Resource Management Services Division of the Office of Management and Budget by December 31, 2007, on its compensation system.

Section 9 identifies the one-time funding included in the budget and provides for a report to the 2009 Legislative Assembly of the agency's use of the one-time funding.

Date: 2/13/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78018.0103

Action Taken Approved Amendment by Voice Vote.

Motion Made By Kempenich Seconded By Glassheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson			Vice Chairman Ron Carlisle		
Rep Keith Kempenich			Rep Bob Skarphol		
Rep Blair Thoreson			Rep Eliot Glassheim		
Rep Joe Kroeber			Rep Clark Williams		

PASSED

Total Yes ____ No ____

Absent ____

Floor Assignment ____

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

78018.0106
Title.

Prepared by the Legislative Council staff for
Representative Carlson
February 9, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 1, line 24, replace "4,110,668" with "356,720"

Page 2, line 8, replace "4,915,965" with "1,162,017"

Page 2, line 10, replace "6,988,955" with "3,235,007"

Page 2, line 18, replace "13,642,636" with "9,888,688"

Page 2, line 27, replace "81,531,029" with "77,777,081"

Page 2, line 29, replace "26,169,736" with "22,415,788"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 601 - Department of Commerce

HOUSE - This amendment reduces funding recommended in the executive budget for tourism marketing and promotion by $3,753,948 from the general fund.

Date: 2/13/07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78018.0106

Action Taken Approved amendment

Motion Made By SKARPHOL Seconded By THORESON

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson	✓		Vice Chairman Ron Carlisle	✓	
Rep Keith Kempenich	✓		Rep Bob Skarphol	✓	
Rep Blair Thoreson	✓		Rep Elliot Glassheim		✓
Rep Joe Kroeber		✓	Rep Clark Williams	✓	

Total Yes 4 No 2

Absent 0

Floor Assignment

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

Prepared by the Legislative Council staff for
Representative Kempenich
February 8, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 1, line 24, replace "4,110,668" with "4,120,668"

Page 2, line 8, replace "4,915,965" with "4,925,965"

Page 2, line 10, replace "6,988,955" with "6,998,955"

Page 2, line 18, replace "13,642,636" with "13,652,636"

Page 2, line 27, replace "81,531,029" with "81,541,029"

Page 2, line 29, replace "26,169,736" with "26,179,736"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 601 - Department of Commerce

HOUSE - This amendment increases the operating expenses line item by $10,000 from the general fund for the Tourism Division's matching of private funds for tourism-related promotions and events involving officially sanctioned statewide pageant titleholders who are over the age of 17. The Tourism Division may provide matching funds on a dollar-for-dollar basis of up to $1,000 for each eligible promotion or event as determined by the Tourism Division.

Date: 2/13/07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78018.0105

Action Taken Approve Amendment by Voice Vote

Motion Made By Kempenich Seconded By SKARPHOL

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson			Vice Chairman Ron Carlisle		
Rep Keith Kempenich			Rep Bob Skarphol		
Rep Blair Thoreson			Rep Eliot Glassheim		
Rep Joe Kroeber			Rep Clark Williams		

Adopted

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

78018.0104
Title.

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations
February 8, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 1, line 2, after "commerce" insert "and the department of career and technical education", remove "and", and after "exemptions" insert "; and to create and enact a new section to chapter 15-20.1 of the North Dakota Century Code, relating to a program to provide grants for innovation"

Page 3, after line 2, insert:

"**SECTION 5. 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 department of commerce for the purpose of performing the tax expenditure report and state business incentive expenditure report pilot projects, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 6. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $70,000, or so much of the sum as may be necessary, to the department of career and technical education for the purpose of funding grants for innovation, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 3, after line 25, insert:

"**SECTION 11.** A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Grants for Innovation. The department shall design and implement a program to provide a dollar-for-dollar match to elementary or secondary teachers or schools and to institutions of higher education for the purpose of funding innovative science, technology, or innovation programs for students in kindergarten through grade twelve. The department shall award the grants on a competitive basis. A grant awarded under this section to an elementary or secondary teacher or school may not exceed seven thousand five hundred dollars and a grant awarded to an institution of higher education may not exceed twenty-five thousand dollars. The matching funds of a grant recipient may come from a public source, a private source, or any combination of public and private sources. The department shall consult with the department of commerce in making award determinations."

Renumber accordingly

Date: 2/13/07
Roll Call Vote #: 34

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78018.0104

Action Taken Approved Amendment by Voice Vote

Motion Made By Carlisle Seconded By Glassheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson			Vice Chairman Ron Carlisle		
Rep Keith Kempenich			Rep Bob Skarphol		
Rep Blair Thoreson			Rep Eliot Glassheim		
Rep Joe Kroeber			Rep Clark Williams		

Adopted

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

78018.0107
Title.

Prepared by the Legislative Council staff for
Representative Glassheim
February 12, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 1, line 2, replace "and" with "to provide a continuing appropriation;" and after "exemptions" insert "; to create and enact a new section to chapter 54-60 of the North Dakota Century Code, relating to creation of the beginning again North Dakota pilot program; to provide for a report to the legislative council; and to provide an expiration date"

Page 3, after line 25, insert:

"**SECTION 9.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Beginning again North Dakota pilot program - Continuing appropriation - Report to legislative council.

1. The department shall implement and administer a beginning again North Dakota pilot program. The purpose of the program is to develop a data base of skills and other assets of communities and residents to be used to advance the internal and external attitude and image of this state and the communities in this state. The department shall implement this program in one city with a population of not more than one thousand five hundred and one city with a population of more than one thousand five hundred but not more than three thousand five hundred.

2. The department shall assemble state and local asset data from a broad range of sources. The sources for data may include the department, Bank of North Dakota, game and fish department, state historical society, Indian affairs commission, job service North Dakota, parks and recreation department, superintendent of public instruction, North Dakota university system, workforce safety and insurance, and state and local public and private entities. The nature of the data regarding skills and other assets may cover a broad range of information that may be valuable to advance the attitude or image of the state and communities in the state. The data may include natural resources, real estate, educational resources, cultural resources, vocational resources, financial resources, and infrastructure resources.

3. The department shall use the information assembled in the data base to assist in strategic plans for development. Additionally, the department may use the information in the data base to assist local developers in strategic plans for development.

4. The department may contract with a public or private third party to provide any or all of the services necessary to implement and administer the program. The department may solicit support and contributions from public and private sources for the purpose of furthering the program. The department may charge a fee for the services provided to the community. This fee may not exceed twenty-five percent of the value of the services offered. The department shall deposit in a special account in the state treasury all funds collected under this subsection. All funds deposited

under this section are appropriated to the department on a continuing basis for the purpose of furthering the program.

5. During the 2007-08 interim, the commissioner shall provide a report to the legislative council regarding the implementation of the program, successes and failures of the program, and whether the program should be continued or be continued and expanded to additional communities.

SECTION 10. EXPIRATION DATE. Section 9 of this Act is effective through July 31, 2009, and after that date is ineffective."

Renumber accordingly

Date: 2/13/07
Roll Call Vote #: 05

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78018.0107

Action Taken Approved Amendment by Voice Vote

Motion Made By Glassheim Seconded By SKARPHOL

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson			Vice Chairman Ron Carlisle		
Rep Keith Kempenich			Rep Bob Skarphol		
Rep Blair Thoreson			Rep Eliot Glassheim		
Rep Joe Kroeber			Rep Clark Williams		

Carried

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Adding $30,000.

get willing communities.

Removing 25% CAP

Date: 2/13/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78018.0104, 78018.0105, 78018.0106, 78018.0103, 78018.0107,

Action Taken Do PASS As Amended

Motion Made By Skarphol Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson	✓		Vice Chairman Ron Carlisle	✓	
Rep Keith Kempenich	✓		Rep Bob Skarphol	✓	
Rep Blair Thoreson	✓		Rep Eliot Glassheim	✓	
Rep Joe Kroeber	✓		Rep Clark Williams	✓	

Total Yes 6 No 0

Absent 0

Floor Assignment Carlson

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

Total all funds	$600,000	$600,000
Less estimated income		
General fund	$600,000	$600,000
FTE	0.00	0.00

[1] This amendment provides funding of $600,000 from the general fund for a web site spider program to identify job listings available in North Dakota. The funds are intended to supplement any federal funds made available to fund this spider program.

REPORT OF STANDING COMMITTEE

HB 1018: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (22 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1018 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "and" with "to provide an appropriation to the department of career and technical education; to provide a continuing appropriation; to provide for reports to the sixty-first legislative assembly; to provide for a report to the legislative council;" and after "exemptions" insert "; to create and enact a new section to chapter 15-20.1 and a new section to chapter 54-60 of the North Dakota Century Code, relating to a program to provide grants for innovation and to create a beginning again North Dakota pilot program; and to provide an expiration date"

Page 1, line 24, replace "4,110,668" with "446,720"

Page 2, line 4, replace "1,518,522" with "652,278"

Page 2, line 8, replace "4,915,965" with "385,773"

Page 2, line 10, replace "6,988,955" with "2,458,763"

Page 2, line 18, replace "13,642,636" with "9,978,688"

Page 2, line 23, replace "2,163,090" with "1,296,846"

Page 2, line 27, replace "81,531,029" with "77,000,837"

Page 2, line 29, replace "26,169,736" with "21,639,544"

Page 3, replace lines 15 through 25 with:

"**SECTION 8. EXEMPTION - STATE EMPLOYEE COMPENSATION ADJUSTMENT GUIDELINES - REPORT.** Notwithstanding the provisions of Senate Bill No. 2189, as approved by the sixtieth legislative assembly, the department of commerce shall develop and implement a system for providing compensation adjustments to its employees for the biennium beginning July 1, 2007, and ending June 30, 2009. The system must provide for the determination of each employee's compensation adjustments to be based on performance, merit, and equity. Of the funds appropriated in section 3 of this Act, the department may utilize up to $428,542 for these compensation adjustments. The department shall provide a report on its compensation system to the human resource management services division of the office of management and budget by December 31, 2007.

SECTION 9. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIRST LEGISLATIVE ASSEMBLY. The total general fund appropriation line item in section 3 of this Act includes $3,000,000 for transfer to the development fund and $50,000 for tax expenditure and business incentive expenditure reports which are one-time funding items. These amounts are not a part of the agency's base budget to be used in preparing the 2009-11 executive budget. The department of commerce shall report to the appropriations committees of the sixty-first legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 10. TRADE OFFICE - MATCHING FUND REQUIREMENT. The total general fund appropriation in section 3 of this Act includes $1,400,000 for funding relating to the North Dakota trade office. The department of commerce may spend these funds only to the extent that the North Dakota trade office provides one dollar of matching funds from private or other public sources for each two dollars provided by the department for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 11. INTERNSHIP PROGRAM - REPORT TO SIXTY-FIRST LEGISLATIVE ASSEMBLY. The department of commerce shall report to the

appropriations committees of the sixty-first legislative assembly regarding the internship program. The report must include information on the program's activities, statistics, and accomplishments to date during the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 12. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $70,000, or so much of the sum as may be necessary, to the department of career and technical education for the purpose of funding grants for innovation, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 13. A new section to chapter 15-20.1 of the North Dakota Century Code is created and enacted as follows:

Grants for innovation. The department shall design and implement a program to provide a dollar-for-dollar match to elementary or secondary teachers or schools and to institutions of higher education for the purpose of funding innovative science, technology, or innovation programs for students in kindergarten through grade twelve. The department shall award the grants on a competitive basis. A grant awarded under this section to an elementary or secondary teacher or school may not exceed seven thousand five hundred dollars and a grant awarded to an institution of higher education may not exceed twenty-five thousand dollars. The matching funds of a grant recipient may come from a public source, a private source, or any combination of public and private sources. The department shall consult with the department of commerce in making award determinations.

SECTION 14. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Beginning again North Dakota pilot program - Continuing appropriation - Report to legislative council.

1. The department shall implement and administer a beginning again North Dakota pilot program. The purpose of the program is to develop a data base of skills and other assets of communities and residents to be used to advance the internal and external attitude and image of this state and the communities in this state. The department shall implement this program in one city with a population of not more than one thousand five hundred and one city with a population of more than one thousand five hundred but not more than three thousand five hundred.

2. The department shall assemble state and local asset data from a broad range of sources. The sources for data may include the department, Bank of North Dakota, game and fish department, state historical society, Indian affairs commission, job service North Dakota, parks and recreation department, superintendent of public instruction, North Dakota university system, workforce safety and insurance, and state and local public and private entities. The nature of the data regarding skills and other assets may cover a broad range of information that may be valuable to advance the attitude or image of the state and communities in the state. The data may include natural resources, real estate, educational resources, cultural resources, vocational resources, financial resources, and infrastructure resources.

3. The department shall use the information assembled in the data base to assist in strategic plans for development. Additionally, the department may use the information in the data base to assist local developers in strategic plans for development.

4. The department may contract with a public or private third party to provide any or all of the services necessary to implement and administer the program. The department may solicit support and contributions from public and private sources for the purpose of furthering the program. The department may charge a fee for the services provided to the community. The department shall deposit in a special account in the state treasury all funds collected under this subsection. All funds deposited under this section are appropriated to the department on a continuing basis for the purpose of furthering the program.

5. The two cities shall be willing to participate and provide significant financial resources to provide for the costs of the pilot program.

6. During the 2007-08 interim, the commissioner shall provide a report to the legislative council regarding the implementation of the program, successes and failures of the program, and whether the program should be continued or be continued and expanded to additional communities.

SECTION 15. EXPIRATION DATE. Section 14 of this Act is effective through June 30, 2009, and after that date is ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Summary of House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Board for Career and Technical Education			
Total all funds	$0	$70,000	$70,000
Less estimated income			
General fund	$0	$70,000	$70,000
Department of Commerce			
Total all funds	$81,531,029	($4,530,192)	$77,000,837
Less estimated income	55,361,293		55,361,293
General fund	$26,169,736	($4,530,192)	$21,639,544
Bill Total			
Total all funds	$81,531,029	($4,460,192)	$77,070,837
Less estimated income	55,361,293		55,361,293
General fund	$26,169,736	($4,460,192)	$21,709,544

House Bill No. 1018 - Board for Career and Technical Education - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Grants		$70,000	$70,000
Total all funds	$0	$70,000	$70,000
Less estimated income			
General fund	$0	$70,000	$70,000
FTE	0.00	0.00	0.00

Dept. 270 - Board for Career and Technical Education - Detail of House Changes

	ADDS INNOVATION GRANTS FUNDING [1]	TOTAL HOUSE CHANGES
Grants	$70,000	$70,000
Total all funds	$70,000	$70,000
Less estimated income		
General fund	$70,000	$70,000
FTE	0.00	0.00

[1] Sections are added requiring the Department of Career and Technical Education to implement an innovation grants program and appropriating $70,000 from the general fund for innovation grants.

House Bill No. 1018 - Department of Commerce - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	$8,617,235		$8,617,235
Operating expenses	13,642,636	($3,663,948)	9,978,688
Capital assets	25,000		25,000
Grants	48,374,748		48,374,748
North Dakota Development Fund	3,000,000		3,000,000
Discretionary funds	1,450,127		1,450,127
Economic development initiatives	2,163,090	(866,244)	1,296,846
Agricultural products utilization	2,808,193		2,808,193
Economic development grants	50,000		50,000
North Dakota Trade Office	1,400,000		1,400,000

Total all funds	$81,531,029	($4,530,192)	$77,000,837
Less estimated income	55,361,293		55,361,293
General fund	$26,169,736	($4,530,192)	$21,639,544
FTE	73.00	(9.00)	64.00

Dept. 601 - Department of Commerce - Detail of House Changes

	REMOVES CAREER OPPORTUNITY FUNDING [1]	ADDS CAREER POSITION [2]	ADDS INTERNSHIP FUNDING [3]	REDUCES TOURISM PROMOTION FUNDING [4]	ADDS FUNDING FOR TOURISM EVENTS [5]	ADDS FUNDING FOR REPORTS [6]
Salaries and wages						
Operating expenses				($3,753,948)	$10,000	$50,000
Capital assets						
Grants						
North Dakota Development Fund						
Discretionary funds						
Economic development initiatives	($1,226,244)	$160,000	$200,000			
Agricultural products utilization						
Economic development grants						
North Dakota Trade Office						
Total all funds	($1,226,244)	$160,000	$200,000	($3,753,948)	$10,000	$50,000
Less estimated income						
General fund	($1,226,244)	$160,000	$200,000	($3,753,948)	$10,000	$50,000
FTE	(10.00)	1.00	0.00	0.00	0.00	0.00

	ADDS FUNDING FOR BEGINNING AGAIN PROJECT [7]	TOTAL HOUSE CHANGES
Salaries and wages		
Operating expenses	$30,000	($3,663,948)
Capital assets		
Grants		
North Dakota Development Fund		
Discretionary funds		
Economic development initiatives		(866,244)
Agricultural products utilization		
Economic development grants		
North Dakota Trade Office		
Total all funds	$30,000	($4,530,192)
Less estimated income		
General fund	$30,000	($4,530,192)
FTE	0.00	(9.00)

1 This amendment removes the funding and positions added in the executive budget to provide students and their parents information about North Dakota career opportunities.

2 Funding is added for 1 FTE position and related operating expenses to administer the career promotion in workforce deficient industries program and the internship program.

3 Funding for internships for postsecondary students is increased to provide a total of $600,000 from the general fund. A section is added requiring the department to report to the 61st Legislative Assembly on the status of the internship program.

4 This amendment reduces funding recommended in the executive budget for tourism marketing and promotion.

5 This amendment adds funding for the Tourism Division to match private funds for tourism-related promotions and events involving officially sanctioned statewide pageant titleholders who are over age 17. The Tourism Division may provide matching funds on a dollar-for-dollar basis of up to $1,000 for each eligible promotion or event as determined by the Tourism Division.

6 Funding is added for the tax expenditure report and business incentive expenditure report pilot projects.

7 Funding is added for the department to contract for services relating to the beginning again North Dakota pilot program.

Sections are added that:

- Require the North Dakota Trade Office to raise $1 of matching funds from private or other public sources for each $2 of funds provided by the department.

- Identify the one-time funding included in the budget and provide for a report to the 61st Legislative Assembly of the agency's use of the one-time funding.

- Provide the department an exemption from the state employee compensation adjustment guidelines included in Senate Bill No. 2189 and require the department to provide 2007-09 biennium salary increases to its employees based on a system considering each employee's performance, merit, and equity. The department is to report to the Human Resource Management Services Division of the Office of Management and Budget by December 31, 2007, on its compensation system.

- Provide for the department to implement a beginning again North Dakota pilot program for the 2007-09 biennium.

Section 8 of the bill relating to the Dakota Manufacturing Initiative is removed.

REPORT OF STANDING COMMITTEE

HB 1020: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (22 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1020 was placed on the Sixth order on the calendar.

Page 1, line 3, after "farm" insert "; to amend and reenact section 24-02-03.3 of the North Dakota Century Code, relating to the central motor pool" and after "funds" insert "; to provide for a study; to authorize hemp seed procurement; to provide an exemption"

Page 3, line 5, replace "3,149,956" with "4,214,956"

Page 3, line 7, replace "2,942,718" with "4,007,718"

Page 3, line 9, replace "2,098,685" with "3,163,685"

Page 3, line 12, replace "695,428" with "770,428"

Page 3, line 14, replace "207,631" with "282,631"

Page 3, line 17, replace "11,026,610" with "11,002,726"

Page 3, line 19, replace "60,980" with "37,096"

Page 3, line 22, replace "11,242,066" with "10,276,066"

Page 3, line 23, replace "(3,401,489)" with "(2,951,489)"

Page 3, line 24, replace "14,643,555" with "13,227,555"

Page 3, line 31, replace "(405,724)" with "(155,724)"

Page 4, line 1, replace "612,491" with "762,491"

Page 4, line 2, replace "1,223,750" with "1,319,750"

Page 4, line 3, replace "2,868,839" with "3,364,839"

Page 4, line 5, replace "2,271,775" with "2,767,775"

Page 4, line 10, replace "19,282,626" with "19,478,742"

Page 4, line 11, replace "9,522,373" with "9,972,373"

Page 4, line 12, replace "28,804,999" with "29,451,115"

Page 4, line 22, replace "40,692,455" with "41,757,455"

Page 4, line 24, replace "41,322,455" with "42,387,455"

Page 4, line 26, replace "17,456,831" with "18,521,831"

Page 4, line 29, replace "2,598,111" with "2,673,111"

Page 4, line 31, replace "1,118,392" with "1,193,392"

Page 5, line 3, replace "27,479,547" with "27,455,663"

Page 5, line 5, replace "1,223,884" with "1,200,000"

2007 SENATE APPROPRIATIONS

HB 1018

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 02-22-07

Recorder Job Number: 3687

Committee Clerk Signature

Minutes:

Chairman Holmberg opened the hearing on HB 1018 with roll call.

Shane Goettle, Commissioner, Department of Commerce, distributed written testimony on HB 1018, testifying in support of HB 1018. He introduced his staff, read his testimony presenting an overview of the Department of Commerce, described what the bill would do, and responded to questions.

Senator Robinson questioned the day care portion, its impact, the ability to move forward and whether commerce should be more involved.

Paul Lucy, Director, Division of Economic Development and finance, presented written testimony and testified in support of HB 1018. He focused his testimony on the big ticket items; ND Developmental Fund, the Dakota Manufacturing Partnership, the North Dakota trade Office, APUC (Agricultural Products Utilization Commission), the Business Development and Research.

Senator Krauter asked that Mr. Lucy provide the committee with a balance sheet of the development fund for each year.

Senator Seymour asked abou the current theory in economic development incentives.

Sara Otte Coleman, Director, Division of tourism, presented written testimony testifying in support of HB 1018, discussing the tourism programs and budget. She discussed the

marketing of North Dakota, what has been done and what could be done with what is in place, themes in advertising, what is being done to get more visiters to North Dakota and urged restoration of funds.

Senator Robinson indicated we are making headway thorugh tourism but why is the budget flat in light of the success.

Jim Hirsch, Director, Division of Workforce Development, presented written testimony and testified in support of HB 1018 discussing Workforce Development Programs and budget. He discussed what his division is responsible for, what the challenges are, what they will continue to do, Americorp

Senator Robinson indicated that prior to the session he had individuals discuss the shortage of workers across the state. Some indicate the existing companies should train current workers to fill positions, how do you respond to this. The response in ND has in place a number of components to be successful system, a coordinated workforce intelligence to have hard information to work on to identify needs, and in the demographic area to target individuals. One serious gap is how to help individuals in low wages and jobs where underemployed to get training in higher demand positions.

Senator Robinson indicated the human capital issue is so critical and it seems we are trying to make progress when other states are doing the same thing.

Senator Grindberg indicated there needs to be an honest realignment of the dollars wee need to moved away from career announcements and promote in state companies and opportunities that exist. In response, the department was not aware of states doing career promotion.

Senator Christmann indicated when career opportunities are identified, do we have adequate training for those people or do we excite them about a career and find out there are no slots open anyway.

Chairman Holmberg indicated that the subcommittee, Senators Grindberg, Holmberg and Robinson will be working on this along with job services to see what kind of programs are already out there which will help as we move the bill forward.

Lt. Governor Jack Dalrymple discussed the idea of having ten positions in Commerce to respond to this need. There is a definite work force crisis in ND today and it iis holding back the growth of our economy and the problem will get worse. We looked at ways to solve the problem, trying to recruit people to ND. The greatest area of potential is our own high schools. There are some systemic problems with the way young people find out about career opportunities. We can show them opportunities sooner. We have discovered a model that has been working. If we provide challenge grants to industries, we have found they have been successful in going out and working with high school counselors in promoting jobs, and we believe we can do much more of this. We have changed our approach to this to apply funds to more challenge grants to go in a matching situation with workforce deficient industries, like petroleum, health care technology, nursing, trucking, welding, residential construction. There are at least ten industries that will cooperate with us. Job service has been an ally in this. They have distributed some funds already. He then discussed the funding that would be appropriate.

Paul Govig, Director, Division of Community Services, presented written testimony and testified in support of HB 1018 discussing community services programs and budget. He brought attention to the charts found on pages 7, 8 and 9, centering on the divisions budget for 2007-09. In a nutshell he indicated that by providing the funding in this budget they can access another $52 million in federal funds.

Shane Goettle, Commission, discussed innovation and technology programs and budget before presenting his closing remarks.

Senator Robinson questioned whether the department has the potential to partner with the corrections department.

Senator Tallackson indicated he would like to see a better partnership between the regional councils and the commerce department. The response was the department works very hard with all of the regional councils.

Several questions and comments were raised regarding; who is cable net, what the foundation has been up to in the last year or two, clarification of the house changes, the tax incentives, the business incentives, the funding of job services, the pilot project for tax incentives and whether we are getting the value for the dollars, the benchmark updates, the average annual wages, someone from outside doing an evaluation.

Gaylon Baker, Board Member of Economic Development Association of North Dakota, presented written testimony and testified in support of HB 1018. The booklet Economic Development Assn of ND was distributed.

Questions were raised as to how the Economic Development Assn is funded. The response was through memberships.

Randy Schwartz discussed the Dakota Manufacturing Extension Partnership, provided a list of manufacturing partnership companies.

Senator Christmann asked about the low products per worker and if that was because of the workers or because of the companies.

Susan _____ thanked the members of the committee as the $700,0000 appropriated has helped to generate $40 million of other funding. They are creating interest in jobs for ND graduates.

Bill Shalhoob , Chairman, tourism Alliance Partnership, distributed written testimony and testified in support of HB 1018, discussing tourism and the alliance partnership and the funding appropriation.

Additional testimony was distributed from those who did not testify.

Cole Curley, testified about funding tourism indicating there should be aggressive pursuit of tourism for every $1 invested in tourism, $4 comes back to ND.

Julie Rygg, Executive Director, Greater Grand Forks Convention and visitors Bureau, presented written testimony and testified in support of HB 1018.

Teri Onsgard, Director, Sales for the Fargo-Moorhead Convention and Visitors Bureau, President, Destination Marketing Association of ND, presented written testimony and testified in support of HB 1018.

Randy Hatzenbuhler, President, Theodore Roosevelt Medora Foundation, presented written testimony in support of HB 1018.

The subcommittee hearing on HB 1018 was closed.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-12-07

Recorder Job Number: 4930

Committee Clerk Signature Alice Delzer

Minutes:

Chairman Grindberg opened the subcommittee hearing at 4:00 pm on March 12, 3003 regarding Department of Commerce. He stated our goal here concerning HB 1018 and HB 1027 as companion bills there could be some referring back and forth but I clearly think the subcommittee can take them as a package. We'd like to start on the tourism division today. I am quite confident it will take us another week. The big issue I see is the Lodging Tax defeat in the House and am looking to the testimony for any other requests and asked Sarah to do an overview.

Sarah, Tourism Division stated they want the $3.7 million back into the budget that was in the original governor's request since the lodging taxes are not going to be in existence any more. She stated they have measured return of investment 4 years in a row in our advertising campaign and the most recent year was 2005 and that year we invested $1.08 million in paid advertising and we were able to show that we generated 645,700 new trips to North Dakota and those folks spent $83 million so that showed a return on investment for every dollar we spent we got $81.35 in that nine month period. Our average advertising starts in March and we'll conclude our advertising in the fall. She shared more information regarding the 1% lodging tax, her goal to get the money into advertising.

Senator Grindberg asked if the House got the decimal point wrong on the amendments. He was informed they were working off a worksheet that showed the increased funds for two of the marketing promotions. We had two Lewis and Clark Funds, we had a line item a combination of salary and program dollars where we had the Lewis and Clark Program 3 bienniums ago. Then the 1% also had that Lewis and Clark language in the bill when it passed so that is a combination of both of those funds. When the governor decided to fund it with the general fund dollars we got rid of the 1% line item, because we don't need that. What we need dollars is in marketing areas. The Legislative Council prepared a green sheet for us. Senator Grindberg had questions regarding the lodging tax, where it was used, the Lewis and Clark marketing issue is pretty much past us, and the recommendation from the governor's budget.

Sarah informed him that the testimony that she gave identified under the cultural and heritage tourism area that is where we will move those Lewis and Clark dollars. There are 5 theme areas: Wildlife and Wonders; Ranches, Farms and Gardens; Lewis and Clark History; Heritage (American Indian, Military, Fur Trading, and all those historical cultural themes);and Arts and Entertainment. Our vision is that we have these Lewis and Clark dollars and we did a hospitality training program on Lewis and Clark but we need to have a statewide hospitality training program. The $3 million is basically out of state marketing.

Senator Holmberg had questions directed to Becky from Legislative Council regarding the budget. He stated every one has gotten credit now, both House and Senate for either passing taxes and raising money by us passing the lodging tax or the House killing it, reducing the amount of money, and every one has gotten credit for the $3.7 removed from the budget, but if we were to restore that $3.7 million and nothing else happened then our ending fund balance would go from minus $362 million and add the 3.7 to that. He was informed that is correct.

Senator Robinson asked where the $3.7 million in comparison to the current biennium again. He was informed it is exactly even. He had questions regarding the governor's budget in relation to the lodging tax, which is defeated. He also gave information regarding the Sheyenne Valley, Little Yellowstone and other areas near or around Valley City that normally are not considered hot tourism spots but antique shops and craft shops are springing up in that area and it is becoming quite a tourist attraction and he stated that advertising has a great impact on the growth of tourism. It is turning into quite a hot spot for tourism.

Shane Goettle, Department of Commerce stated they visited with the House concerning these matters. We anticipate cooperation with the House concerning the restoring of these funds.

Sandy. OMB stated they did consider it an increase in regular marketing efforts.

Chairman Grindberg stated to Sarah she is very good at compiling statistics and economic impact. Have we done anything to reanalyze in regards to the Lewis and Clark Program?

Sarah We've done what we could at this point. The difficulty was that the Lewis and Clark promotions began about the same time as our legendary campaign and we didn't have enough money in two different pools to really run two separate campaigns. We do know we had 3. 9 million visitors to the 22 attractions along the trail during those bicentennial years and we know that we have 24 new projects that came about infrastructure and enhancements along that Missouri River corridor.

Chairman Grindberg had questions regarding out of state marketing and asked what South Dakota does. He picked up copy of Midwest Living and saw advertising by South Dakota regarding tourism and stated they had a very nice piece. He was informed that they will have to look at prioritizing. It continues to be our major goal and objective.

Senator Robinson stated we are looking at maintenance of effort. We felt in Valley City we are one community that really reaped the benefit of this effort. He also had questions regarding advertising at rest areas and talked about the Rose Bud Chamber of Commerce Center in Valley City.

Shane Goettle stated that the tourists are looking for more hands on types of experiences in tourism.

Sarah stated they added Wisconsin last year, we added tv in Canada, it is really a science in determining how we best spend our money regarding advertising. Each fall they meet and give opportunities to advertising media to come along side and work with them in advertising. Brochure was provided to Chairman Grindberg. Dot works with them concerning advertising in rest areas. South Dakota pays about double what we pay for advertising. There was further discussion regarding HB 1027 and the Centers of Excellence programs, the Workforce program and the involvement of the tax department.

The subcommittee hearing on HB 1018 closed.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-13-07

Recorder Job Number: 4970

Committee Clerk Signature Alice Delzer

Minutes:

Chairman Grindberg opened the subcommittee hearing at 11:00 am on March 13, 2007 regarding Department of Commerce Centers of Excellence. Senator Holmberg was also present. Senator Robinson was not present as he made a trip with the Governor to the Veteran's Home in Lisbon. Chairman Grindberg stated our intention is to meld HB 1027 into HB 1018 as the economic bill on the Senate side and so just a heads up as we continue through our subcommittee process and we should have some discussion on the current version in 1027 related to Centers of Excellence in 1027. He then asked Shane to give the subcommittee current information regarding HB 1027.

Shane Goettle, Department of Commerce explained the current information in HB 1027 and walked through the proposal of changes.

Senator Holmberg asked if this proposal had been in effect this past biennium how many of the Centers of Excellence that were passed would not have met muster.

Shane Goettle stated there were 3 buildings that were passed out of the Centers of Excellence, they were 1 at BSC and 2 at UND. That would have been on the Infrastructure side. On the Workforce side it's a little hard to designate something as Workforce Training. I get to Valley City and customized software, and it's a little different kind of training we are accustomed to and yet this is the very kind of thing that Eagle Creek and the other partners

that the Valley City proposed to work with needed so is it Workforce Training or is it really all about innovation. BSC's building is also clearly about training students to work in the energy sector. The energy sector had come on board prior to Centers of Excellence meeting and they have a huge need in the energy industry, which I think is critical because it is estimated that 50% of the workforce in the energy industry is set to retire in the next 3 to 10 years and in order to replace that workforce we have an acute need to do some innovative things with BSC. The Web lab has some real commercial potential as well as the unique product that is being put into the building in terms of the demonstration projects. WSC's project gets us the closest description of Workforce Training concerning the oil industry. They are still installing some infrastructure in a way of training students how to work the rigs.

Chairman Grindberg stated we will start Workforce this afternoon and our goal is to tie the Workforce division with job service and vocational education. He stated he looks to Eddy Dunn to comment on this matter. He asked if in his opinion on the Workforce part and Centers of Excellence if Legislature agrees with what the Senate passed for increased funding for Workforce training of $2.65 million added to the $1.3 million in the governor's budget and the $1 million, presumably $500,000 per campus times 4, or rather $250,000 per campus, that's a sizable increase for the two year colleges for Workforce training, if we removed the Workforce training eligibility entirely and said no Centers of Excellence funding for Workforce training would that increase in the vocational ed budget or SB 2249 addressed adequately. Would that be sufficient and it would clearly align Centers of Excellence with technology and commercialization and there still would be an opportunity with the 4 2 years to come in for Centers of Excellence applications. Devil's Lake would be one example. It wouldn't restrict but wouldn't provide opportunity for training under Centers of Excellence.

Shane Goettle stated what was appealing to the universities regarding Workforce training was dollars that came available in order to meet those needs. When you talk about the other funds that are available if the features of the Centers of Excellence Program could be replicated in a Workforce setting so it would be flexible and could meet needs on an ongoing basis it is hard to predict right now what our Workforce needs are. The keymark for any program is flexibility.

Senator Holmberg said he suggested that one of the major issues of unhappiness amongst some was the Workforce training component that became part of the Centers of Excellence argument and debate. He also stated that what the commission did and what the budget section did in the end was perfectly legal under what we had passed. Others said that it was not legal. If the Workforce training component can be removed as one of the major areas of Centers of Excellence it will help with the feelings some of the legislators have concerning this bill.

Shane Goettle further explained under the 10 and 10 formula, BSC's project would come out as an infrastructure project because more than 50% of the funds were going into the building, leaving only 2 projects considered to be training and that is $2 million provided VCS and the $455,000 that's provided to Williston. Under the $2 million the cap has been proposed in here so if the $2 million cap was proposed we'd probably end up with much the same results in terms of the Workforce side.

Senator Holmberg stated he was not a fan of subsection 5. I don't know why we need to try to put this inflexible scripture on the program. It should be left open because of the changing environment that we find ourselves in. We are talking about legislating for some 30 months from now, and we don't know what's going to be out there. We have to be careful in limits that have no research.

Shane Goettle agreed. He talked about the 1st draft in HB 1027, the numbers were 25 and 25. When I walked through the draft with Representative Berg he said that is too generous, we'll go 10 and 10. The other observation I would make about these 3 items: Commercialization, Workforce and Infrastructure is we have a whole set of criteria, 9 of them. Of those criteria were specifically inserted into the applications so the applicants were then put into a position of responding to each of those legislative criteria demonstrating to the commission how they were going to meet them. Among the 11 projects that we funded, Devils Lake for example, the private sector partners are tapping into the college to train the consumer on how to implement the technology in the field. He talked more about commercialization, research and development. My point is I'm not sure that everything that everything sits legally under these 3 items.

Senator Holmberg stated the reason he is exploring this area we have to agree with the House and from a strategy point to remove Subsection 5 without proper language regarding Workforce training a bigger sell.

Eddy Dunn, Chancellor Higher Education talked about the desired outcome of Centers of Excellence. It is to help create new private sector businesses and high paying jobs in the private sector. That's what drove the thinking concerning eligible projects. We were very careful about saying the criteria for the applications had to meet language of the law. The 2nd point is how does this best work to impact the entire state? If it was strictly technology commercialization you would stay with the two research institutions. When the governor was going around the state talking about Centers of Excellence and it's opportunities he was really talking about opportunities for all the institutions to at least have a chance to be a player and be competitive in terms of doing it. There were conversations in the governor's office to get clarification of what that is. The understanding then is an applied commercialization and that's

where the projects we are talking about at Devils Lake, Williston, Dickinson and Valley City become eligible because now you are taking technology and concepts and applying them. We'd have to do a little work concerning the 4 year schools.

Shane Goettle explained the changes in HB 1027.

Chairman Grindberg asked if DSU is an infrastructure application. He also asked about the hiring of independent consultants and would $500,000 be the amount for that. He was informed yes. He had questions regarding rounds of applications and if they are every quarter. He was informed that there were 3 rounds last biennium. About every 4 months there was a funding round.

Shane Goettle shared information regarding FTE's, business incentives, audit each year from the Centers of Excellence, annual report system working with the Department of Commerce due every December, it is a form of 10 to 15 pages that collects data and information about what the centers are doing, a quarterly narrative update, we've collected 11 of those and are preparing an annual report on the Centers of Excellence Commission.

Chairman Grindberg asked if it is weighed to job creation or new investment and capital expansion. He was informed it is all of it. Jobs are certainly a component. Some things that are hard to measure. Chairman Grindberg asked if it would be overkill if we had Council come up with some language that verified or put in statute that Centers of Excellence funding is not a business agreement or do you feel there is enough clarity now with all parties.

Shane Goettle stated they worked with the Attorney General's Office on that conclusion that there were no business incentives actually going out. It is kind of awkward to have it in there because it still raises questions and transitions may come up again. We are comfortable as it is but if there is some interest in cleaning it up we would welcome that. They would be happy to propose some language to his effect.

Chairman Grindberg stated he will direct Council to work with the Attorney General's Office and we can handle it through the Legislative Council process. We have the opportunity we will clean it up if we can. He stated this is a committee of one at this time.

Shane Goettle stated that for the record Mary Kay Kelsch is the attorney their office has been working with on the Centers of Excellence Program.

Mark Nisbet, Chairman of Centers of Excellence Commission and as part of the Economic Development Foundation and Principal Manager for Xcel Energy in North Dakota presented written testimony (1) and gave oral testimony regarding HB 1018. He stated it is his great pleasure to have a number of private sector partners in the room today and they would be glad to testify He wanted the subcommittee to know that these business people took the time to come and address these committees and they very truly feel that this is positioning North Dakota for a positive future. He stated HB 1027 also contains other changes that the Centers of Excellence Commission have specifically come out against. This includes creating 3 separate designations for Centers; commercialization, workforce, and infrastructure. Centers of Excellence are about partnering our universities and colleges with the private sector to create jobs and grow our economy. I ask for your continued support of the Centers of Excellence program.

Chairman Grindberg said he is sure these business people that are here today are champions and experts in their field and I recognize that. He stated they did not need to testify because he already is aware of how important their role is in the program. At this time Eddy Dunn came into the room and information was shared concerning Senator Robinson having to travel today with the governor to Lisbon to the Veteran's Home and Senator Holmberg was called out for a leadership meeting, Since he was the only one left in the committee, he did not expect anyone to testify, because they don't have to sell him on what they do.

Eddy Dunn stated the one thing he would like to make public is that Commissioner Goettle and I went through the changes in the bill and you will notice it transfers the administrative responsibilities for Centers of Excellence from State Board of Education to the Department of Commerce. I would like to say that, for someone who has a responsibility and a long term interest in higher education that would not happen if we did not have the trust and we're not willing to let that happen and so I would just say I hope that speaks volumes in terms of our desire to, at least from speaking for higher ed, to be a strong, trusting partner with the folks in economic development and the Department of Commerce, so I would like to go on record.

Shane Goettle said in the other hearing this morning, for your information, one of the first questions to Ron Rashenberger on behalf of the governor's office was why did the Senate remove the dollar amount they did. We leave that to you to amend.

Chairman Grindberg said it is well noted it is between the House and the Senate. We felt it should be in Commerce budget. This committee will meet on 03-15-07 hearing was closed.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-14-07

Recorder Job Number: 5058

Committee Clerk Signature

Minutes:

Senator Grindberg opened the subcommittee hearing on HB 1018.

Paul Govig indicated the appropriation amount is $52 million and of that amount most of that is federal dollars with 3% requested from the general fund which is about $1.3 million. This is similar to last biennium with a slight increase in general fund dollars due to the 4/4 employee raise. There are no new FTE's and no new programs for services.

Senator Grindberg questioned insight into the federal agencies and the Renaissance Zone and the required reports to the Economic Development Committee.

Shane Goettle indicated there is a strong lobby to keep the CDBG. He indicated he is not seeing any changes there. The budget pressures could put some pressure on to reduce those dollars, but he is not aware of any.

Paul Govig indicated that with the Community Development Block Grant there is a significant amount of support nationwide. Now that that initiative is gone, there is not as much pressure. It is expected to be similar to the past about $6.5 million out of that program each years. The CDBG is directed more to the services of the community action agencies and that has a bit of downward pressure.

Shane Goettle indicated on the green sheet there was a reduction in dollars and that is our best guess estimate of what will be received. That number changes in Washington and we try

to remain closed to what we will get, but it is not always right on. If we need additional spending authority for federal funds, we go to the emergency commission.

Paul Govig indicated he had an inquiry from Clara Sue Rice for $100,000 that has been proposed in a separate initiative that serves the homeless coalition and they in turn apply for HUD grants for activities in the state. She asked me if the Department of Commerce should be in the position of administering that. His response was that for $100,000 it is too expensive for us to take on.

Paul Govig then discussed the Renaissance zones indicating there are 34 committees with zones and by the next session this may double. There are 465 renaissance zone projects that have been approved.

Senator Robinson indicated in his community there are a number of upscale condos approximately $230-$240 thousand range. He was asked a question about a specific tax incentive for that property and the people implied this was a renaissance zone project. The response was that would not be in the renaissance zone. The purpose of the renaissance is to develop projects not done without assistance.

Senaotr Robinson reference energy assistance for state facilities and are working with the Bank of North Dakota earmarked dollars that might be better used in other state facilities. The response was the Bank of North Dakota is generating a significant amount of income and they have the capacity to put those in the building with your approval. Typically on state buildings, they don't have that possibility to do it. We are able to come in, enhance the building with some upgrades and drive down the energy costs, saving taxpayers dollars.

Senator Robinson questioned with the health department waiting for a grant and we are saying no and we have the Bank of North Dakota and are putting money there. We have other state facilities without capacity to generate dollars

Mr. Goving indicated that to this point, they have not had to turn down buildings, we have answered the call where we could.

Senator Grindberg questioned building new construction in the renaissance zones. The response was it can be new construction in the Renaissance zones.

Senator Robinson indicated there had been some discussion of property tax in some political subdivision indicating it is not fair and there would not be an issue if we didn't provide funds.

Senator Holmberg questioned the brownstone in Grand Forks and Mr. Govig indicated he would get that information.

Senator Grindberg closed the subcommittee hearing on HB 1018.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-21-07

Recorder Job Number: 5422

Committee Clerk Signature

Minutes:

Senator Grindberg called the subcommittee to order for HB 1018.

Paul Lucy, discussed key points on the budget regarding the development fund indicating investments have been made in companies over the past few years. The ND Trade Office has shown some significant impact over the first few years. The manufacturing extension partnership has had a small increase to expand services across the state. There is a business development staff that centers on that. He indicated in just returned from a meeting in Washington DC on innovation and technology and how that needs to move into the business world in the US and how the businesses can be more competitive in a global economy. Business development staff gets involved in a variety of areas. There is a shortage of workers in the state and how much business development is necessary concerning that issue. This is an issue across the country they indicated we have to be more aggressive with business development. Senator Robinson questioned the challenge of finding employees. Some are suggesting more emphasis be switched to that segment, need, challenge, at least for the short term, to respond more aggressively then we have and less emphasis on the need to recruit new business to the state. The response was that is a great question and we are directly involved in not only doing business development and supporting existing businesses and start up in the state along with recruitment efforts, but also for recruiting people back to the state of ND. We can't back away from business development.

Senator Robinson indicated there are two separate issues. From a resource perspective if we don't have enough resource in area of employee growth development etc., some are suggesting we shift resources. The response was one issue is out migration. There are jobs in ND but still a lot of out migration. When we talk about the business recruitment aspect, we are active in the startup companies, but in recruiting individuals graduating from college we are not considering spouse and in the out migration, we ultimately are loosing 4-5 people.

Senator Robinson asked if we are overly traditional in our state. I had employee groups ask me if we want to move forward. The response was diversification of the economy is necessary. We have to do things to diversify so we are not dependent on a particular industry or particular company.

Additional discussion took place regarding the processing of recruiting companies, employees, the image of North Dakota or Midwest and opportunities available.

Senator Grindberg asked that Paul describe a particular day in the Commerce Department and an example was provided. (tape 15.12)

Senator Grindberg called Susan on a Conference call asking her to describe the trade office efforts and options to be considered with this section of the bill, amendments, flexibility etc.

Susan indicated the trade office is 18 mo old and was organized for the purpose of increasing export volume in ND. Export volume is increasing at rate of about 30 percent, twice the national average. It is the feeling of the trade office that we are only the tip of the iceberg and we have a lot of opportunity above us. We would like to turn up the heat, if possible. We have 18 months of trial in terms of things we think work and don't work. The things that work are in next year's budget. With $1.4 million requested it will go toward nine trade missions, three reverse missions, 27 trade talk seminars which are designed to educate and advocate in ND, and one global conference. She indicated she requested at the last conversation for an additional $208,000 to hire 12 export assistants. What the export assistants do is

hire graduate students of international business or foreign students studying in ND and train them to be international managers and place them in export businesses for a period of time in hopes they will be offered a job in that company and that has worked well us. The challenge we have is if we are goiong to affect capacity in ND we need to perfect the model and turn that into 50.

Senator Grindberg clarified the $208,000 and the amount of private money to operate. It was indicated that for every $1, $2 comes from state. The trade office needed to use the amount raised before the state funds. As it stands now, I don't pay payroll until the state money comes in.

Senator Grindberg asked what we require as a match (any thing not state money). What about in kind support. The response was there has been no discussion of in kind support.

Senator Grindberg asked if she had any ideas on that. The response was they could garner in kind support from the Universities. The International Business Resource community already gives us a significant amount of in kind in terms of services and if that could be counted, that would be great.

Senator Robinson asked for additional testimony on the nine trade missions and three reverse missions and how does that compare with what done. The response was if you look at the current biennium, we were on plan to complete five trade missions; we actually completed six and did not do any reverse missions. We want to continue to build that relationship. When we go on a trade mission, we do the research first in terms of countries we believe have the greatest opportunities for ND companies. We do not bring any companies unless they have an identified opportunity overseas.

Senator Robinson asked if she was comfortable with that mix. The response was it is what we can do with the money we have. Yes, I am comfortable today.

Senator Grindberg asked how comfortable is the match issue, in the house. The response was not at all because they like the match issue. The challenge we face next time is a number of entitities are going back to these companies.

Senator Grindberg questioned if we remove the match requirement would you continue to receive private sector funds. You have short time frame to reach goals. The response was she would be comfortable with but to have that pressure off is a different challenge.

Senator Robinson questioned a company that is currently exporting and whether they are being worked with by the trade office.

Dean _____ had discussed the ND Development Fund and discussed the last appropriation, the revolving loan fund and indicated this is self sustaining. He then discussed this fund.

Senator Robinson indicated this is good information and it is interesting to have the outstanding commitments listed. Could you quickly go through the lists telling where they are?

In the Development fund is a project by Walhalla, a ski lodge; in Grand Forks is a water park; Jamestown has Dakota Cabins; Snow Bear is a company in West Fargo; Site Bed is in Grand Forks; Hensley Aircraft, Devils Lake; Dakota Seed, Ross, ND; Gates Manufacturing, is ag products, Lansford; Dakota Micro, is a camera to put on tractors, Genesceo; Northwood Mills is in Northwood. He continued through the list.

Senator Robinson indicated a lot of people think this is in the big four cities and its not.

Senator Grindberg asked Becky if there is a document on the dollars in 1027 and the executive recommendation for PACE and what other funding in the original 1027 and where is it today.

Paul _____ indicated that their efforts in recruiting are as much about existing companies in the state.

Senator Grindberg adjourned the subcommittee hearing on HB 1018.

Adjourn.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-22-07

Recorder Job Number: 5465 ?

Committee Clerk Signature

Minutes:

Vice Chairman Grindberg opened the subcommittee hearing on HB 1018 dealing with the Dept of Commerce, APUC.

A Conference call was placed with Rod, of the grape growers.

Rodney Hogen introduced Greg Kreeger, Rudy Radtke, all on the board of directors for the grape growers association as well as Harley Hetterman from NDSU. He indicated one of the biggest challenges in North Dakota is our climate when it comes to growing grapes. We have had some varieties in the past that are being developed by the University of Minnesota that are giving us a start in the process of growing some grapes we can make into wine. However, there needs to be more research into varieties that will be totally committed to our state that will grow in this type of climate where we need early harvests, a low ph and get the acid down for us. The biggest challenge is to get an early grape to produce good wine. It takes longer then a year or two. We are looking for a long range program. The wine industry in every other state is not just looking at wine products, it effects the economy of the state.

Harley was asked to talk about how you see that project starting, with the particulars and maybe the first goals. She indicated there are private breeders that have some materials available and what we want to

do is get that in trials and it would give us the opportunity to look at other materials that is available and look at methods to provide winter hardiness, increase winter survival with out taking down vines, and covering them up because that is very labor intense. We could create a micro climate that would allow us to go and have some vines that are marginal (zone 4 or 5) and maybe grow them successfully. Some of the other aspects we want to look at are ways to hasten the ripening process. We are trying to compact our growing season. If we have some varieties we can hasten ripening to obtain high quality grapes in short growing season.

Senator Grindberg indicated he has no other questions indicated it is important to record and transcribe this into official minutes for the meeting. He indicated we have accomplished what I think we need to know for record, and ultimately the group will have to come forward and apply to apuc. When we leave here, we will know whether that funding level is put in place. If the ag coalition chooses not to fund it, they will have funds to do other things with.

Rudy Radke indicated that he works with grape grow association. As of today, we have 57 members 57 members in the Association and we are at 16 acres of grape vines in ND. Minnesota is double that, but they have been in the business for three decades or more. They have many people working on production for grapes and have people looking at varieties of grapes. A lot of the Elmer Swensen grapes that were produced by Elmer during 33 years of working on varieties for the north climate. Minnesota now has access to those as well as the breeding they have done on campus in St Paul. The interest in membership, tourism, as well as wine production is and can grow. The first annual meeting of grape growers is scheduled March 30

Senator Grindberg indicated he would let them know how this progresses and that he would perhaps see them on the 30th.

Senator Grindberg closed the discussion on HB 1018.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-26-07

Recorder Job Number: 5542

Committee Clerk Signature

Minutes:

Chairman Holmberg opened the hearing on HB 1018.

Senator Grindberg distributed amendments 0205. He indicated the interim bill was defeated and a portion of that bill is in 1018. He then explained the bill section by section.

Senator Grindberg moved do pass on amendment 0205, Senator Seymour seconded. Discussion followed. An oral vote was taken resulting in do pass.

Senator Krebsbach asked about the amount of funding for tourism.
Senator Kilzer asked if we have a record of the carryover at the end of the biennium.
Senator Grindberg indicated in case of the grants line, they may pledge a certain amount for a project and that could carry over. OMB does have that information and will get it to the committee.

Senator Krauter indicated APUC has carryover and will still add $200,000, is there a erason. Senator Grindberg said that is what he requested for the grape growers and APUC grant program.
Senator Krauter then asked about the repealers section. Allen will double check this.
dSenator Krauter then questioned the ND image program, it appears we as a state are developing it, but will give it to the private sector, right or wrong.
Senator Grindberg doesn't remember off the top of his head but is recommended to allow for a partnership.
Senator Mathern indicated the wording is changed from being permissive to being required.
Allen indicated the repealer section is related to the beginning entrepreneur income tax credit.
Senator Mathern questioned the tax consequence, have we address public policy rationale. It seems like this is directly in interest of corporations. The response was it is a result of the interim study. The purpose is to encourage businesses to come to ND for development. It could be the most lucrative tax program in the United States.

Cory Fong, Tax Commission responded to statements indicating this is a tax to expand to individuals and corporations and there is also HB 1412 which allows credits to pass through entities.

A oral vote was taken resulting in a do pass for amendment 0205.

Senator Grindberg moved a do pass as amended, Senator Robinson seconded. There was no discussion. A roll call vote was taken resulting in resulting in 13 yes, 0 no, 1 absent. The motion passed. Senator Grindberg will carry the bill.

Chairman Holmberg closed the hearing on HB 1018.

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Prepared by the Legislative Council staff for
Senator Grindberg
March 23, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 1, line 2, after the second semicolon insert "to provide an appropriation to the office of management and budget; to authorize the office of management and budget to borrow funds from the Bank of North Dakota;"

Page 1, line 4, replace "a report" with "reports" and after the first semicolon insert "to provide for legislative council studies;"

Page 1, line 5, replace "and a new section to chapter 54-60" with ", a new section to chapter 54-34.4, three new sections to chapter 54-60, sections 57-38-01.24 and 57-38-01.25, and a new subsection to section 57-38-30.3"

Page 1, line 6, after "innovation" insert ", visitor information centers, department of commerce division of workforce development programs and duties, tax credits for internships, workforce recruitment, research and experimental expenditures,"

Page 1, line 7, replace "and to provide an expiration date" with "to amend and reenact sections 15-69-02, 15-69-03, 15-69-04, and 15-69-05, subsections 4 and 6 of section 54-17-07.3, sections 54-60-02, 54-60-09, and 54-60-12, subdivision I of subsection 2 of section 54-60.1-01, and sections 57-38-30.5, 57-38.5-05, and 57-38.6-01 of the North Dakota Century Code and section 17 of chapter 151 of the 2005 Session Laws, relating to the centers of excellence program, housing finance agency programs, updating department of commerce law, department of commerce division of workforce development duties, the North Dakota image information program, the definition of business incentive, tax forms, research and experimental expenditures tax credits, seed capital investment tax credits, agricultural business investment tax credits, and a legislative council study; to repeal sections 57-38-71, 57-38-72, 57-38-73, and 57-38-74 of the North Dakota Century Code, relating to beginning entrepreneur income tax incentives; to provide effective dates; to provide an expiration date; and to declare an emergency"

Page 2, line 6, replace "446,720" with "3,560,720"

Page 2, line 7, replace "(1,728,122)" with "(1,328,122)"

Page 2, line 8, replace "3,000,000" with "4,000,000"

Page 2, line 9, replace "(207,807)" with "(7,807)"

Page 2, line 14, replace "385,773" with "5,099,773"

Page 2, line 16, replace "2,458,763" with "7,172,763"

Page 2, line 24, replace "9,978,688" with "13,092,688"

Page 2, line 26, replace "48,374,748" with "48,774,748"

Page 2, line 27, replace "3,000,000" with "4,000,000"

Page 2, line 30, replace "2,808,193" with "3,008,193"

Page 3, line 2, replace "77,000,837" with "81,714,837"

Page 3, line 4, replace "21,639,544" with "26,353,544"

Page 4, line 3, replace "$3,000,000" with "$4,000,000"

Page 4, replace lines 9 through 14 with:

"**SECTION 10. TRADE OFFICE MATCHING FUNDS - BUDGET SECTION REPORT.** The department of commerce shall report to the budget section, during the 2007-08 interim, on the status of matching funds raised by the North Dakota trade office and the percentage of the matching funds provided in-kind and the percentage provided in cash."

Page 4, after line 24, insert:

"**SECTION 13. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - CENTERS OF EXCELLENCE.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $20,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 14. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - CONTINGENT BORROWING AUTHORITY - APPROPRIATION. As requested by the centers of excellence commission and subject to emergency commission and budget section approval, the office of management and budget shall borrow the sum of $5,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2007, and ending June 30, 2009. The office of management and budget shall request funding from the sixty-first legislative assembly to repay any loan obtained pursuant to provisions of this section, including accrued interest. The borrowing authority and appropriation provided for in this section are available only if all other funding provided by the sixtieth legislative assembly for centers of excellence has been obligated.

SECTION 15. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PRAIRIE PUBLIC BROADCASTING. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $2,023,138, or so much of the sum as may be necessary, to the office of management and budget for the purpose of providing funding to prairie public broadcasting, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 16. LEGISLATIVE COUNCIL STUDY - NORTH DAKOTA WORKFORCE SYSTEM INITIATIVE.

1. During the 2007-08 interim, the legislative council shall study the state's system for addressing workforce needs through a workforce system initiative. The workforce system initiative must include receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, active participation in focus groups across the state, and active participation in a workforce congress.

2. The focus groups shall discuss ways to enhance the state's system for addressing workforce needs, including consideration of workforce availability, skilled workforce needs, future workforce needs, and alignment of the state's higher education curriculum with the state's current and future workforce needs. The workforce congress shall receive a report on the activities of the focus groups, identify methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive, and evaluate the impact and effectiveness of the state's existing workforce system.

3. The department of commerce shall organize the focus groups and the workforce congress. Before the workforce congress, which must be held before June 1, 2008, the department shall convene a minimum of four focus groups. The department shall consult with the legislative council in compiling focus group and workforce congress participant invitation lists and drafting and distributing invitations, establishing focus group and workforce congress dates and locations, and preparing agendas for focus groups and the workforce congress. The focus groups and the workforce congress schedules and activities must take into consideration workforce study activities of the department.

4. The legislative council and the department of commerce shall enter a joint contract with a third party to provide the legislative council and the department with professional services to plan, facilitate, report on, and coordinate followup for the focus groups and workforce congress. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 17. LEGISLATIVE COUNCIL STUDY - DEPARTMENT OF COMMERCE.

1. The legislative council shall consider studying, during the 2007-08 interim, the organization, powers, duties, and effectiveness of the department of commerce. The study must include:

   a. A review of the legislative history leading to the creation of the department of commerce, including the 1999-2000 interim activities of the legislative council's interim commerce and labor committee;

   b. A review of the legislative and executive branch expectations in the creation of the department of commerce and whether those expectations are being met;

   c. Evaluation of the effectiveness of the North Dakota economic development foundation in providing a nonpartisan, private sector perspective to the department's approach to the department's duties; and

   d. Evaluation of the organizational structure of the department of commerce, including whether the department should include a division of science and technology.

2. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 18. LEGISLATIVE COUNCIL STUDY - HIGHER EDUCATION PROMISE GRANT PROGRAM. The legislative council shall consider studying, during the 2007-08 interim, the desirability and feasibility of implementing a grant program for

North Dakota students who are attending North Dakota institutions of higher education and who have excelled academically. The study shall include consideration of desirable eligibility criteria for students under such a grant program, funding options for such a grant program, and a cost-benefit analysis of such a grant program. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 19. STATE BOARD OF HIGHER EDUCATION REPORT ON CCBENEFITS - LEGISLATIVE COUNCIL REPORT. During the 2007-08 interim, the state board of higher education shall monitor the implementation of the services of ccbenefits, incorporated, by the institutions under the control of the state board of higher education. Before July 1, 2008, the state board of higher education shall report to the legislative council on the status of the implementation of the ccbenefits, incorporated, services, including the status of the implementation at each institution using the services, the level of utilization of the services at the institutional level and at the system level, the feasibility and desirability of expanding the use of the services from use by the community colleges to use by all institutions in order to improve responsiveness of institutions and to improve forecasting efforts of institutions, and recommendations relating to the use of the ccbenefits, incorporated, services. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 20. TAX EXPENDITURE REPORT PILOT PROJECT - REPORT.

1. During the 2007-09 biennium, the commissioner of commerce, in consultation with the tax commissioner, shall select a tax expenditure for the purposes of conducting a tax expenditure report pilot project.

2. Before the tenth legislative day of the sixty-first legislative assembly, the commissioner of commerce shall submit to the president of the senate and the speaker of the house a tax expenditure report. This report must be based upon information available to the tax commissioner and information available to the department of commerce, and must include an analysis of the selected tax expenditure which includes a description of the annual state revenue losses and benefits and a cyclical analysis of these losses and benefits.

3. The tax commissioner shall compile tax expenditure data and provide this data to the department of commerce. Notwithstanding section 57-38-57 and other confidentiality statutes, the tax commissioner shall provide the department of commerce the information necessary to accomplish and effectuate the intent of this section. The tax commissioner may request the assistance of the office of management and budget as necessary to compile this tax expenditure data.

4. The tax commissioner may establish the procedure by which the tax commissioner will compile the tax expenditure data and the format in which the tax commissioner will provide this data to the department of commerce. The department of commerce may establish the manner in which the tax expenditure data will be analyzed, organized, and presented in the report.

5. Confidential tax information the department of commerce receives from the tax commissioner may not be divulged by the department of commerce unless the information is in the aggregate and in a manner that will not divulge information specific to any taxpayer.

6. For purposes of this section, the term tax expenditure means a provision in the state tax laws, including an exclusion, a deduction, a tax preference, a credit, and a deferral designed to encourage certain activities or to aid a taxpayer in special circumstances.

SECTION 21. STATE BUSINESS INCENTIVE EXPENDITURE REPORT PILOT PROJECT - REPORT.

1. During the 2007-09 biennium, the commissioner of commerce shall select a state business incentive for the purposes of conducting a state business incentive expenditure report pilot project.

2. Before the tenth legislative day of the sixty-first legislative assembly, the commissioner of commerce shall submit to the president of the senate and the speaker of the house a state business incentive expenditure report. This report must be based upon information available to the department and must include an analysis of the selected state business incentive which includes a description of the annual state revenue losses and benefits and a cyclical analysis of these losses and benefits.

3. The administering agency for the selected state business incentive shall compile state business incentive expenditure data and provide this data to the department. The department shall determine the data appropriate to measure the losses and benefits for the selected state business incentive and shall inform the administering agency of the specific data required and the format in which the administering agency shall provide this data to the department.

4. For purposes of this section, the term business incentive does not include a tax expenditure as defined under section 20 of this Act.

SECTION 22. LEGISLATIVE COUNCIL STUDY - HOUSING NEEDS. During the 2007-08 interim, the legislative council shall consider studying the state's housing needs and how unmet housing needs may affect economic development in the state. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 23. LEGISLATIVE COUNCIL STUDY - WIRELESS SERVICE PROVIDERS. During the 2007-08 interim, the legislative council shall consider studying issues relating to wireless service providers in the state and how wireless service impacts the business climate in the state. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Page 5, after line 5, insert:

"**SECTION 25. AMENDMENT.** Section 15-69-02 of the North Dakota Century Code is amended and reenacted as follows:

15-69-02. (Effective through July 31, 2011) Centers of excellence.

1. The board shall establish a centers of excellence program relating to economic development. <u>The program must distinguish among center designations for awards designated to address commercialization and infrastructure needs. Workforce may not be the primary need addressed by a center.</u> Through the program the commission shall make funding award recommendations for commission-approved applications to the board, the foundation, and the budget section of the legislative council. A center must be 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 the control of the board. In order to be considered for center designation, the institution of higher education or

nonprofit foundation must be working in partnership with the private sector. In addition to any center designated under this chapter, the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation are centers.

2. A commission funding award recommendation must be for a specified amount. Designation of a center occurs upon board, foundation, and budget section approval of a commission funding award recommendation. In considering whether to designate a center, the board, foundation, and budget section may not modify the commission recommendation. The budget section may not make a determination of whether to approve or reject a commission funding award recommendation until the emergency commission reviews the commission recommendation and makes a recommendation to the budget section.

3. A center that receives funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent designation.

4. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

SECTION 26. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. (Effective through July 31, 2011) Centers of excellence commission. The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on 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; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of ~~initial~~ commission members ~~begin on July 1, 2005, and~~ must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The ~~board~~ department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

SECTION 27. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. (Effective through July 31, 2011) Application - Eligibility requirements.

1. The ~~board~~ department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, ~~and~~ forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission.

2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the office of management and budget to distribute funds to the centers; monitor centers for compliance with award requirements; ~~and~~ review changes in assertions made in center applications; and conduct postaward monitoring of centers.

3. In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal and the commission shall consider whether the center will:

   a. Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;

   b. Create high-value private sector employment opportunities in this state;

   c. Provide for public-private sector involvement and partnerships;

   d. Leverage other funding;

   e. Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;

   f. Foster and practice entrepreneurship;

   g. Promote the commercialization of new products and services in industry clusters;

   h. Become financially self-sustaining; and

   i. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.

4. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.

5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

SECTION 28. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds to supplant funding for current operations or academic instructions or to pay indirect costs.

2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative council with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of ~~four years following the final distribution of funds under this chapter~~ the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center.

3. Before the commission directs the office of management and budget to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The matching funds may include a combination of cash and in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.

4. If, before funds are distributed by the office of management and budget, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the office of management and budget withhold all or a portion of any undistributed funds pending commission review of the changes.

5. The commission may use funds appropriated for the centers of excellence program to pay for the commission's administrative expenses, which may include contracting for independent, expert reviews of complete applications. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.

SECTION 29. AMENDMENT. Subsections 4 and 6 of section 54-17-07.3 of the North Dakota Century Code are amended and reenacted as follows:

4. Mortgage loan financing program. A program or programs to provide for the purchase or guaranty of a temporary or permanent mortgage ~~loans~~ loan originated by ~~lenders~~ a lender on residential real property or on land to be developed into residential real property, in addition to ~~such~~ a mortgage ~~loans~~ loan acquired or to be acquired under subsections 1 through 3. A program authorized under this subsection may provide assistance in the development of low to moderate income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.

6. Housing grant program. A program or programs to provide ~~grants~~ a grant other than those authorized by section 54-17-07.6 to encourage and promote housing availability for persons of low or moderate income or to

otherwise assist a developing community in this state address an unmet housing need or alleviate a housing shortage.

SECTION 30. A new section to chapter 54-34.4 of the North Dakota Century Code is created and enacted as follows:

Visitor information centers. The division may develop and implement a visitor information center assistance program. The program may include matching grant funds, training assistance, and marketing assistance for visitor information centers and for rest stop volunteers.

SECTION 31. AMENDMENT. Section 54-60-02 of the North Dakota Century Code is amended and reenacted as follows:

54-60-02. Department of commerce - Divisions. The North Dakota department of commerce is created. All records, materials, supplies, and equipment used by the division of community services, department of economic development and finance, and the department of tourism are transferred to the department.

1. The department must consist of:
   a. A division of community services;
   b. A division of economic development and finance;
   c. A division of tourism;
   d. A division of workforce development; and
   e. Any division the commissioner determines necessary to carry out this chapter.
2. The commissioner shall appoint the director of ~~any~~ each division ~~created by the commissioner under subsection 1. Effective August 1, 2003, the commissioner shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development. Effective August 1, 2005, the commissioner shall appoint the director of the division of tourism~~ of the department. Each director appointed by the commissioner serves at the pleasure of the commissioner and is entitled to receive a salary set by the commissioner within the limits of legislative appropriations. ~~Until August 1, 2003, the governor shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development and until August 1, 2005, the governor shall appoint the director of the division of tourism. The individuals appointed by the governor shall serve at the pleasure of the governor and are entitled to receive a salary set by the governor within the limits of legislative appropriations.~~

SECTION 32. AMENDMENT. Section 54-60-09 of the North Dakota Century Code is amended and reenacted as follows:

54-60-09. Division of workforce development - Duties. The division of workforce development shall ~~actively~~:

1. Actively monitor local, regional, and national private and public workforce development initiatives.
2. Develop and implement the state's talent strategy.

3. Develop and implement a statewide intelligence coordination strategy.

SECTION 33. AMENDMENT. Section 54-60-12 of the North Dakota Century Code is amended and reenacted as follows:

54-60-12. North Dakota image information program. The commissioner shall implement a program for use by state agencies and the private sector to assist state agencies ~~and~~, state agencies' employees, private businesses, and private businesses' 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 34. Two new sections to chapter 54-60 of the North Dakota Century Code are created and enacted as follows:

Division of workforce development - Higher education internships and work experience opportunities. The division of workforce development shall administer a program to increase use of higher education internships and work experience opportunities for higher education students. The primary focus of this program must be higher education internships in target industries. This program shall provide services to employers, communities, and business organizations to increase higher education internship and work experience opportunities.

Division of workforce development - Career specialist. The division of workforce development, in consultation with the department of career and technical education, job service North Dakota, and the superintendent of public instruction, shall develop and implement a program to assist public schools in promoting North Dakota career opportunities to students in grades nine through twelve."

Page 6, after line 14, insert:

"**SECTION 36. AMENDMENT.** Subdivision l of subsection 2 of section 54-60.1-01 of the North Dakota Century Code is amended and reenacted as follows:

l. ~~Except for a center of excellence award under chapter 15-69, assistance~~ Assistance for a collaboration between a North Dakota institution of higher education and a business.

SECTION 37. Section 57-38-01.24 of the North Dakota Century Code is created and enacted as follows:

57-38-01.24. Internship employment tax credit.

1. A taxpayer that is an employer within this state is entitled to a credit as determined under this section against state income tax liability under section 57-38-29, 57-38-30, or 57-38-30.3 for qualified compensation paid to an intern employed in this state by the taxpayer. To qualify for the credit under this section, the internship program must meet the following qualifications:

   a. The intern must be an enrolled student in an institution of higher education or vocational technical education program who is seeking a degree or a certification of completion in a major field of study closely related to the work experience performed for the taxpayer;

   b. The internship must be taken for academic credit or count toward the completion of a vocational technical education program;

c. The intern must be supervised and evaluated by the taxpayer; and

d. The internship position must be located in this state.

2. The amount of the credit to which a taxpayer is entitled is ten percent of the stipend or salary paid to a college intern employed by the taxpayer. A taxpayer may not receive more than three thousand dollars in total credits under this section for all taxable years combined.

a. The tax credit under this section applies to a stipend or salary for not more than five interns employed at the same time.

b. A partnership, subchapter S corporation, or limited liability company that for tax purposes is treated like a partnership that is entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 38. Section 57-38-01.25 of the North Dakota Century Code is created and enacted as follows:

57-38-01.25. Workforce recruitment credit for hard-to-fill employment positions. A taxpayer that is an employer in this state is entitled to a credit as determined under this section against state income tax liability under section 57-38-29, 57-38-30, or 57-38-30.3 for costs the taxpayer incurred during the tax year to recruit and hire employees for hard-to-fill employment positions within this state for which the annual salary for the position meets or exceeds the state average wage.

1. The amount of the credit to which a taxpayer is entitled is five percent of the salary paid for the first twelve consecutive months to the employee hired for the hard-to-fill employment position. To qualify for the credit under this section, the employee must be employed by the taxpayer in the hard-to-fill employment position for twelve consecutive months.

2. For purposes of this section:

a. "Extraordinary recruitment methods" means using three or more of the following:

(1) A person with the exclusive business purpose of recruiting employees and for which a fee is charged by that recruiter.

(2) An advertisement in a professional trade journal, magazine, or other publication, the main emphasis of which is providing information to a particular trade or profession.

(3) A web site, the sole purpose of which is to recruit employees and for which a fee is charged by the web site.

(4) Participation in job or career fair.

(5) Payment for professional licensing or certification required for the position.

(6) Payment of a signing bonus, moving expenses, or nontypical fringe benefits.

b. "Hard-to-fill employment position" means a job that requires the employer to use extraordinary recruitment methods.

c. "State average wage" means the state average wage published annually by job service North Dakota and which is in effect at the time the employee is hired.

3. The taxpayer may claim the credit in the first tax year beginning after the employee hired for the hard-to-fill position has completed the employee's first twelve consecutive months of employment in the hard-to-fill position with the taxpayer.

4. The credit under this section may not exceed a taxpayer's liability for the taxable year as determined under this chapter. Any amount of unused credit may be carried forward for up to four taxable years after the taxable year in which the credit could initially be claimed.

5. A partnership, subchapter S corporation, or limited liability company that for tax purposes is treated like a partnership that is entitled to the credit under this section must be considered to be the taxpayer for purposes of this section and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the passthrough entity level must be allowed to the members in proportion to their respective interests in the passthrough entity.

SECTION 39. A new subsection to section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

A taxpayer filing a return under this section is entitled to the credits provided under sections 57-38-01.24, 57-38-01.25, and 57-38-30.5.

SECTION 40. AMENDMENT. Section 57-38-30.5 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30.5. ~~Corporate income~~ Income tax credit for research and experimental expenditures. ~~Any corporation~~ A taxpayer is allowed a credit against the tax imposed under ~~this chapter~~ section 57-38-29, 57-38-30, or 57-38-30.3 for the taxable year equal to ~~eight~~ twenty-five percent of the first one ~~and one-half million~~ hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to ~~four~~ twenty percent of all qualified research expenses for the taxable year more than one ~~and one-half million~~ hundred thousand dollars in excess of the base period research expenses.

1. For purposes of this section:

   a. "Base period research expenses" means base period research expenses as defined in section 41(c) of the Internal Revenue Code [26 U.S.C. 41(c)], except it does not include research conducted outside the state of North Dakota.

   b. "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code [26 U.S.C. 41(d)], except it does not include research conducted outside the state of North Dakota.

   c. "Qualified research expenses" means qualified research expenses as defined in section 41(b) of the Internal Revenue Code [26 U.S.C. 41(b)], except it does not include expenses incurred for basic research conducted outside the state of North Dakota.

2. The credit allowed under this section for the taxable year may not exceed the liability for tax under this chapter.

3. In the case of a ~~corporation which~~ taxpayer that is a partner in a partnership or a member in a limited liability company, the credit allowed for the taxable year may not exceed an amount separately computed with respect to the ~~corporation's~~ taxpayer's interest in the trade, business, or entity equal to the amount of tax attributable to that portion of the ~~corporation's~~ taxpayer's taxable income which is allocable or apportionable to the ~~corporation's~~ taxpayer's interest in the trade, business, or entity.

4. If the amount of the credit determined under this section for any taxable year exceeds the limitation under subsection 2, the excess may be used as a research credit carryback to each of the three preceding taxable years and a research credit carryover to each of the fifteen succeeding taxable years or the taxpayer may assign or transfer, for consideration, the excess to another taxpayer. ~~The~~ If the taxpayer elects to carry back or carry over the credit, the entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. ~~The~~ and the amount of the unused credit which may be added under this subsection may not exceed the taxpayer's liability for tax less the research credit for the taxable year.

   a. A taxpayer's total credit assignment under this section may not exceed one hundred thousand dollars over any combination of taxable years.

   b. If the taxpayer elects to assign or transfer an excess credit under this subsection, the tax credit transferor and the tax credit purchaser jointly shall file with the tax commissioner a copy of the purchase agreement and a statement containing the names, addresses, and taxpayer identification numbers of the parties to the transfer, the amount of the credit being transferred, the gross proceeds received by the transferor, and the tax year or years for which the credit may be claimed. The taxpayer and the purchaser also shall file a document allowing the tax commissioner to disclose tax information to either party for the purpose of verifying the correctness of the transferred tax credit. The purchase agreement, supporting statement, and waiver must be filed within thirty days after the date the purchase agreement is fully executed.

   c. The purchaser of the tax credit shall claim the credit beginning with the tax year in which the credit purchase agreement was fully executed by the parties. A purchaser of a tax credit under this section has only such rights to claim and use the credit under the terms that would have applied to the tax credit transferor, except the credit purchaser may not carry back the credit as otherwise provided in this section. This subsection does not limit the ability of the tax credit purchaser to reduce the tax liability of the purchaser, regardless of the actual tax liability of the tax credit transferor.

   d. The original purchaser of the tax credit may not sell, assign, or otherwise transfer the credit purchased under this section.

   e. If the amount of the credit available under this section is changed as a result of an amended return filed by the transferor, or as the result of an audit conducted by the internal revenue service or the tax commissioner, the transferor shall report to the purchaser the adjusted credit amount within thirty days of the amended return or within thirty

days of the final determination made by the internal revenue service or the tax commissioner. The tax credit purchaser shall file amended returns reporting the additional tax due or claiming a refund as provided in section 57-38-38 or 57-38-40, and the tax commissioner may audit these returns and assess or issue refunds, even though other time periods prescribed in these sections may have expired for the purchaser.

f. Gross proceeds received by the tax credit transferor must be assigned to North Dakota. The amount assigned under this subsection cannot be reduced by the taxpayer's income apportioned to North Dakota or any North Dakota net operating loss of the taxpayer.

g. The tax commissioner has four years after the date of the credit assignment to audit the returns of the credit transferor and the purchaser to verify the correctness of the amount of the transferred credit and if necessary assess the credit purchaser if additional tax is found due. This subdivision does not limit or restrict any other time period prescribed in this chapter for the assessment of tax.

h. The tax commissioner may adopt rules to permit verification of the validity and timeliness of the transferred tax credit.

5. If a taxpayer acquires or disposes of the major portion of a trade or business or the major portion of a separate unit of a trade or business in a transaction with another taxpayer, the taxpayer's qualified research expenses and base period must be adjusted in the manner provided by section 41(f)(3) of the Internal Revenue Code [26 U.S.C. 41(f)(3)].

6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return. This section does not apply to tax credits received or purchased under subsection 5.

7. An individual, estate, or trust that purchases a credit under this section is entitled to claim the credit against state income tax liability under section 57-38-29 or 57-38-30.3.

SECTION 41. 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 is limited to ~~two~~ five 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 42. AMENDMENT. Section 57-38.6-01 of the North Dakota Century Code is amended and reenacted as follows:

57-38.6-01. Definitions. As used in this chapter, unless the context otherwise requires:

1. "Agricultural commodity processing facility" means ~~a~~:

a. A facility that through processing involving the employment of knowledge and labor adds value to an agricultural commodity capable of being raised in this state; or

b. A livestock feeding, handling, milking, or holding operation that uses as part of its operation a byproduct produced at a biofuels production facility.

2. "Biofuels production facility" means a corporation, limited liability company, partnership, individual, or association in this state:

a. Involved in production of diesel fuel containing at least five percent biodiesel meeting the specifications adopted by the American society for testing and materials;

b. Involved in the production of corn-based ethanol or cellulose-based ethanol; or

c. Involved in a soybean or canola crushing facility.

3. "Director" means the director of the department of commerce division of economic development and finance.

~~3.~~ 4. "Qualified business" means a cooperative, corporation, partnership, or limited liability company that:

a. Is incorporated or organized in this state after December 31, 2000, for the primary purpose of ~~processing and marketing~~ being an agricultural ~~commodities capable of being raised in this state~~ commodity processing facility;

b. Has been certified by the securities commissioner to be in compliance under the securities laws of this state;

c. Has an agricultural commodity processing facility, or intends to locate one, in this state; and

d. Is among the first ten businesses that meets the requirements of this subsection, but not a business that was previously certified as a qualified business under chapter 57-38.5.

~~4.~~ 5. "Taxpayer" means an individual, estate, trust, corporation, partnership, or limited liability company.

SECTION 43. AMENDMENT. Section 17 of chapter 151 of the 2005 Session Laws is amended and reenacted as follows:

SECTION 17. NORTH DAKOTA BUSINESS CLIMATE INITIATIVE - LEGISLATIVE COUNCIL STUDY. During the 2005-06 ~~and 2007-08 interims~~ interim, 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 a biennial business ~~congresses~~ congress. The focus groups shall discuss ways to enhance the state's business climate to stimulate job growth and enhance economic prosperity for employers and employees 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~~ The 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, shall identify methods to prepare the state for the high-growth and high-demand jobs of the future, 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~~ congress. Before ~~each~~ the 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 the business ~~congresses~~ congress. 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~~ congress. 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~~ assembly.

SECTION 44. REPEAL. Sections 57-38-71, 57-38-72, 57-38-73, and 57-38-74 of the North Dakota Century Code are repealed.

SECTION 45. EFFECTIVE DATE. Sections 37, 38, 39, 40, 41, 42, and 44 of this Act are effective for taxable years beginning after December 31, 2006. Section 40 of this Act is effective for tax credits earned and assigned after December 31, 2006. However, rentals under a lease entered before January 1, 2007, and eligible for the exemption under section 57-38-73 when the lease was entered continue to be eligible for the exemption for taxable years after 2006 on the same terms and conditions for the duration of the lease."

Page 6, line 15, replace "14" with "35"

Page 6, after line 16, insert:

"SECTION 47. EMERGENCY. Section 29 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Summary of Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Office of Management and Budget				
Total all funds	$0	$0	$27,023,138	$27,023,138
Less estimated income	$0	$0	5,000,000	5,000,000
General fund			$22,023,138	$22,023,138
Board for Career and Technical Education				
Total all funds	$0	$70,000	$0	$70,000
Less estimated income	$0	$70,000	$0	$70,000
General fund				
Department of Commerce				
Total all funds	$81,531,029	$77,000,837	$4,714,000	$81,714,837
Less estimated income	55,361,293	55,361,293		55,361,293
General fund	$26,169,736	$21,639,544	$4,714,000	$26,353,544
Bill Total				
Total all funds	$81,531,029	$77,070,837	$31,737,138	$108,807,975
Less estimated income	55,361,293	55,361,293	5,000,000	60,361,293
General fund	$26,169,736	$21,709,544	$26,737,138	$48,446,682

House Bill No. 1018 - Office of Management and Budget - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Centers of excellence			$20,000,000	$20,000,000
Centers of excellence - Contingency			5,000,000	5,000,000
Prairie Public Broadcasting			2,023,138	2,023,138
Total all funds	$0	$0	$27,023,138	$27,023,138
Less estimated income			5,000,000	5,000,000
General fund	$0	$0	$22,023,138	$22,023,138
FTE	0.00	0.00	0.00	0.00

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

	ADDS CENTERS OF EXCELLENCE FUNDING [1]	ADDS CONTINGENT CENTERS OF EXCELLENCE FUNDING [2]	ADDS FUNDING FOR PBS [3]	TOTAL SENATE CHANGES
Centers of excellence	$20,000,000			$20,000,000
Centers of excellence - Contingency		$5,000,000		5,000,000
Prairie Public Broadcasting			$2,023,138	2,023,138
Total all funds	$20,000,000	$5,000,000	$2,023,138	$27,023,138
Less estimated income		5,000,000		5,000,000
General fund	$20,000,000	$0	$2,023,138	$22,023,138
FTE	0.00	0.00	0.00	0.00

[1] A section is added appropriating funds for centers of excellence for the 2007-09 biennium.

[2] A section is added authorizing the Office of Management and Budget, as directed by the Centers of Excellence Commission and with Emergency Commission and Budget Section approval, to borrow up to $5 million from the Bank of North Dakota for providing additional funding for centers of excellence.

[3] A section is added providing funding for Prairie Public Broadcasting.

House Bill No. 1018 - Department of Commerce - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	$8,617,235	$8,617,235		$8,617,235
Operating expenses	13,642,636	9,978,688	$3,114,000	13,092,688
Capital assets	25,000	25,000		25,000
Grants	48,374,748	48,374,748	400,000	48,774,748
North Dakota Development Fund	3,000,000	3,000,000	1,000,000	4,000,000
Discretionary funds	1,450,127	1,450,127		1,450,127
Economic development initiatives	2,163,090	1,296,846		1,296,846
Agricultural products utilization	2,808,193	2,808,193	200,000	3,008,193
Economic development grants	50,000	50,000		50,000
North Dakota Trade Office	1,400,000	1,400,000		1,400,000
Total all funds	$81,531,029	$77,000,837	$4,714,000	$81,714,837
Less estimated income	55,361,293	55,361,293		55,361,293
General fund	$26,169,736	$21,639,544	$4,714,000	$26,353,544
FTE	73.00	64.00	0.00	64.00

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

	ADDS FUNDING FOR INNOVATE ND [1]	ADDS FUNDING FOR FOR APUC [2]	ADDS FUNDING FOR THE DEVELOPMENT FUND [3]	ADDS FUNDING FOR CAREER SPECIALISTS [4]	ADDS FUNDING FOR WORKFORCE SYSTEM INITIATIVE [5]	ADDS FUNDING FOR TOURISM MARKETING [6]
Salaries and wages						
Operating expenses	$50,000				$50,000	$3,000,000
Capital assets						
Grants				$400,000		
North Dakota Development Fund			$1,000,000			
Discretionary funds						
Economic development initiatives						
Agricultural products utilization		$200,000				

Economic development grants North Dakota Trade Office						
Total all funds	$50,000	$200,000	$1,000,000	$400,000	$50,000	$3,000,000
Less estimated income						
General fund	$50,000	$200,000	$1,000,000	$400,000	$50,000	$3,000,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	ADDS FUNDING FOR FAITH-BASED INITIATIVE [7]	TOTAL SENATE CHANGES
Salaries and wages		
Operating expenses	$14,000	$3,114,000
Capital assets		
Grants		400,000
North Dakota Development Fund		1,000,000
Discretionary funds		
Economic development initiatives		
Agricultural products utilization		200,000
Economic development grants		
North Dakota Trade Office		
Total all funds	$14,000	$4,714,000
Less estimated income		
General fund	$14,000	$4,714,000
FTE	0.00	0.00

1 Funds for Innovate ND is increased to provide a total of $300,000, of which $150,000 is from the general fund.

2 Funding for the Agricultural Products Utilization Commission is increased to provide a total of $1,662,115 from the general fund.

3 The transfer to the development fund is increased to provide a total of $4 million for the 2007-09 biennium.

4 Funding is added to provide grants for career counseling services for students.

5 Funding is added for costs relating to the Workforce System Initiative.

6 This amendment restores $3 million of the $3,753,948 reduced by the House for tourism marketing and promotion.

7 Funding is added to provide a total of $25,000 for operating expenses of the Office of Faith-Based and Community Initiatives. Funding of $11,000 from the general fund is appropriated to the department in Senate Bill No. 2001.

The section added by the House requiring the Trade Office to raise $1 in matching funds for every $2 provided by the state is replaced with a section requiring the department to report to the Budget Section on the status of matching funds raised by the Trade Office.

Sections are added relating to:

- Centers of excellence.
- Housing Finance Agency programs.
- Visitor information centers of the Tourism Division.
- Department of Commerce organizational structure.
- Workforce talent strategy and statewide intelligence coordination strategy.
- Image information program.
- Internships.
- Career specialists of the department.
- Internship employment tax credit.
- Research and experimental expenditures tax credit.
- Research and development tax credit.
- Seed capital investment tax credit.

- Agriculture business investment tax credit.
- Business climate initiative study.
- Beginning entrepreneur tax deductions and exemptions.
- Monitoring CCbenefits, Inc. and reporting to the Legislative Council.
- Definition of business incentive.
- Tax expenditure report pilot project.
- Business incentive expenditure report pilot project.
- Legislative Council studies of housing needs, wireless service providers, higher education promise grants, Workforce System Initiative, and Department of Commerce.

0205

Date: 3/22
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken DP as amend

Motion Made By Grind Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson		
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Grindberg

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

REPORT OF STANDING COMMITTEE

HB 1018, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1018 was placed on the Sixth order on the calendar.

Page 1, line 2, after the second semicolon insert "to provide an appropriation to the office of management and budget; to authorize the office of management and budget to borrow funds from the Bank of North Dakota;"

Page 1, line 4, replace "a report" with "reports" and after the first semicolon insert "to provide for legislative council studies;"

Page 1, line 5, replace "and a new section to chapter 54-60" with ", a new section to chapter 54-34.4, three new sections to chapter 54-60, sections 57-38-01.24 and 57-38-01.25, and a new subsection to section 57-38-30.3"

Page 1, line 6, after "innovation" insert ", visitor information centers, department of commerce division of workforce development programs and duties, tax credits for internships, workforce recruitment, research and experimental expenditures,"

Page 1, line 7, replace "and to provide an expiration date" with "to amend and reenact sections 15-69-02, 15-69-03, 15-69-04, and 15-69-05, subsections 4 and 6 of section 54-17-07.3, sections 54-60-02, 54-60-09, and 54-60-12, subdivision I of subsection 2 of section 54-60.1-01, and sections 57-38-30.5, 57-38.5-05, and 57-38.6-01 of the North Dakota Century Code and section 17 of chapter 151 of the 2005 Session Laws, relating to the centers of excellence program, housing finance agency programs, updating department of commerce law, department of commerce division of workforce development duties, the North Dakota image information program, the definition of business incentive, tax forms, research and experimental expenditures tax credits, seed capital investment tax credits, agricultural business investment tax credits, and a legislative council study; to repeal sections 57-38-71, 57-38-72, 57-38-73, and 57-38-74 of the North Dakota Century Code, relating to beginning entrepreneur income tax incentives; to provide effective dates; to provide an expiration date; and to declare an emergency"

Page 2, line 6, replace "446,720" with "3,560,720"

Page 2, line 7, replace "(1,728,122)" with "(1,328,122)"

Page 2, line 8, replace "3,000,000" with "4,000,000"

Page 2, line 9, replace "(207,807)" with "(7,807)"

Page 2, line 14, replace "385,773" with "5,099,773"

Page 2, line 16, replace "2,458,763" with "7,172,763"

Page 2, line 24, replace "9,978,688" with "13,092,688"

Page 2, line 26, replace "48,374,748" with "48,774,748"

Page 2, line 27, replace "3,000,000" with "4,000,000"

Page 2, line 30, replace "2,808,193" with "3,008,193"

Page 3, line 2, replace "77,000,837" with "81,714,837"

Page 3, line 4, replace "21,639,544" with "26,353,544"

Page 4, line 3, replace "$3,000,000" with "$4,000,000"

Page 4, replace lines 9 through 14 with:

"**SECTION 10. TRADE OFFICE MATCHING FUNDS - BUDGET SECTION REPORT.** The department of commerce shall report to the budget section, during the 2007-08 interim, on the status of matching funds raised by the North Dakota trade office and the percentage of the matching funds provided in-kind and the percentage provided in cash."

Page 4, after line 24, insert:

"**SECTION 13. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - CENTERS OF EXCELLENCE.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $20,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 14. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - CONTINGENT BORROWING AUTHORITY - APPROPRIATION. As requested by the centers of excellence commission and subject to emergency commission and budget section approval, the office of management and budget shall borrow the sum of $5,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2007, and ending June 30, 2009. The office of management and budget shall request funding from the sixty-first legislative assembly to repay any loan obtained pursuant to provisions of this section, including accrued interest. The borrowing authority and appropriation provided for in this section are available only if all other funding provided by the sixtieth legislative assembly for centers of excellence has been obligated.

SECTION 15. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PRAIRIE PUBLIC BROADCASTING. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $2,023,138, or so much of the sum as may be necessary, to the office of management and budget for the purpose of providing funding to prairie public broadcasting, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 16. LEGISLATIVE COUNCIL STUDY - NORTH DAKOTA WORKFORCE SYSTEM INITIATIVE.

1. During the 2007-08 interim, the legislative council shall study the state's system for addressing workforce needs through a workforce system initiative. The workforce system initiative must include receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, active participation in focus groups across the state, and active participation in a workforce congress.

2. The focus groups shall discuss ways to enhance the state's system for addressing workforce needs, including consideration of workforce availability, skilled workforce needs, future workforce needs, and

alignment of the state's higher education curriculum with the state's current and future workforce needs. The workforce congress shall receive a report on the activities of the focus groups, identify methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive, and evaluate the impact and effectiveness of the state's existing workforce system.

3. The department of commerce shall organize the focus groups and the workforce congress. Before the workforce congress, which must be held before June 1, 2008, the department shall convene a minimum of four focus groups. The department shall consult with the legislative council in compiling focus group and workforce congress participant invitation lists and drafting and distributing invitations, establishing focus group and workforce congress dates and locations, and preparing agendas for focus groups and the workforce congress. The focus groups and the workforce congress schedules and activities must take into consideration workforce study activities of the department.

4. The legislative council and the department of commerce shall enter a joint contract with a third party to provide the legislative council and the department with professional services to plan, facilitate, report on, and coordinate followup for the focus groups and workforce congress. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 17. LEGISLATIVE COUNCIL STUDY - DEPARTMENT OF COMMERCE.

1. The legislative council shall consider studying, during the 2007-08 interim, the organization, powers, duties, and effectiveness of the department of commerce. The study must include:

   a. A review of the legislative history leading to the creation of the department of commerce, including the 1999-2000 interim activities of the legislative council's interim commerce and labor committee;

   b. A review of the legislative and executive branch expectations in the creation of the department of commerce and whether those expectations are being met;

   c. Evaluation of the effectiveness of the North Dakota economic development foundation in providing a nonpartisan, private sector perspective to the department's approach to the department's duties; and

   d. Evaluation of the organizational structure of the department of commerce, including whether the department should include a division of science and technology.

2. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 18. LEGISLATIVE COUNCIL STUDY - HIGHER EDUCATION PROMISE GRANT PROGRAM. The legislative council shall consider studying, during the 2007-08 interim, the desirability and feasibility of implementing a grant program for

North Dakota students who are attending North Dakota institutions of higher education and who have excelled academically. The study shall include consideration of desirable eligibility criteria for students under such a grant program, funding options for such a grant program, and a cost-benefit analysis of such a grant program. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 19. STATE BOARD OF HIGHER EDUCATION REPORT ON CCBENEFITS - LEGISLATIVE COUNCIL REPORT. During the 2007-08 interim, the state board of higher education shall monitor the implementation of the services of ccbenefits, incorporated, by the institutions under the control of the state board of higher education. Before July 1, 2008, the state board of higher education shall report to the legislative council on the status of the implementation of the ccbenefits, incorporated, services, including the status of the implementation at each institution using the services, the level of utilization of the services at the institutional level and at the system level, the feasibility and desirability of expanding the use of the services from use by the community colleges to use by all institutions in order to improve responsiveness of institutions and to improve forecasting efforts of institutions, and recommendations relating to the use of the ccbenefits, incorporated, services. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 20. TAX EXPENDITURE REPORT PILOT PROJECT - REPORT.

1. During the 2007-09 biennium, the commissioner of commerce, in consultation with the tax commissioner, shall select a tax expenditure for the purposes of conducting a tax expenditure report pilot project.

2. Before the tenth legislative day of the sixty-first legislative assembly, the commissioner of commerce shall submit to the president of the senate and the speaker of the house a tax expenditure report. This report must be based upon information available to the tax commissioner and information available to the department of commerce, and must include an analysis of the selected tax expenditure which includes a description of the annual state revenue losses and benefits and a cyclical analysis of these losses and benefits.

3. The tax commissioner shall compile tax expenditure data and provide this data to the department of commerce. Notwithstanding section 57-38-57 and other confidentiality statutes, the tax commissioner shall provide the department of commerce the information necessary to accomplish and effectuate the intent of this section. The tax commissioner may request the assistance of the office of management and budget as necessary to compile this tax expenditure data.

4. The tax commissioner may establish the procedure by which the tax commissioner will compile the tax expenditure data and the format in which the tax commissioner will provide this data to the department of commerce. The department of commerce may establish the manner in which the tax expenditure data will be analyzed, organized, and presented in the report.

5. Confidential tax information the department of commerce receives from the tax commissioner may not be divulged by the department of commerce

unless the information is in the aggregate and in a manner that will not divulge information specific to any taxpayer.

6. For purposes of this section, the term tax expenditure means a provision in the state tax laws, including an exclusion, a deduction, a tax preference, a credit, and a deferral designed to encourage certain activities or to aid a taxpayer in special circumstances.

SECTION 21. STATE BUSINESS INCENTIVE EXPENDITURE REPORT PILOT PROJECT - REPORT.

1. During the 2007-09 biennium, the commissioner of commerce shall select a state business incentive for the purposes of conducting a state business incentive expenditure report pilot project.

2. Before the tenth legislative day of the sixty-first legislative assembly, the commissioner of commerce shall submit to the president of the senate and the speaker of the house a state business incentive expenditure report. This report must be based upon information available to the department and must include an analysis of the selected state business incentive which includes a description of the annual state revenue losses and benefits and a cyclical analysis of these losses and benefits.

3. The administering agency for the selected state business incentive shall compile state business incentive expenditure data and provide this data to the department. The department shall determine the data appropriate to measure the losses and benefits for the selected state business incentive and shall inform the administering agency of the specific data required and the format in which the administering agency shall provide this data to the department.

4. For purposes of this section, the term business incentive does not include a tax expenditure as defined under section 20 of this Act.

SECTION 22. LEGISLATIVE COUNCIL STUDY - HOUSING NEEDS. During the 2007-08 interim, the legislative council shall consider studying the state's housing needs and how unmet housing needs may affect economic development in the state. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 23. LEGISLATIVE COUNCIL STUDY - WIRELESS SERVICE PROVIDERS. During the 2007-08 interim, the legislative council shall consider studying issues relating to wireless service providers in the state and how wireless service impacts the business climate in the state. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Page 5, after line 5, insert:

"**SECTION 25. AMENDMENT.** Section 15-69-02 of the North Dakota Century Code is amended and reenacted as follows:

15-69-02. (Effective through July 31, 2011) Centers of excellence.

1. The board shall establish a centers of excellence program relating to economic development. The program must distinguish among center

designations for awards designated to address commercialization and infrastructure needs. Workforce may not be the primary need addressed by a center. Through the program the commission shall make funding award recommendations for commission-approved applications to the board, the foundation, and the budget section of the legislative council. A center must be 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 the control of the board. In order to be considered for center designation, the institution of higher education or nonprofit foundation must be working in partnership with the private sector. In addition to any center designated under this chapter, the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation are centers.

2. A commission funding award recommendation must be for a specified amount. Designation of a center occurs upon board, foundation, and budget section approval of a commission funding award recommendation. In considering whether to designate a center, the board, foundation, and budget section may not modify the commission recommendation. The budget section may not make a determination of whether to approve or reject a commission funding award recommendation until the emergency commission reviews the commission recommendation and makes a recommendation to the budget section.

3. A center that receives funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent designation.

4. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

SECTION 26. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. (Effective through July 31, 2011) Centers of excellence commission. The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on 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; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of ~~initial~~ commission members ~~begin on July 1, 2005, and~~ must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The ~~board~~ department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

SECTION 27. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. (Effective through July 31, 2011) Application - Eligibility requirements.

1. The ~~board~~ department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, ~~and~~ forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission.

2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the office of management and budget to distribute funds to the centers; monitor centers for compliance with award requirements; ~~and~~ review changes in assertions made in center applications; and conduct postaward monitoring of centers.

3. In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal and the commission shall consider whether the center will:

   a. Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;

   b. Create high-value private sector employment opportunities in this state;

   c. Provide for public-private sector involvement and partnerships;

   d. Leverage other funding;

   e. Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;

   f. Foster and practice entrepreneurship;

   g. Promote the commercialization of new products and services in industry clusters;

   h. Become financially self-sustaining; and

   i. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.

4. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission

determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.

5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

SECTION 28. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds to supplant funding for current operations or academic instructions or to pay indirect costs.

2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative council with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of ~~four years following the final distribution of funds under this chapter~~ the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center.

3. Before the commission directs the office of management and budget to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The matching funds may include a combination of cash and in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.

4. If, before funds are distributed by the office of management and budget, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the office of management and budget withhold all or a portion of any undistributed funds pending commission review of the changes.

5. The commission may use funds appropriated for the centers of excellence program to pay for the commission's administrative expenses, which may include contracting for independent, expert reviews of complete applications. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.

SECTION 29. AMENDMENT. Subsections 4 and 6 of section 54-17-07.3 of the North Dakota Century Code are amended and reenacted as follows:

4. Mortgage loan financing program. A program or programs to provide for the purchase or guaranty of a temporary or permanent mortgage ~~loans~~ loan originated by ~~lenders~~ a lender on residential real property or on land to be developed into residential real property, in addition to ~~such~~ a mortgage ~~loans~~ loan acquired or to be acquired under subsections 1 through 3. A program authorized under this subsection may provide assistance in the development of low to moderate income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.

6. Housing grant program. A program or programs to provide ~~grants~~ a grant other than those authorized by section 54-17-07.6 to encourage and promote housing availability for persons of low or moderate income or to otherwise assist a developing community in this state address an unmet housing need or alleviate a housing shortage.

SECTION 30. A new section to chapter 54-34.4 of the North Dakota Century Code is created and enacted as follows:

Visitor information centers. The division may develop and implement a visitor information center assistance program. The program may include matching grant funds, training assistance, and marketing assistance for visitor information centers and for rest stop volunteers.

SECTION 31. AMENDMENT. Section 54-60-02 of the North Dakota Century Code is amended and reenacted as follows:

54-60-02. Department of commerce - Divisions. The North Dakota department of commerce is created. All records, materials, supplies, and equipment used by the division of community services, department of economic development and finance, and the department of tourism are transferred to the department.

1. The department must consist of:

   a. A division of community services;

   b. A division of economic development and finance;

   c. A division of tourism;

   d. A division of workforce development; and

   e. Any division the commissioner determines necessary to carry out this chapter.

2. The commissioner shall appoint the director of ~~any~~ each division ~~created by the commissioner under subsection 1. Effective August 1, 2003, the commissioner shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development. Effective August 1, 2005, the commissioner shall appoint the director of the division of tourism~~ of the department. Each director appointed by the commissioner serves at the pleasure of the commissioner and is entitled to receive a salary set by the commissioner within the limits of legislative appropriations. ~~Until August 1, 2003, the~~

~~governor shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development and until August 1, 2005, the governor shall appoint the director of the division of tourism. The individuals appointed by the governor shall serve at the pleasure of the governor and are entitled to receive a salary set by the governor within the limits of legislative appropriations.~~

SECTION 32. AMENDMENT. Section 54-60-09 of the North Dakota Century Code is amended and reenacted as follows:

54-60-09. Division of workforce development - Duties. The division of workforce development shall ~~actively~~:

1. Actively monitor local, regional, and national private and public workforce development initiatives.

2. Develop and implement the state's talent strategy.

3. Develop and implement a statewide intelligence coordination strategy.

SECTION 33. AMENDMENT. Section 54-60-12 of the North Dakota Century Code is amended and reenacted as follows:

54-60-12. North Dakota image information program. The commissioner shall implement a program for use by state agencies and the private sector to assist state agencies ~~and~~, state agencies' employees, private businesses, and private businesses' 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 34. Two new sections to chapter 54-60 of the North Dakota Century Code are created and enacted as follows:

Division of workforce development - Higher education internships and work experience opportunities. The division of workforce development shall administer a program to increase use of higher education internships and work experience opportunities for higher education students. The primary focus of this program must be higher education internships in target industries. This program shall provide services to employers, communities, and business organizations to increase higher education internship and work experience opportunities.

Division of workforce development - Career specialist. The division of workforce development, in consultation with the department of career and technical education, job service North Dakota, and the superintendent of public instruction, shall develop and implement a program to assist public schools in promoting North Dakota career opportunities to students in grades nine through twelve."

Page 6, after line 14, insert:

"**SECTION 36. AMENDMENT.** Subdivision l of subsection 2 of section 54-60.1-01 of the North Dakota Century Code is amended and reenacted as follows:

l. ~~Except for a center of excellence award under chapter 15-69, assistance~~ Assistance for a collaboration between a North Dakota institution of higher education and a business.

SECTION 37. Section 57-38-01.24 of the North Dakota Century Code is created and enacted as follows:

57-38-01.24. Internship employment tax credit.

1. A taxpayer that is an employer within this state is entitled to a credit as determined under this section against state income tax liability under section 57-38-29, 57-38-30, or 57-38-30.3 for qualified compensation paid to an intern employed in this state by the taxpayer. To qualify for the credit under this section, the internship program must meet the following qualifications:

   a. The intern must be an enrolled student in an institution of higher education or vocational technical education program who is seeking a degree or a certification of completion in a major field of study closely related to the work experience performed for the taxpayer;

   b. The internship must be taken for academic credit or count toward the completion of a vocational technical education program;

   c. The intern must be supervised and evaluated by the taxpayer; and

   d. The internship position must be located in this state.

2. The amount of the credit to which a taxpayer is entitled is ten percent of the stipend or salary paid to a college intern employed by the taxpayer. A taxpayer may not receive more than three thousand dollars in total credits under this section for all taxable years combined.

   a. The tax credit under this section applies to a stipend or salary for not more than five interns employed at the same time.

   b. A partnership, subchapter S corporation, or limited liability company that for tax purposes is treated like a partnership that is entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 38. Section 57-38-01.25 of the North Dakota Century Code is created and enacted as follows:

57-38-01.25. Workforce recruitment credit for hard-to-fill employment positions. A taxpayer that is an employer in this state is entitled to a credit as determined under this section against state income tax liability under section 57-38-29, 57-38-30, or 57-38-30.3 for costs the taxpayer incurred during the tax year to recruit and hire employees for hard-to-fill employment positions within this state for which the annual salary for the position meets or exceeds the state average wage.

1. The amount of the credit to which a taxpayer is entitled is five percent of the salary paid for the first twelve consecutive months to the employee hired for the hard-to-fill employment position. To qualify for the credit under this section, the employee must be employed by the taxpayer in the hard-to-fill employment position for twelve consecutive months.

2. For purposes of this section:

   a. "Extraordinary recruitment methods" means using three or more of the following:

      (1) A person with the exclusive business purpose of recruiting employees and for which a fee is charged by that recruiter.

      (2) An advertisement in a professional trade journal, magazine, or other publication, the main emphasis of which is providing information to a particular trade or profession.

      (3) A web site, the sole purpose of which is to recruit employees and for which a fee is charged by the web site.

      (4) Participation in job or career fair.

      (5) Payment for professional licensing or certification required for the position.

      (6) Payment of a signing bonus, moving expenses, or nontypical fringe benefits.

   b. "Hard-to-fill employment position" means a job that requires the employer to use extraordinary recruitment methods.

   c. "State average wage" means the state average wage published annually by job service North Dakota and which is in effect at the time the employee is hired.

3. The taxpayer may claim the credit in the first tax year beginning after the employee hired for the hard-to-fill position has completed the employee's first twelve consecutive months of employment in the hard-to-fill position with the taxpayer.

4. The credit under this section may not exceed a taxpayer's liability for the taxable year as determined under this chapter. Any amount of unused credit may be carried forward for up to four taxable years after the taxable year in which the credit could initially be claimed.

5. A partnership, subchapter S corporation, or limited liability company that for tax purposes is treated like a partnership that is entitled to the credit under this section must be considered to be the taxpayer for purposes of this section and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the passthrough entity level must be allowed to the members in proportion to their respective interests in the passthrough entity.

SECTION 39. A new subsection to section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

A taxpayer filing a return under this section is entitled to the credits provided under sections 57-38-01.24, 57-38-01.25, and 57-38-30.5.

SECTION 40. AMENDMENT. Section 57-38-30.5 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30.5. ~~Corporate income~~ Income tax credit for research and experimental expenditures. ~~Any corporation~~ A taxpayer is allowed a credit against the tax imposed under ~~this chapter~~ section 57-38-29, 57-38-30, or 57-38-30.3 for the taxable year equal to ~~eight~~ twenty-five percent of the first one ~~and one-half million~~ hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to ~~four~~ twenty percent of all qualified research expenses for the taxable year more than one ~~and one-half million~~ hundred thousand dollars in excess of the base period research expenses.

1. For purposes of this section:

   a. "Base period research expenses" means base period research expenses as defined in section 41(c) of the Internal Revenue Code [26 U.S.C. 41(c)], except it does not include research conducted outside the state of North Dakota.

   b. "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code [26 U.S.C. 41(d)], except it does not include research conducted outside the state of North Dakota.

   c. "Qualified research expenses" means qualified research expenses as defined in section 41(b) of the Internal Revenue Code [26 U.S.C. 41(b)], except it does not include expenses incurred for basic research conducted outside the state of North Dakota.

2. The credit allowed under this section for the taxable year may not exceed the liability for tax under this chapter.

3. In the case of a ~~corporation which~~ taxpayer that is a partner in a partnership or a member in a limited liability company, the credit allowed for the taxable year may not exceed an amount separately computed with respect to the ~~corporation's~~ taxpayer's interest in the trade, business, or entity equal to the amount of tax attributable to that portion of the ~~corporation's~~ taxpayer's taxable income which is allocable or apportionable to the ~~corporation's~~ taxpayer's interest in the trade, business, or entity.

4. If the amount of the credit determined under this section for any taxable year exceeds the limitation under subsection 2, the excess may be used as a research credit carryback to each of the three preceding taxable years and a research credit carryover to each of the fifteen succeeding taxable years or the taxpayer may assign or transfer, for consideration, the excess to another taxpayer. ~~The~~ If the taxpayer elects to carry back or carry over the credit, the entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. ~~The~~ and the amount of the unused credit which may be added under this subsection may not exceed the taxpayer's liability for tax less the research credit for the taxable year.

   a. A taxpayer's total credit assignment under this section may not exceed one hundred thousand dollars over any combination of taxable years.

   b. If the taxpayer elects to assign or transfer an excess credit under this subsection, the tax credit transferor and the tax credit purchaser jointly shall file with the tax commissioner a copy of the purchase

agreement and a statement containing the names, addresses, and taxpayer identification numbers of the parties to the transfer, the amount of the credit being transferred, the gross proceeds received by the transferor, and the tax year or years for which the credit may be claimed. The taxpayer and the purchaser also shall file a document allowing the tax commissioner to disclose tax information to either party for the purpose of verifying the correctness of the transferred tax credit. The purchase agreement, supporting statement, and waiver must be filed within thirty days after the date the purchase agreement is fully executed.

c. The purchaser of the tax credit shall claim the credit beginning with the tax year in which the credit purchase agreement was fully executed by the parties. A purchaser of a tax credit under this section has only such rights to claim and use the credit under the terms that would have applied to the tax credit transferor, except the credit purchaser may not carry back the credit as otherwise provided in this section. This subsection does not limit the ability of the tax credit purchaser to reduce the tax liability of the purchaser, regardless of the actual tax liability of the tax credit transferor.

d. The original purchaser of the tax credit may not sell, assign, or otherwise transfer the credit purchased under this section.

e. If the amount of the credit available under this section is changed as a result of an amended return filed by the transferor, or as the result of an audit conducted by the internal revenue service or the tax commissioner, the transferor shall report to the purchaser the adjusted credit amount within thirty days of the amended return or within thirty days of the final determination made by the internal revenue service or the tax commissioner. The tax credit purchaser shall file amended returns reporting the additional tax due or claiming a refund as provided in section 57-38-38 or 57-38-40, and the tax commissioner may audit these returns and assess or issue refunds, even though other time periods prescribed in these sections may have expired for the purchaser.

f. Gross proceeds received by the tax credit transferor must be assigned to North Dakota. The amount assigned under this subsection cannot be reduced by the taxpayer's income apportioned to North Dakota or any North Dakota net operating loss of the taxpayer.

g. The tax commissioner has four years after the date of the credit assignment to audit the returns of the credit transferor and the purchaser to verify the correctness of the amount of the transferred credit and if necessary assess the credit purchaser if additional tax is found due. This subdivision does not limit or restrict any other time period prescribed in this chapter for the assessment of tax.

h. The tax commissioner may adopt rules to permit verification of the validity and timeliness of the transferred tax credit.

5. If a taxpayer acquires or disposes of the major portion of a trade or business or the major portion of a separate unit of a trade or business in a transaction with another taxpayer, the taxpayer's qualified research

expenses and base period must be adjusted in the manner provided by section 41(f)(3) of the Internal Revenue Code [26 U.S.C. 41(f)(3)].

6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return. This section does not apply to tax credits received or purchased under subsection 5.

7. An individual, estate, or trust that purchases a credit under this section is entitled to claim the credit against state income tax liability under section 57-38-29 or 57-38-30.3.

SECTION 41. 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 is limited to ~~two~~ five 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 42. AMENDMENT. Section 57-38.6-01 of the North Dakota Century Code is amended and reenacted as follows:

57-38.6-01. Definitions. As used in this chapter, unless the context otherwise requires:

1. "Agricultural commodity processing facility" means ~~a~~:

   a. A facility that through processing involving the employment of knowledge and labor adds value to an agricultural commodity capable of being raised in this state; or

   b. A livestock feeding, handling, milking, or holding operation that uses as part of its operation a byproduct produced at a biofuels production facility.

2. "Biofuels production facility" means a corporation, limited liability company, partnership, individual, or association in this state:

   a. Involved in production of diesel fuel containing at least five percent biodiesel meeting the specifications adopted by the American society for testing and materials;

   b. Involved in the production of corn-based ethanol or cellulose-based ethanol; or

   c. Involved in a soybean or canola crushing facility.

3. "Director" means the director of the department of commerce division of economic development and finance.

~~3.~~ 4. "Qualified business" means a cooperative, corporation, partnership, or limited liability company that:

a. Is incorporated or organized in this state after December 31, 2000, for the primary purpose of ~~processing and marketing~~ being an agricultural ~~commodities capable of being raised in this state~~ commodity processing facility;

b. Has been certified by the securities commissioner to be in compliance under the securities laws of this state;

c. Has an agricultural commodity processing facility, or intends to locate one, in this state; and

d. Is among the first ten businesses that meets the requirements of this subsection, but not a business that was previously certified as a qualified business under chapter 57-38.5.

~~4.~~ 5. "Taxpayer" means an individual, estate, trust, corporation, partnership, or limited liability company.

SECTION 43. AMENDMENT. Section 17 of chapter 151 of the 2005 Session Laws is amended and reenacted as follows:

SECTION 17. NORTH DAKOTA BUSINESS CLIMATE INITIATIVE - LEGISLATIVE COUNCIL STUDY. During the 2005-06 ~~and 2007-08 interims~~ interim, 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 a biennial business ~~congresses~~ congress. The focus groups shall discuss ways to enhance the state's business climate to stimulate job growth and enhance economic prosperity for employers and employees 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~~ The 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, shall identify methods to prepare the state for the high-growth and high-demand jobs of the future, 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~~ congress. Before ~~each~~ the 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 the business ~~congresses~~ congress. 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~~ congress. 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~~ assembly.

SECTION 44. REPEAL. Sections 57-38-71, 57-38-72, 57-38-73, and 57-38-74 of the North Dakota Century Code are repealed.

SECTION 45. EFFECTIVE DATE. Sections 37, 38, 39, 40, 41, 42, and 44 of this Act are effective for taxable years beginning after December 31, 2006. Section 40 of this Act is effective for tax credits earned and assigned after December 31, 2006. However, rentals under a lease entered before January 1, 2007, and eligible for the exemption under section 57-38-73 when the lease was entered continue to be eligible for the exemption for taxable years after 2006 on the same terms and conditions for the duration of the lease."

Page 6, line 15, replace "14" with "35"

Page 6, after line 16, insert:

"**SECTION 47. EMERGENCY.** Section 29 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Summary of Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Office of Management and Budget				
Total all funds	$0	$0	$27,023,138	$27,023,138
Less estimated income			5,000,000	5,000,000
General fund	$0	$0	$22,023,138	$22,023,138
Board for Career and Technical Education				
Total all funds	$0	$70,000	$0	$70,000
Less estimated income				
General fund	$0	$70,000	$0	$70,000
Department of Commerce				
Total all funds	$81,531,029	$77,000,837	$4,714,000	$81,714,837
Less estimated income	55,361,293	55,361,293		55,361,293
General fund	$26,169,736	$21,639,544	$4,714,000	$26,353,544
Bill Total				
Total all funds	$81,531,029	$77,070,837	$31,737,138	$108,807,975
Less estimated income	55,361,293	55,361,293	5,000,000	60,361,293
General fund	$26,169,736	$21,709,544	$26,737,138	$48,446,682

House Bill No. 1018 - Office of Management and Budget - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Centers of excellence			$20,000,000	$20,000,000
Centers of excellence - Contingency			5,000,000	5,000,000
Prairie Public Broadcasting			2,023,138	2,023,138
Total all funds	$0	$0	$27,023,138	$27,023,138
Less estimated income			5,000,000	5,000,000
General fund	$0	$0	$22,023,138	$22,023,138
FTE	0.00	0.00	0.00	0.00

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

ADDS

	ADDS CENTERS OF EXCELLENCE FUNDING [1]	CONTINGENT CENTERS OF EXCELLENCE FUNDING [2]	ADDS FUNDING FOR PBS [3]	TOTAL SENATE CHANGES
Centers of excellence	$20,000,000			$20,000,000
Centers of excellence - Contingency		$5,000,000		5,000,000
Prairie Public Broadcasting			$2,023,138	2,023,138
Total all funds	$20,000,000	$5,000,000	$2,023,138	$27,023,138
Less estimated income		5,000,000		5,000,000
General fund	$20,000,000	$0	$2,023,138	$22,023,138
FTE	0.00	0.00	0.00	0.00

[1] A section is added appropriating funds for centers of excellence for the 2007-09 biennium.

[2] A section is added authorizing the Office of Management and Budget, as directed by the Centers of Excellence Commission and with Emergency Commission and Budget Section approval, to borrow up to $5 million from the Bank of North Dakota for providing additional funding for centers of excellence.

[3] A section is added providing funding for Prairie Public Broadcasting.

House Bill No. 1018 - Department of Commerce - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	$8,617,235	$8,617,235		$8,617,235
Operating expenses	13,642,636	9,978,688	$3,114,000	13,092,688
Capital assets	25,000	25,000		25,000
Grants	48,374,748	48,374,748	400,000	48,774,748
North Dakota Development Fund	3,000,000	3,000,000	1,000,000	4,000,000
Discretionary funds	1,450,127	1,450,127		1,450,127
Economic development initiatives	2,163,090	1,296,846		1,296,846
Agricultural products utilization	2,808,193	2,808,193	200,000	3,008,193
Economic development grants	50,000	50,000		50,000
North Dakota Trade Office	1,400,000	1,400,000		1,400,000
Total all funds	$81,531,029	$77,000,837	$4,714,000	$81,714,837
Less estimated income	55,361,293	55,361,293		55,361,293
General fund	$26,169,736	$21,639,544	$4,714,000	$26,353,544
FTE	73.00	64.00	0.00	64.00

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

	ADDS FUNDING FOR INNOVATE ND [1]	ADDS FUNDING FOR FOR APUC [2]	ADDS FUNDING FOR THE DEVELOPMENT FUND [3]	ADDS FUNDING FOR CAREER SPECIALISTS [4]	ADDS FUNDING FOR WORKFORCE SYSTEM INITIATIVE [5]	ADDS FUNDING FOR TOURISM MARKETING [6]
Salaries and wages						
Operating expenses	$50,000				$50,000	$3,000,000
Capital assets						
Grants				$400,000		
North Dakota Development Fund			$1,000,000			
Discretionary funds						
Economic development initiatives						
Agricultural products utilization		$200,000				
Economic development grants						
North Dakota Trade Office						
Total all funds	$50,000	$200,000	$1,000,000	$400,000	$50,000	$3,000,000
Less estimated income						
General fund	$50,000	$200,000	$1,000,000	$400,000	$50,000	$3,000,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	ADDS FUNDING FOR FAITH-BASED INITIATIVE[7]	TOTAL SENATE CHANGES
Salaries and wages		
Operating expenses	$14,000	$3,114,000
Capital assets		
Grants		400,000
North Dakota Development Fund		1,000,000
Discretionary funds		
Economic development initiatives		
Agricultural products utilization		200,000
Economic development grants		
North Dakota Trade Office		
Total all funds	$14,000	$4,714,000
Less estimated income		
General fund	$14,000	$4,714,000
FTE	0.00	0.00

[1] Funds for Innovate ND is increased to provide a total of $300,000, of which $150,000 is from the general fund.

[2] Funding for the Agricultural Products Utilization Commission is increased to provide a total of $1,662,115 from the general fund.

[3] The transfer to the development fund is increased to provide a total of $4 million for the 2007-09 biennium.

[4] Funding is added to provide grants for career counseling services for students.

[5] Funding is added for costs relating to the Workforce System Initiative.

[6] This amendment restores $3 million of the $3,753,948 reduced by the House for tourism marketing and promotion.

[7] Funding is added to provide a total of $25,000 for operating expenses of the Office of Faith-Based and Community Initiatives. Funding of $11,000 from the general fund is appropriated to the department in Senate Bill No. 2001.

The section added by the House requiring the Trade Office to raise $1 in matching funds for every $2 provided by the state is replaced with a section requiring the department to report to the Budget Section on the status of matching funds raised by the Trade Office.

Sections are added relating to:

- Centers of excellence.
- Housing Finance Agency programs.
- Visitor information centers of the Tourism Division.
- Department of Commerce organizational structure.
- Workforce talent strategy and statewide intelligence coordination strategy.
- Image information program.
- Internships.
- Career specialists of the department.
- Internship employment tax credit.

- Research and experimental expenditures tax credit.
- Research and development tax credit.
- Seed capital investment tax credit.
- Agriculture business investment tax credit.
- Business climate initiative study.
- Beginning entrepreneur tax deductions and exemptions.
- Monitoring CCbenefits, Inc. and reporting to the Legislative Council.
- Definition of business incentive.
- Tax expenditure report pilot project.
- Business incentive expenditure report pilot project.
- Legislative Council studies of housing needs, wireless service providers, higher education promise grants, Workforce System Initiative, and Department of Commerce.

2007 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1018

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/5/07

Recorder Job Number: 5784

Committee Clerk Signature

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Senator Grindberg explained the Senate changes of the bill.

Representative Skarphol: Prior to crossover there was $5.3million removed to repay the loans, where is that now?

Allen Knudson: It is in 1014.

Meeting adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/11/07

Recorder Job Number: 5914

Committee Clerk Signature

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members are present except Representative Glassheim.

Chairman Carlson: First let's discuss the tourism side of the budget. When the bill left the house you guys passed the extension of the tourism tax, so we had removed the $3.754M in the House that had been added by the Governor with general fund dollars to basically replace that tourism tax...when you passed it, we took it out and I see that when you added it back in you just added the $3M and I think we need to address that issue because we had some discussions with the tourism division about what our intentions were with that money as it left the House. To my understanding, our intentions were...that if the tax was to be defeated, that we would reinstate that money which we pulled. We need to have some idea where you folks are at on that....we'll start with that issue.

Representative Glassheim arrived.

Senator Grindberg: Not to mince words but the House pulled it out so what would the House like to see happen?

Chairman Carlson: We would like to see it go back to where the...what we took out. We know there was a difference between how much the tourism tax raised and what we took out

of there. We took out the new money that the Governor added...we told the tourism people that our intention was to take it out but to reinstate it if the tax was to die in the House. We told them that if we do that, obviously, we need your concurrence to do that.

Senator Robinson: How much are you looking at putting in?

Chairman Carlson: $754T...I believe they're marketing up to the $8.1M level...am I correct on that Sara?

Sara Otte-Coleman: Yes.

Chairman Carlson: I'm just telling you Senators, what our word was to them as they left...that we understand that we need your concurrence on that issue, but that was the basis for why we took it out when it left. We were not in disagreement with it being $8M marketing budget...I don't know what you've received, but I've had various people following me around asking me not only to reinstate this, but to add another $300 or $400T...that's not part of what I'm suggesting.

Senator Grindberg: We're meeting 3 of this commerce budget...if we have a target in mind for a total General Fund yet...I'm not sure if that's been...we have some additions in a few small areas that we added and changed for the $3M instead of $3.7...I'd certainly have some ideas to get us back to that $3.75, but it wouldn't be at a exchange of taking out what the Senate added.

Chairman Carlson: I have a list of what the dollar changes were and we'll go through all of those...discuss them and if we can come to some agreement...I'm not too concerned about us resolving some of the language in 1027, I'm more concerned about settling the money first and then looking for good policy to follow the money when it comes with the *(can't understand)* investment credits and those types of things.

Senator Robinson: Are you working off of .0300?

Chairman Carlson: Yes, .0300 is that latest version. The next one is the career specialists...again, I'll give you the logic that we had from the House and then I need a better understanding of why you added $400T more into that. When they came to us they were asking for 11 FTEs...and they were asking for these career specialists...we were calling them counselors at that point and time and they were to go out to the High Schools and convince these kids as what would be things in and where the job opportunities were. We had a lot of discussion about the fact that all schools have counselors set up with various levels of helping these kids, so we authorized one FTE as a coordinator for this that would be housed in the Department of Commerce. The FN was about $160T for that one individual...you have added back in $400T...I'm not sure what you're intending that money to be used on....if It's how many more people...

Senator Grindberg: I would suggest that we have Shane talk about this in a little more detail.

Shane Goettle, Commissioner of the Department of Commerce: From the time that the proposal was turned into the House *(can't understand)*. During that period of time I was *(unable to understand most of this, since he wasn't near a speaker)*....The other industries that we want to reach...we can use that money to match it up to the private sector funds...grants and opportunities to get experts in the fields. Energy is not the only place we can do this....

Chairman Carlson: That is what the money would be used for?

Shane Goettle: That's right...modeled after what we heard ....some public money and some private money...we can't go around

Representative Skarphol: How much is for private and public and what are the sources of the public money?

Shane Goettle: Assuming $160T for the salary...$400T...what we're told by Ron Ness and ...about $8T a year.....$50-60T from public sources in order to launch the

program.....$20T from the private sector and now the make up of that has changed and in a couple of years they'll be money in this.....an initial grant from the

Representative Skarphol: So the public money was coming from Job Service?

Shane Goettle: Yes.....$30T to get it started.....one time shot.

Chairman Carlson: You're assuming that you have 5 more career areas you could address with those $80T?

Shane Goettle: I think we do that.

Chairman Carlson: Any idea what those areas would be?

Shane Goettle: Yes.

Chairman Carlson: I just want to know that if you're assuming if it's $80T for a model of it ...then you get 5 out of that 400T plus you'd still have the coordinator to run it. It would be a new position. Any other comments? Obviously, you bought into the plan...that's why it's in the bill. The next area of discussion is the Centers of Excellence money at $20M plus a $5M contingency....this is all general fund money...the last 5 would be paid back by the Legislative Session.

Senator Grindberg: It was approved by the budget section...the same process.

Chairman Carlson: Last time we did it out of the Permanent Oil Trust Fund...it wasn't general fund dollars. The process would be the same; the source of the money is different.

Senator Grindberg: Yes.

Chairman Carlson: We had discussion in the House when we had the OMB bill, which your committee removed, all the transfers when you did the OMB bill and sent it to us. We had that discussion about ...what should we do with Centers of Excellence money and whether or not we should add it back in...during our discussion, you folks added it back in to this budget so we didn't have to take it any further. From our perspective, we had some concerns that the

House would have liked to have seen some amount of a waiting period before we continue the funding of Centers of Excellence, simply because we thought a lot of them hadn't even been put into place yet and hadn't even been operational to see what the successes were and to take it 1 step further, we invited all the Centers of Excellence people into to explain to us what they were doing because we wanted to make a good decision because this committee, for the most part, the group sitting here, did a lot of effort last time writing the guidelines for the Centers of Excellence. We still have some concerns about #1, is there a need for the $20million and #2, would it be beneficial to sit out a year and reviewing what's taking place and to see if it's accomplished the goals of the guidelines that we've set up. I've explained this to the Governor...it isn't that we don't like the program, we just want to take good hard look. I noticed Senator, in your guidelines, you had some concerns as well, and you addressed the workforce side in your amendments and the Majority Leader in the House put some amendments in our bill that addressed infrastructure, as far as building buildings for the Center, so I think both of you have a concerns in different areas as to what should be done with the money...is it workforce training or is it not and is it for building buildings or is it not...we need your response to that because we left it off, we didn't put it in because you did but we have some concerns about going to $20M again and not having time to evaluate what we've already done. Rep Glassheim, would you like to comment before they respond?

Representative Glassheim: No, I drafted a six month waiting period report to the budget section before releasing...I didn't want to delay it much, but I thought maybe they should report on how things were going. I was very concerned about saying no building or 10%, based on a building...I didn't care for that.

Chairman Carlson: We had 1 that was $2M of the money released could be for infrastructure. There is language in the OMB bill that says $2M could be for workforce development...$2M of that money can be for infrastructure of the next awards.

Representative Glassheim: I got an amendment unto that saying...it shall not be infrastructure if it's essential to getting the private money to build a building so we did modify that in Appropriations on the OMB.

Chairman Carlson: So there are 2 issues...should there be changes to the guidelines and #2, I don't think we're hesitating from making a commitment to Centers of Excellence...I think our hesitancy is on seeing how well it's really working and what our net results are from the money we've already invested.

Senator Robinson: It seems to me that there are some projects pending until this next round and 1 of the concerns I would have is that we put them on hold...that's a concern, because we knew in advance (a year ago) that there might be a waiting period...I think that's something that might have some merit. I'm concerned that we have some folks working hard with the expectation that this program go forth and we put people on hold for six months or a year, I would be concerned about that. I welcome this discussion...this is a big initiative for us...we want it to be successful and that's why we're here. I don't recall...I know there were some in the planning stages but depending what we do this session...maybe someone could get us that information.

Chairman Carlson: Do you remember what the language was last time regarding what was going to happen when the money was gone...was there any language that said there'd be another round of the same amount of money available ...when the $20M was used up was there a promise for more?

Shane Goettle: There was a section of intent added that over the next *(don't know if it was 2 or 3)* bienniums, there'd be a total $50M provided for the Centers of Excellence.

Senator Grindberg: We sat here two years ago shaped this thing and put it in motion...and there was excitement and enthusiasm. A lot has happened during this biennium...workforce training, discussion on the infrastructure piece, etc. There was a meeting a year a so ago in Grand Forks with the National Center of Excellence guru...a number of folks from the university system attended and Rep Berg was there and myself. It talked about what the next step is.....the continuation of the program....results, accountability and rather then just a rapid fire of how fast we can burn the money up. I don't think it does us any good to get into restricting...we can restrict the dollars, but the criteria, I think we need to be more or less intact what we put in place 2 years ago...more directed towards buildings...buildings are a sensitive spot in the halls of the legislature but in the case of the 2 projects at UND, if you don't add the capacity, you can't *(can't understand)* portfolio so clearly, it's in the best interest of the state to help invest in that and if we want to have accountability, make sure if the application's funded, they sustain the operation of that building and not the state...I don't have a problem with that, but to get in and start micromanaging what we're going to do with bricks and mortar after 2 institutions when we know that the economy's going to grow as a result of more investment, whether it's buildings or commercialization of new technologies...that's long term. There's a great thing going here...look at our per capita RND...look what's going in this state...it's time to make sure that that doesn't go the other direction. We had a good thing going...let's not pull the reigns in too hard.

Chairman Carlson: The question I would have, we have language where we made some changes...we put some requirements on sharing and the revenues for products that were developed. We also adjusted the ability for the Legislature to veto...before we just had to

approve, we really didn't have any choice to send the project back if we didn't like it. In the budget section we added some language...we'll bring copies of that for you at the next meeting because I think we need to address if we're going to make any fundamental changes to this, they should go together with the money and I'd prefer that they weren't in 2 places when we got all done.

Senator Robinson: I think it would be advantageous to have those pending projects.

Senator Grindberg: I would hope that as we get close to coming to an agreement, that we also have agreement with conferees at OMB...I'll be reluctant to agree to something knowing that it's still open season through the OMB process.

Chairman Carlson: I don't have any disagreement with that.

Hearing Closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill No. 1018

House Appropriations Committee
Government Operations Division

☒ Check here for Conference Committee

Hearing Date: 4/12/07

Recorder Job Number: 6000

Committee Clerk Signature

Minutes:

Chairman Carlson opened the hearing on House Bill 1018.

All members are present except Senator Robinson.

Senator Grindberg: Regarding one aspect of the Seed Tax Credit language that passed both Houses. There is another bill that passed SB 2224 that has now gone to the governor's office and there has been a request for further consideration to connect both the Angel Rain fun and the seed tax law. There have been some amendments offered. We will have Dee explained them and how they are tied together.

Donita Wald, Legal Counsel for the Tax Department, spoke on the Angel Fund and the Seed (Tax Credit. See attachment 1018.4.12.07 A) SB 2224 bill it created another seed capital investment type of a program. It was amended in the House by the Finance and Tax Committee to just clarify that an angel funds would be able to pass through the tax credit from the investments it made with a tax credit investment fund. The proposed amendment that I drafted here for Senator Grinberg allows and investment tax credit for a person who is directly invests in angel funds.

Chairman Carlson: How is that different than the way it was?

Donita Wald: Not that much. It is a 45% tax credit. It does not require certification. We are requiring that they be a 45% tax credit. The most a tax payer can get for his investment is no more then $45,000 in credits per year. The investment must be invested at the angel fund for at least 3 years and don't allow an escrow account. It gives them a 4 year carry forward and if you look at the very last line, we are insuring that a tax payer that invests in an angel fund; and that angel fund might invest in a capital business, then the tax payer can invest in a capitol business so you won't be able to double dip.

Representative Skarphol: Can you say that again.

Donita Wald: Say the tax payer invests in the Bismarck angel fund. He invests $10,000 in that fund; the angel fund turns around and invests the money in a seed capitol business. The tax payer also personally directly invests in the feed capitol business. The way the feed capitol works, SB 2224, the angel fund did it, but they got some investments passed through to the individual tax payer. So he would be getting an investment for his money he would be getting a tax credit for the same money twice.

Chairman Carlson: At what percentage? Is it to his tax bracket or a difference percentage? What would his investment have to be to get $45,000? Right now the bill changes the money available from 2.5 million to 5 million and it has always been on a first come first serve basis. By adding this into the normal seed capitol investment tax credit. Is the change to use this all up increased a great deal or is this something only a few people would be using?

Donita Wald: SB 2224 is the bill that allows the angel fund to share in the 2.5 million dollars or 5.million as proposed in this bill.

Chairman Carlson: We have already allowed them in the other bill you are saying and this bill just clarifies the level they can be.

Donita Wald: This is a separate tax credit to pay income taxes. This is for any cooperate or individual tax payer. Has nothing to do with angel funds or seed capitol businesses except it doesn't allow them to get a double benefit for their dollars.

Rep. Skarphol: It does not allow the individual who invests in the angel fund to get a dual Credit. but the individual who invests in the angel fund gets a credit and then the angel fund gets a tax credit for investing in the seed capitol so there are two credits stacked, but they go to two different entities.

Donita Wald: No, the credit earned by the fund passes through to the individual share holders in the fund. So if you were a member of an angel fund and the angel fund invested in a seed capitol business and your share of that tax credit that was earned by the fund was $10,000, you get a $10,000 income tax credit.

Senator Grindberg: How did you become a member of the angel fund?

Donita Wald: I am not sure?

Senator Grindberg: You have to invest in the angel fund to become a member of the angel fund so tax credit for investing in the seed capitol goes to members of the angel fund.

Chairman Carlson: I get a tax credit for investing in the angel fund. The fund gets a tax credit for investing in the tax credit and as a member of the fund I am going to get an additional tax credit because I am a member of the fund. This allows that?

Donita Wald: From the situation you just did you get the angel investment tax credit and you get the tax credit if it wasn't a seed capitol business.

Senator Grindberg: First of all you have to qualify for the designation commerce provides to be eligible to be in partnership with the tax department, correct. Up until now the seed tax credit program has been expanded over the last two three biennium's and individual investors are qualified through commerce and the tax department on project A and Rep. Skarphol puts

$100,000 in; whatever his tax liability is in the program, he is able to get the tax credit on his investment. What we are talking about here on the bill is taking it from $2.5 million to $5 million. In SB 2224 its objective was to provide that tax credit to the pool. Let's say there are 10 Rep. Skarphol in the loop now. So you have 10 investors in that pool, and as I understand, with the passing of 2224 and now this proposed amendment is if you elect to choose to invest in that fund and there is 10 investments at $10,000 so its $100,000 grand; when we make an investment for the passer of that credit goes to you as an individual member. You only do it once and the advantage here is what the supports of the concept are trying to create more investment to spread risk so if there are 10 investors of that $100,000 the likely hood of them taking more risks and investing in riskier projects is great because there is less risk to one individual investor.

Chairman Carlson: does the investor take the risk because he expects the reward or because he expects the tax credit. What makes his decision final when he does that?

Senator Grindberg: As an investor I would think their primary motivation is the return. What is the states roll in this? That is the background. These grain funds are relatively new. The first one was formulated a year ago in Grand Forks; then Bismarck and Fargo completed their first funds. This is a movement across the Midwest; you may recall an invite to visit a friend Steve Marcel who was here a month or so ago as bill 2224 was working through. We have been debating and what the good thing about these grains funds and there are about 19 of them in the Midwest; Minnesota, Iowa, Nebraska, South Dakota and they are all part of a group that has provided these services. Discussed usage of grain funds and their use

Chairman Carlson: Are these credits transferable in any of the bills?

Donita Wald: No

Chairman Carlson: So it would have to be a ND tax payer receiving them.

Representative Skarphol: You are going to have to do something for me before I am going to vote on this. Your going to have to set down a prepare some kind of flow chart that would show me what would happen if 10 people were to invest in an angel fund and get the maximum amount of deductions and that angel fund would then do invest in a number of projects to get the maximum amount they are able to get out of this and what would go to whom; in other words 1 or a; how much would they benefit from all the transactions that took place as these dollars float.

Chairman Carlson: There is an interim ship employment tax credit; a research an experimental expenditure tax credit; there is a research and development tax credit, a change in the seed capitol investment tax credit, there is an agricultural business investment tax credit and there is a beginning entrepreneur tax deduction and exemptions. That is the way I am reading 1027. Number one I need to know two things Allen, I need to know what the status of that was before. Second thing does those changes affect revenue? How much is in the bill. My understanding is about $13.8 million dollars in exemptions in this bill. So I need a little better clarification on what they do. Can you do that?

(Unidentified) There are only two that affect revenue and that is the Research and Experimental Income Tax Credit, $8.4 million general fund loss; Seed Capitol Investment Tax doing from $2.5-$5 million. That is a $5 million loss. So those are the two items that make up these.

Chairman Carlson: Let's go to this Research and Experimental Income Tax Credit and talk about that because I don't believe that was a stand along bill during the session? I want to know what the affects of the revenue changes are. You are telling me the rest of these have very little affected?

(Unidentified) Very little affect.

Chairman Carlson: What does that mean? The Agricultural Business Tax Credit; is that a little thing or could that be a big thing? That is why these fiscal notes that say nobody knows are interesting to me.

Donita Wald: It is an expansion of it to another type of entity.

Chairman Carlson: $8.4 million is a big time expansion of revenue so begin at the beginning.

Donita Wald: What this section's goal was to create the most attractive rate for those companies that are doing RND research and development?

Chairman Carlson: So that is the biggest changes. We already have some of these exemptions in place.

Donita Wald: This $8.4 million is based on the information we have gotten from tax payers. Those taxpayers have already given us this information and recalculated their credit. If they would have had the higher rate that is what it would have amounted to? It does not take into account any increase in research and development that may occur as a result of us having that credit out there.

Representative Skarphol: There is nothing retroactive about this change in percentage?

Donita Wald: Nothing retroactive about that. There are 15 tax payers currently paying for it.

Chairman Carlson: So the $8.4 is an expansion, what are we already giving out in a biennium?

Donita Wald: The credit that would be as it is now would be about $2.9.

Chairman Carlson: but if you took those 16 and plugged in the new rates and said that is what it turned into $11.3. Just so I understand as we go forward on these. Are that fairly two key components that 1027 brought over were the R&B and seed capitol and now you are talking about the angel fund adjustment as well?

Rep. Glassheim: You are rising from 8% to 5% but you are also lowering the limits to $100,000 from $1.5 million. What is the affect of lowering it?

Donita Wald: Requires less of an investment to qualify.

Representative Skarphol: We could invest in more than one of these in a single year, correct?

Donita Wald: That language deals with just the selling of the tax credit. The transferability of the tax credit is something new. The 8.5 million does not take that in.

Senator Grindberg: If you can get 25% on a $100,000 and you can sell $100,000 worth you must be able to participate in more than one event? I had one conversation after our last meeting with members of the tax and commerce department and I know there is some concern yet on the sale or transferability of these tax credits. I think it is important to distinguish two different uses of this tax credit. Let's say there is a large manufacturing companies and has been here for a number of years and they are currently using the R&B or whatever we provided or allowed for and now go to 25%. I think that is a good thing. It puts our state first in the nation for something that would be really good. But I don't think those companies should be able to transfer cellos. They are well established and this credit it going to be more profitable in a global economy. I think it is in our best interest to discuss that further. The new technology company and the company that started and is not profitable; probably won't be for five years, that I believe that is the intent of what the business congress was trying to hone in on is that entrepreneur that has been in the business a year or two has losses. If they can sell those losses and a company or individual A comes in and says I will buy those losses and take the tax credit that new start up gets equity and our discussion was should be centered solely on transferability on that portfolio? I think that is something we need to spend a little more time on is distinguish there are two different ways this can be used, but if we are going to set up the

transferability, which I think is attractive in startups; it is not the other 16 more established companies that are coming into the state are still going to get an advantage, the administrative and audit side of that approach is going to be very complex.

Chairman Carlson: It is hard when an existing company that was very satisfied to do business here at a rate that was 7 or 8% and it now goes to 25 that he should be able to cash in on those and sell it. There is some heart burn on our side on doing that. I am not sure how to fix it. I agree with your concept. I am not sure I them to reap them in and then be able to market them off with some extra cash that we never really intended it for. That isn't the new wealth we were looking for when we created this.

Representative Skarphol: Would it not be possible to make that evaluation on the profitability of the business? If the business was profitable it doesn't have the ability to sell. If it is showing a real loss, then it would have the ability to sell. Can't that distinction be made?

Donita Wald: You could always make that distinction. I know we would have to watch that company and be sure.

Chairman Carlson: Next time if we could come back a couple things I would love to resolve, if I could be would be the issue of more money to the development fund, the added funding for APCK and resolve the career specialist issue then we would have a good start on this thing. Adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/16/07

Recorder Job Number: 6032

Committee Clerk Signature Tonya J. Voegele

Minutes:

Chairman Carlson opened discussion on House Bill 1018.

All members are present.

Chairman Carlson distributed and explained handouts regarding Centers of Excellence

Senator Holmberg: There different spread sheets which compare version A, B and C. Is there one in existence right now which looks at the current statute what is in 2015 and what is in 1018? They discussed the Development Fund action by the Senate.

Chairman Carlson: They so they have projected cash of 5.8 million dollars at the beginning and they have made commitments they have made to fund which is a million nine.

Representative Skarphol: I see the tax department is here. It may be a good idea to see what their research found on the Angel Fund.

Donita Wald handed out a spreadsheet explaining the Angel Fund.

Donita Wald: I just handed out a spreadsheet that I hope helps explain the mystery or the questions that you had regarding the Angel Fund Tax Credit. We provided two different scenarios, one in which the Angel Fund invested all of its monies into either a Seed Capital Investment Tax business or an Ag commodities processing business. That's probably not the most realistic scenario because the funds like to spread their money throughout different types

of new enterprises. So what we did on the back is give another example in which the Angel Fund invests in Seed Capital Business and Ag commodities business and another business that does not qualify for any investment tax credits. Both chars at the top show you what the ND taxpayers investing and where the money is going to the funds and how much. Then in each box at the bottom is a calculation of how much the tax credits that taxpayer would be entitled to. One thing if I may suggest, is that when we prepared this amendment and spoke with Senator Hacker we did not think about at that time cutting their ability to double dip on the Ag commodities processing facility. On that amendment I would suggest on the very sentence it be changed to say a tax payer claiming a credit may not claim any credits available to the taxpayer as a result of an investment made by the Angel Fund in a qualified business under Chapters 57:38.5 or 57:38.6.

Senator Robinson: With this proposal, where would ND be competitively with the region and the national scene if we make this change?

Donita Wald: There are numerous types of tax credits available for Angel Fund investments throughout the United States.

Senator Robinson: So it is difficult to say that we are highly competitive or we are in the ball park?

Donita Wald: That is correct.

Donita walked the committee through the first page of the chart.

Senator Robinson: Can you talk just a little on the impact of fiscal notes?

Donita Wald: We would not be able to predict what the impact would be.

Chairman Carlson: How do you know what the impact is on the R & D?

Donita Wald: On the R & D Tax Credit, what we did there was because the change in the tax credit will apply to those 16 taxpayers who are already claiming the tax credit, we took the

numbers in 1018 and applied it to what those taxpayers are doing and we were able to estimate the $8.4million. What our fiscal note does not include though is any increase in R & D in the state due to the better rate.

Chairman Carlson: $8.4million is just those that are already getting it.

Donita Wald: That is correct. In fact one taxpayer will receive about 69% of that.

Chairman Carlson: Obviously we are going fishing for the new guy.

Representative Glassheim: Is this based on a $100,000 investment?

Donita Wald: In the scenarios you have here the taxpayer himself invests $300,000.

Representative Glassheim: And there are going to get up to $135,000 tax credit which is totally covered.

Donita Wald: That is correct.

Chairman Carlson: Let's go to the Senate amended version of the bill.

Donita Wald: The first change that was made in section forty, the R & D Tax credit is one, it on lines 27-28 it changes the definition of a taxpayer who is able to claim this credit. It allows an individual and other types of entities to claim the tax credit. Part of that is driven by House Bill 1412 which allows a tax credit earned by a pass through entity to pass through to its individual shareholders and members. The big thing is the change in the rates and the base period expenses from 8% to 25% and 4% to 20%. That is where you are getting that $8.4million. We are also changing the base period research expenses from $1.5million decreasing that down to $100,000. All of those changes combined bring up the $8.4 million.

Chairman Carlson: Where did these numbers come from?

Donita Wald: I understand it came from the interim Economic Development.

Chairman Carlson: Were they analyzing other states or what were they looking at?

Donita Wald: They were looking for the best rate and what they came up with was Rhode Island. Rhode Island has 22.5% of the first $25,000.

Chairman Carlson: Allen, how do we reflect this $8.4million?

Allen Knudson: It would be General Fund revenues.

Chairman Carlson: We need to take into account that we lowered our projected revenue in the next biennium.

Allen Knudson: It is in the budget status as of now.

Chairman Carlson: Is there anywhere in there where this can be sold?

Donita Wald: That is the other big thing this bill does is it allows a taxpayer to sell any R & D tax credits that they earn.

Chairman Carlson: Where is that section?

Donita Wald: That section is on page 23. Well it starts on 22.

Chairman Carlson: Can only ND taxpayers buy it or can anybody buy it?

Donita Wald: We would assume that only ND tax payers will buy it because the tax credits would not do any good in any other state.

Representative Skarphol: Carry back or carry forward?

Donita Wald: They can use the credit in the same manner that the taxpayer creating the credit can except they cannot carry it back they can only carry it forward.

Representative Skarphol: How long can they carry it forward?

Donita Wald: Fifteen years and they can only sell it once.

The committee continued the discussion on the buying and selling tax credits.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/17/07

Recorder Job Number: 6100

Committee Clerk Signature

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members are present except **Representative Glassheim**.

Chairman Carlson: Centers of Excellence, any discussion any thoughts?

Representative Skarphol: I spent a little time going through the language of 2015 and the language of the Commerce bill there's not much difference, there are a few places that might cause some discomfort, but I think we could iron it out.

Chairman Carlson: Let"s talk about it. The money will probably be the last thing we resolve when we get to the final dollars on centers, but the mechanics need to be addressed a little bit.

Senator Grindberg: Where are we starting from - 1018 or the current version in statute or ..

Representative Skarphol: What I did was sat down with 2015 and your version of 1018 and just kind of walked through it.

The language is slightly different. Page 10 of 1018 and page four of the amendment, we can fairly easily see the differences. The Senate version is more restrictive on workforce. And that's an issue that we're going to have to resolve as a committee - which definition we prefer to use.

Representative Glassheim arrived.

Chairman Carlson: Allen did you do any kind of chart on the Centers?

Allen Knudson: I thought it would be done by now.

Chairman Carlson:I think we'll hold off on that right now then because the chart and time line will make it a lot easier for us. I don't know about you but I had some confusion.... The question is should we have some caps and limits per user... I have a little concern that we have 16 existing companies and quadrupling their ability for a credit and not taking into account the fiscal note that any new companies that might stack on top of that. That led us to the discussion if there should be a cap or a gradual phase up of those companies existing companies that are already here. Or is the 22% already too high and should that be 12 or 14 but not to the level of 22%. I don't think we are disagreeing that we should do it but I think we are having a little trouble clarifying what it will cost and what the return is going to be on the back side with new job creations, new business set ups, those kinds of things.

Senator Grindberg: I think we are heading in a place where we are going to come to a consensus. I think there is some value to being known as the state with the most aggressive R&D tax credit in the nation. I think we should center our discussions on that being available immediately to any new companies that come to the state. The approach that the current 16 should be staggered and cappedl, I think that's practical and reasonable. How fast or how long - I think at some point they should get to the 24% as well for any new companies coming to the state and then cap it as well.

Chairman Carlson: Dee, have you prepared anything for us today...

Donita Wald: We are still working on it.

Chairman Carlson: If we were to look at all the bills spread throughout the legislature, what do we have in terms of tax credits and limits that are on them. And I think I need to understand what all commitments we have made to businesses and have we capped some and not capped others. I think if we could get that for the next meet that would be good. Any response to what you're hearing here.

Donita Wald: Our concern is how you would identify or define a new business moving into the state. You might have a business here that is making sales of tangible personal property and then they expand into the R & D. They're not moving into the state, they're just expanding their operations. So we define exactly who the higher rate would belong to. Because there is room for manipulation.

Senator Grindberg: We should be able to come up with the language.

Donita Wald: I'm sure there is something we can come up with using those concepts.

Senator Grindberg: I would recommend that Dee and the Commerce Department to work on that.

Representative Glassheim: We distinguished between those who got this tax credit in 2006 and they were allowed to go up 110% of the tax credit each year. There is a phase in of existing companies. We put in a limit of $250,000 per year and an aggregate amount of $1.5M.

Chairman Carlson: How many do we cap now?

Donita Wald: Seed Capital is $2.5million, each taxpayer is capped at $112,000, Ag commodity investment tax credit has a tax payer cap of $50,000 annually with a $250,000 lifetime cap, the other limiter in that one is only 10 businesses can qualify.

Chairman Carlson: I remember that going through. This bill proposes $5million.

Donita Wald: That is correct.

Chairman Carlson: But there is no cap today on R & D and there is no cap on individual

Chairman Carlson: I don't think we disagree for the need to do this but I do think we need a comfort level as to the limits on the process. I'm not even being adverse to being the highest in the country, but I'm uncomfortable leaving the door wide open.

Senator Grindberg: Distinguishing between the current 16 and anything new, we have no way of predicting what revenue loss would be with new to the state so whether there was a cap is not a concern of mine right now. With the cap approach, maybe a 7 or 10 year sunset approach would entangle with the tax department.

Chairman Carlson: What I'm struggling with the most is probably rewarding someone who is satisfied with our existing credit that it quadruples for him. That's what I'm uncomfortable with.

The meeting was adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/18/07

Recorder Job Number: 6105

Committee Clerk Signature

Minutes:

Chairman Carlson reopened the discussion on 1018.

All members were present.

Chairman Carlson: We still seem to have a long list of issues on this budget that we are addressing. This is the latest version of the Centers for Excellence Budget and what it does, we will use this as our working paper to make any adjustments or changes. What we will do is we will have Allen take a couple of minutes to explain the way it sits in the two bills.

Allen Knudson: The top part of the memo deals with the law that was passed in 2003. That is shown separately because that law was repealed in 2005 so the sections don't match up that is why we show that as a separate item up above, but at the bottom of the page of the law, how the comparisons are between the different versions of the bill. For instance in 156902, the second the item there, this is where it talks about that workforce was commercialization and infrastructure needs and how it compares as far as what the House added as far as limiting the amount available for workforce and infrastructure and then in the Senate version the workforce may not be a primary need addressed by a center. That is just kind of how the memo compares throughout the different sections of the bill.

Chairman Carlson: I would love to be able to eliminate the reference to the centers in 2015 and reconcile amended 1018 so that everything we are dealing with funding included is in one bill. I know Sen. Holmberg will be on that conference committee on OMB and it would be my preference to not have two sets of rules that are conflicting so we would like to address the differences, reconcile them, change the language in our bill and then address the funding issue on centers.

Sen. Robinson: Is it your intent to work on that very issue with the 1:30 session when we are back together?

Chairman Carlson: Yes. I have one other handout for you that I want you to have an opportunity to read. Sen. Grindberg, I gave you one but it doesn't address the changes and what I tried to do is I asked the tech department to give me a list of what we have in legislation floating around to deal with tax credits and the limits and the guidelines and this is their version of it.

Dee: The first set that I gave you has some non-substantive changes. There were some errors in the first one I gave you and I have revised it. It is the same thing, the numbers haven't changed. HB 1403 created a new seed capitol investment tax credit type of thing for smaller businesses and small communities who have an active economic development program. It is in cities of less than two hundred and fifty people. There are some other qualifiers that was passed. The conferees met and I believe the House concurred with the Senate amendments. So that is out. SB 2363 expanded the plan gift and endowment statute that we already had that was already available to individuals. SB 2363 made it available to corporate tax payers. It is forty percent of the gift and it is ten thousand dollars per year cap. We don't know how many companies will actually be taking advantage of that credit. HB 1091 that is for contributions to a higher education savings plan administered by the Bank of North Dakota. That affects

individual income tax payers and allows an exemption up to five thousand dollars for individuals and ten thousand for a joint return if they make a contribution to a section five twenty-nine plan. I do believe that bill was heard in full appropriations earlier in the session. SB 2032 right now that one removes the marriage penalty on the lowest bracket for individual income taxes. That passed this morning. HB 1393 expanded the income tax exemption for Native Americans. Previously if you were a Native American and you worked and lived on the Reservation of which you were enrolled you were exempt from ND income taxes. This has expanded this to all Native Americans living on the Reservation, working on the Reservation, but what we changed was it doesn't matter which tribe you are enrolled in. All Native Americans living on the Res are now exempt from income tax.

Rep. Glassheim: Is there some general sense of what the magnitute might be?

Dee: No, because if any per individual, probably not a big amount of dollars but because we have had so much spotty compliance and difficulty enforcing that on the Reservations.

Rep. Glassheim: Are we going to lose?

Dee: We are probably not going to lose. Even from a collection standpoint and administratively it was very hard to administer. HB 1018 is the research expanse of eight point four million. The seed capitol investment tax credit statewide limit cap is being increased two and a half million yearly so five million for the biennium. An AG business investment tax credit is being changed to allow livestock operations to qualify.

Chairman Carlson: Let's go back to the first on on the R&B one. Lifetime you would sell the credits and it increases it from eight percent to twenty five and twenty. Eight point four million is no new money, right?

Dee: Correct.

Rep. Glassheim: There is also another amount that is undetermined.

Dee: That is correct. The other thing you must also keep in mind is the other unknown is for those who sell that tax credit who have maybe earned it but not been able to claim it would be able to sell their tax credit to any kind of tax payer, individuals there is also that unknown.

Rep. Skarpol: Do we have any pent up tax credits out there that we would be liable for? Can you give us any kind of a number?

Dee: No, we can't give you a number, there is a number of reasons why someone may not claim the credit, they might have you have another tax credit that they use that brought them down to zero. We don't require them to report what they could have gotten. The other reason they may not have used a credit is because they haven't met operating losses. We can't really give you a number on that. The next bill is HB 1233.

Chairman Carlson: That is creating a little stir I don't know about the Senate, but it is in the House as far as the huge fiscal note on that for selling those credits off.

Dee: That is over five years per project. Actually no, the version that is currently in the House, it is still five. HB 1412 deals with the R&D tax credit and has been signed by the Governor that allows passive entities to pass with any credit that they earn through to their individual members or share holders, it is something that is currently used in a lot of the other tax credits for those passive entities like LLC's and such.

Sen. Robinson: The next four, could you give us a comment on the fiscal impact, whether it will be significant or insignificant?

Dee: HB 1412, I don't know. Significant. I am not comfortable answering that one. I think it was geared to more of those smaller businesses who incorporate as a pass through entity LLC's and subchapter, the other three, the biomass have no idea about 1514 which is just adding biomass devices to the definition of a wind energy devise. SB 2224 clarifies that angel funds that investment qualified business..

Chairman Carlson: Are there any credits left in there?

Dee: In 2007 now there is two and a half million unless this bill passes then there will be five million.

Chairman Carlson: But his bill rolls that into the seed capitol?

Dee: Correct. 2225 does. So they would just be able to share in that two and a half million spot. SB 2298 that bill did a number of things. First of all it provided for a company who contracts with another party to build a wind energy device...

Chairman Carlson: They transfer the credits onto the actual final owner of the project. I remember that.

Dee: The way they were setting up their business, they weren't able to utilize the credit.

Unknown speaker: There was a sales tax credit that lowered the threshold for sales tax exemption on an electric generating facility from one hundred and twenty mega watts down to fifty meg watts.

Chairman Carlson: We did that so we could get those ones that are run off of those pipeline engines.

Unknown speaker: It also allowed contractors to take the exemption up front so that they didn't have the administrative burden of applying for the exemption on the back side.

Dee: But there was six hundred thousand on that wasn't there?

Unknown speaker: Right, so there was a fiscal note on the sales tax piece of it.

Chairman Carlson: So in our conference committee we have one of the first page and the first one on the second page are the ones we have direct control over what we do there?

Dee: Yep. The internship, employment, workforce recruitment. That is what we have go so far today.

Chairman Carlson: We have to adjourn for right now, but we will reschedule for this afternoon.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☒ Check here for Conference Committee

Hearing Date: 4/18/07

Recorder Job Number: 6130

Committee Clerk Signature Lisa M Thomas

Minutes: **Chairman Carlson reopened the discussion on HB 1018. All conferees members were present.**

Chairman Carlson: I was just talking to the Majority Leader in our Chamber and I was trying to decide and I asked him when things are going to start to move because we have done a lot of talking and we really haven't gotten anywhere. Is there any particular issue? I am assuming we are not going to hog house the bill. I am assuming that none of you had time just like I didn't to read through all of the Center stuff between when we left here and come back, so if we were to go the engrossed bill as it came to the Senate, is there a way we could start working through sections that we could just agree on and get them off of the table and just get it down to two or three things we need to work on?

Rep. Skarphol: I like your suggestion, let's just work through the bill. We did have a question on sections five and six that were asked at our first meeting that has not been answered with regard to the amount appropriated out of the AG product utilization for Ag products. The only expended funds to carry forward, we never did get an answer as to how much that was. Does Commerce have an answer for us on sections five and six as to how much money is involved in those two?

Chairman Carlson: The first three sections of the bill, Allen, would you follow with us and you can explain anything that we don't understand and if you guys would, .0300. So if we could at least get all of the things off of the table that are not a big deal. Mr. Goettle, do you have numbers for us on sections five and six?

Goettle: Sure do. With APUC that is carried forward from this biennium to the next biennium, we were estimating approximately this was at the end of January, we were estimating approximately one point two million of committed. Now since that time, there are some commitments that will be paid out and that will be a little less than that figure, but that is what we estimated at that time. The uncommitted carry over we estimated, I'm sorry, one point two was the total. The committed was one point one and the uncommitted was one hundred and forty one thousand, nine hundred and eighty nine dollars.

Chairman Carlson: Section six, the discretionary line on expended and unexpended, have you got any numbers on that?

Goettle: Yes, the currently carryover would be about four hundred and fifty three thousand six hundred and fifty two dollars, the committed portion of that is three hundred fifty nine thousand three hundred and eight five.

Chairman Carlson: Section seven is an audit to the production incentive program, Al, is that the same as before?

Al: (Couldn't hear his answer)

Chairman Carlson: Okay, so seven should be okay. Section eight is the compensation adjustment. Al, the House added this, what does that do?

Al: The House added it and the Senate did not change it.

Chairman Carlson: That was where we were concerned about getting the performance and merit equity as part of this process that was for the distribution of the money and that is okay and unchanged. Here is the one time funding, let's just highlight nine as one we have to settle.

Rep. Skarphol: Is this not the section where the transfer of one million dollars is made into the development fund? We did have some discussion about whether or not we should make that an option to be negotiated or discussed between the commerce commissioner and the bank president as to what would be the best utilization of that million dollars. We don't need a million dollars sitting in a development fund and be short of money in the PACE fund. I can agree with doing it, but I would like to have it somewhat based on good financial reasons.

Chairman Carlson: Senators, any thought on that? I don't think we are disagreeing with you, maybe it is the language or such that said if the need was there, the demand was there that one million could be transferred from PACE to Development? I mean it's all our money and it's not new money, it's just existing money moving between the two and the House' concern has always been that PACE has been a pretty successful program for the state and we want to make sure that if there is a need for PACE that the money is there, but on the other hand if there is a need for a Development fund, I'm not afraid to move it.

Senator Grindberg: I just want to know from Mr. Rees and Mr. Hardmeyer how that, if at all should be in language so that we know that one hand is slapping the other hand which it typically does.

Chairman Carlson: Shane, put that on your list that we want an answer from those two guys if there is language that would be acceptable for them to be able to move that money based on the need.

Shane Goettle: I can certainly do that. One option I would give to you now is that the savings could be left with the industrial commission too, or with the emergency commission.

Chairman Carlson: I am not averse to doing it, I just like to make sure that we don't move it unless it's needed. We don't need to be complicated. If we could just get the industrial commission or the emergency commission to do it, it would be easier for me.

Sen. Grindberg: I would like some clarification from Legislative Council again on the language that the House put on and then our version and then as you know, there has been a request for these internships from the director as well. I don't know if we want to address that. Perhaps that balance to clarify our understanding was in discussion with her that she had to have all of the private sector funds committed to rise before state money kicked in.

Unknown Speaker: The House language indicated that the Dept. of Commerce may spend these funds only to the extent that he tradeoff is provided to one dollar or matching funds from private or other public and two dollars provided by the department. I guess my interpretation of that was because it is to that extend that as they raise the money, the can provide matching funds, so once they raise one hundred thousand then they can give them two hundred thousand and as they go forward up to the one point four million.

Chairman Carlson: It was never all or nothing. Once you get it, you can match it back. That is my understanding.

Rep. Skarphol: The thought was that we could have it on a quarterly basis or on a dollar basis, whatever, we weren't trying to be restrictive. If you want to do it if is gets one hundred in private she gets two hundred. If you want to do it so that she can do it quarterly, whatever you want to do, I am just saying that I think it is appropriate like you said earlier that we have some ownership.

Sen. Grindberg: We are not suggesting that we back away from the maps, our indication was that she come back and report at the end of the biennium so perhaps I want to keep it simple and the best way to administer this is perhaps you can have a pool of dollars to operate off of

on day one, August 1st or whenever and then nothing else is drawn down until that one for one match.

Chairman Carlson: We could even live with that. If we had to take two hundred or four hundred thousand dollars of that total money and say here's your access up front but when you go beyond that quarterly, you can make a draw for what money you have raised. Give her a short timeframe so she doesn't have to sit and wait a long time for the money. We believe, we were not arguing over the fact that the one point four million which was a significant increase was too much because we saw value to it. We just wanted to make sure those people that were benefiting from it had some involvement in it. I do have a little trouble adding another two hundred thousand dollars in for the interim project however, even though it makes some sense to do it, maybe that should be part of their overall plan and the money the state is funding into it right now. I bet she could use a portion of that money for interns instead of just saying it has to be a one to one match, maybe we give her some of the existing one-four to do the interim plan.

Sen. Grindberg: She is planning a budget at one point four and seven and obviously if we redirect it, it might complicate her.

Chairman Carlson: The reason the House, way back when the last time, when it was seven hundred thousand was last time and this time we doubled it. We wanted to make sure because we are taking public money and turning it over to a private enterprise so we want to make sure that there is plenty of accountability for that money because we normally don't do that. They are contracting with her at the Dept. of Commerce and she is running with the ball. Well, with that, we have to make sure we have enough accountability measures in there that we feel comfortable about that one four. Now if somebody wanted to contact her and say do you feel that if we use some of that and allowed you to divert some of that one point four million to your

interns and she said no, then we have a different decision to make but if she says no I could live with that as long as I get the one four, then I think we can approach this in a different way because she just sent you and I the same email about the interim program.

Sen. Grindberg: I would suggest that we do that and then consider maybe splitting the difference and maybe go to one five, but she has to raise eight.

Chairman Carlson: Shane, would you contact her and give her our message on that and get back to us tomorrow.

Sen. Robinson: You mentioned accountability and I think that is important especially because of the structure here. I am just wondering, do we have any reporting mechanisms built into that program to the budget section? How does that work in the next two year time period? It's obviously very important and I am not so certain, we are in a standpoint building support, accountability that the awareness and communication piece maybe we should enhance that a bit even if it is once or twice during the biennium. There is a long period of time and there is a lot of expectations and hopes here and I think we have done some good things. Given the nature of this thing, maybe we should go one step further and have some type of reporting mechanism during the interim. Just a thought.

Rep. Skarphol: If she is going to ask for and receive money on a quarterly basis, I would assume she is going to have to provide some kind of documentation that she has met the match and I would think that if we just provided the budget section, she wouldn't have to come but it could be provided to us for us to review and then if we have questions we could ask her to be at the next meeting.

Chairman Carlson: Shane, would you ask her what her thought is on the quarterly access to the money as well because that is something new for her.

Goettle: Right now, we are not, what has been done is simply they come forward with money that they have risen whenever they have raised it. We document it. We get bank account numbers, we get statements from the bank we show that they have got it there and we know who it is coming from and have all of the records. It might be another six weeks and then come with another request.

Chairman Carlson: I don't have any trouble with that if she does it that way. As long as the other documentation that the money is there to match up so if we are accountable for that we could explain it.

Goettle: Assuming that we extended that contract that same procedure would continue.

Chairman Carlson: But if you would check with her on Sen. Grindberg's comment about the interns and maybe we will discuss that idea more that you had half of what she is looking for and then make the match a little greater, I could live with things like that I think.

Goettle: Just for the committee's information, the interim program was launched last biennium with one hundred thousand dollar discretionary grant from the University Systems so it came out of their budget. She wants to double the program with the two hundred and eight thousand. Her difficulty is she wants to continue that program but waiting until she gets through that whole discretionary system means that she has to halt things there, goes through that whole process of trying to secure those dollars from the University System before she can move forward with the program.

Chairman Carlson: She still has access to University System money?

Goettle: She could still have access to it, yes.

Chairman Carlson: So this could be a double dip? We need to restrict that. I would have trouble if it ended up being twice somewhere.

Sen. Grindberg: I think the concern is the time involved to get through that process. She has people working for her now. Let's keep it moving.

Chairman Carlson: Section eleven, I believe.

Rep. Glassheim: So currently what do you do about up front money, that was the issue raised that she needs something before she raises the money to match, but now you are just giving it to her as she submits and that is how she has been functioning for the past few years?

Goettle: And they have maximized all of the dollars that were available in the last biennium.

Rep. Glassheim: You raised giving Pool the money up front to start with but I don't know if we have been doing it the other way.

Sen. Robinson: I think our concern was however we have to structure this on the Senate side and my conferees can correct me, we didn't want to slow down the momentum and have her doing silly work just for the sake of covering the red tape so to speak. We want it to continue that momentum and support it.

Rep. Carlson: I think we can support giving her some access to cash up front but we still want that match to come behind it.

Rep. Skarphol: I believe in the House side when we discussed this, she needed the ability to raise money now to have available to match for the next biennium and we wanted her to have that ability and if she is raising money now and has that available at the start of the biennium she would have that pool of money to start out with.

Goettle: That is correct and we don't have a contract to that effect because I can't contract money I don't have yet but I can tell you as Commissioner that if she has got money over and above what she has matched last time sitting in an account unexpended, that my intent is to count that as match already available on July 1st.

Chairman Carlson: We will adjourn and we will keep meeting and we will continue on. If you notice, the next sections we are getting to are the centers, so if you got a chance to read that through, I don't think there is a lot of differences, but if we are going to make any changes, let's get them corrected and be done with them. Of course then we can talk about the twenty million plus five that is in there.

The meeting was adjourned and no action was taken at this time.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☒ Check here for Conference Committee

Hearing Date: 4/19/07

Recorder Job Number: 6137

Committee Clerk Signature Lisa Thomas

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Chairman Carlson: Allen, let's just briefly, without a lot of fanfare here go through the items on the Centers real quickly. We could skip the current law.

Allen Knudson: Then in 156901 there were no changes in either House so that stayed the same and in 156902 the Centers of Excellence were distinguished among Center designations for awards designated to address commercialization and infrastructure needs that is the Senate version and the House version, the only change is that the Center designations may address commercialization and workforce and infrastructure needs so the workforce is the difference.

Chairman Carlson: The workforce, basically, was removed?

Allen: In the Senate versions right. Then in the House version you can see there was caps put on workforce and on the infrastructure needs.

Chairman Carlson: Let's talk about those two before we go on because there is a little bit of a difference there.

Sen. Grindberg: I will just speak from my role in the and as we all know there was some strict consternation over funding workforce training applications than the present biennium and as a result of that, HB 1027 came to us and we had 1018 and in our opinion that we address by increasing the funding to the career and vocational educational budget for workforce training. That would in place be a fair exchange for removing workforce training applications from Centers of Excellence. That was our logic behind that. I think we have been discussing that now with both budgets because both you and I are on that.

Chairman Carlson: Yes, but I think we are agreeing that is the same concept that we are trying to sort out.

Sen. Grindberg: So that was our primary motivation for that to separate so that clearly a Center of Excellence Award was going to go to advance commercialization, technology and in cases of where infrastructure or billings are needed, that would be appropriate. Then we continued to remove the 1027 restrictions on percentage which equated to ten percent for workforce and ten percent for infrastructure.

Chairman Carlson: Workforce may not be the primary need addressed by a center, you changed that section.

Sen. Grindberg: That still wouldn't prohibit a two year college per say coming forward with an application. We know what BSC accomplished with their energy center and their building and that is not workforce training like Williston State through the oil field and Devils Lake, but it was not training, it was agri-technology optimized agriculture or something like that if I recall.

Chairman Carlson: Let's look at some of the other changes. The more I thought about the two million and two million and Rep. Glassheim tried to get the four and four I really don't like putting numbers in there. I think that no matter what number you pick it's never going to fit. As it came out of the House that was pretty much the majority leader's initiative to say we are

trying to stop workforce and we are trying to stop buildings and the only way we are going to stop it is to put a cap on money you can use for it.

Sen. Grindberg: We all have our opinions on that and all I can do is answer from the professional side of what I do when I am not in the Legislature is specifically what is going on in the Red River Valley with the Research Corridor. I don't believe it is in our best interest to get in the way of UND or NDSU if they define they need more infrastructure or buildings. Clearly this hydrogen center is something of value to the state and that project, this biotech building at UND that helps build infrastructure and I can't help, if you allow me to share a story. One of the things that really started this was obviously a congressional delegation and Sen. Dorgan's role in Washington and there was people who went to Washington to testify in front of Congress and one of his consistent messages has been *(speaking of the vice president of research at NDSU)* basically, Congress has invested millions over the last fifty years in research and development. The majority of those funds have gone to Stanford, east coast, west coast, not to the Midwest. One of the things that really helped ignite this concept of what is going on in this corridor is that if we can direct funds in the way that the Universities operate in this country by utilizing indirect costs and flexibility with what we have done in the state, we can grow the capacity and add the infrastructure and attract the top scientists and researchers in respective key areas and continue that public private partnership that we have set up in this state as a result of the federal commitment as well. If we restrict that, I think primarily our concern should be if an application comes through for a building project and we need to ensure that with that application award that they have signed on the dotted line that all operational costs and future maintenance, deferred maintenance are the responsibility of the campus or related entity and not the state of North Dakota. I think if we do that, and I think that has been kind of the underlying theme here is don't come to us to operate those buildings if

you need them in your research parks or at what has gone on at UND, then just tell us how you are going to operate. So if we get in to start restricting these dollars, we have really pulled back the spirit of what we want to further advance.

Chairman Carlson: If we were to merge that section of law together here is what I would recommend. I don't have any trouble because of our discussions taking workforce out of that statement and going along with the centers with the Senate's version of that. I am okay with that because I think we are going to address workforce in a different way. I would take the two million dollar areas out where we just say it can't be for workforce and it can't be for infrastructure. I do like the part where it talks that buildings that are essential to attracting private investment, it may not be considered infrastructure. So if we are saying that we have some infrastructure concerns, I would like to have some language that we are not totally against buildings. The House has some concern about buildings. On the other hand, if it has a viable part to make the thing happen like that biotech building at UND, then we should do that. I don't know what the right language is.

Rep. Skarphol: I am not intimately familiar with the details in that building but it is my understanding that the match for the infrastructure that was built comes from the rent paid on that building. I guess I would really like to have a better understanding of that and in response to Sen. Grindberg's comments, I agree with what he said for the most part. My concern is how do we ensure that the money to operate those buildings is not flowing through some mechanism which ultimately flows back to the state as having paid for the operation of those buildings. How do we ensure that? With that being said, is there a possibility that we could have a different level of match on infrastructure vs. the commercial? Would there be any logic behind putting a little bit higher level of participation on infrastructure, is that a possibility or is that an unreasonable thought?

Sen. Grindberg: All I can tell you right now with the two to one match for any project is a huge job for a building. To increase that you would basically you would say okay you are not going to do the building because you are not going to get the match.

Chairman Carlson: When we went through all of this and we changed the rules where by the budget section could we re-refer a recommendation back and say that the component to this building isn't going to fit, come back with a new idea and that took out a lot of my concerns about having language that would address Rep. Skarphol's concern because I don't know how you word that to cover every situation. It's like saying two million dollars for a building. What makes two million dollars right? Nothing. So the next section of that provides for that procedure where we may re-refer the center award recommendation back to the commission with budget modifications. I think that is a good thing for legislative involvement. Rep. Skarphol, I think that handles some of your questions because if that is your concern and you convince us of that, we are not going to approve it on a budget section. I am not hung up on the building side as long as we are better involved in the process. Before it was just kind of when it came to us, you had to approve it, whether you liked it or not. It was just going to go.

Sen. Grindberg: Let's go back to that buildings that are essential to attracting private investment may not be considered infrastructure. What is the intent of that?

Rep. Glassheim: That is only necessary because of the two million dollar limitation. So then I was trying to exclude from the two million dollar limitation, buildings which are necessary. So that one should go also, it is attached to the two million.

Chairman Carlson: So if you took those three out and leave that budget section re-referral process in, any problem with that if we had the amendments to work on that?

Sen. Grindberg: I would like to sleep on that if that's okay.

Chairman Carlson: I don't have any trouble with that, I would just like to get through most of this so that when we get down to our last discussion, it is more about money than it is about anything else.

Sen. Holmberg: Would there be a danger that the process would through budget section refusal, maybe put back to the commission and that would mean they would go back to the beginning.

Chairman Carlson: The purpose was to be able to say we are not throwing out the whole concept, we just want you to do some modifications. I think if you read that to them Al.

Al: Upon receipt of a commission funding award recommendation, the budget section shall approve the recommendation, reject the recommendation or re-refer the recommendation to the commission with recommended modifications. If the commission receives a re-referred recommendation from the budget section, the commission shall have considerate or modify the recommendation. If upon re-referral the commission modifies the recommendation, the recommendation of the budget section shall consider whether to approve or reject the modified recommendation. If upon referral a commission does not modify a recommendation, the budget section shall make a determination of whether to approve or reject the recommendation.

Chairman Carlson: So it is pretty clear cut that it still could come back and they say this is it, we are not getting anymore, there is no more private money, we can't do what you wanted to do because and we try to make it, it's one of those things where the more clear you try to make it, the more cloudy it gets. If you would consider that, we think that gave us better involvement in the process. And the next one, Rep. Glassheim, that was your amendment on the second page where it talks about board rules regarding intellectual property, provide at least four

percent of the revenues derived and if you want to address that I would be happy for you to deal with that.

Rep. Glassheim: The point of it was, I'm kind of an institutional capitalist. When an institution gives people money for a project and they make money, I like for us to get some of it back. So that was the point of it, that if money is being made off of our twenty forty, sixty, million dollars worth of centers, we should be in the mix. But I have since talked to the people and we have got Phil's letter and I talked to Johnson up at UND and Patel who is doing the lab, and they convinced me that way I have it worded would be difficult to administer and to get approval in some cases on federal projects to put into a deal prior to the actual commercialization of something. However, what I ended with and I'll pass out, actually my intention all along and this really was if money comes back to not have the centers of excellence or the state involved in deals with private companies. Whatever comes back to the institution may already have an internal formula for divvying it out. At UND apparently the inventor gets forty percent and the administration gets seven percent and it's different at NDSU and they have their own policies. So what this does and I go down from four to two percent and I say that the board shall adopt rules in which internally, whatever money already comes back, and two percent will be dedicated to continued research at that institution. The other way to do it would be to have the two percent come back to the state from the internal, we would be one of the recipients, but this actually just kept the thing there and it ear marked it some amount of money, two percent of what comes back and for the first five years this will be small amounts, but to go back into research and development activities, so it is not a big change, it was satisfactory to those people and I'm running it up the flagpole to the board office and that sort of thing and I haven't spoken to them since.

Chairman Carlson: You are saying they already get some money, this way you are just making sure it gets used?

Rep. Glassheim: They already get whatever they get. In negotiations with private companies for commercialization of property. Then that comes back on campus. Each campus has a distribution or divvying up of who gets what. The department gets something and the administration gets something, so it adds up to one hundred percent. I am just saying that two percent of that hundred percent will be retained in a fund or dedication to continued research on that campus. The other way to do it would be to have the two percent actually given back to the state to put into a continued program for Centers of Excellence, trust fund.

Chairman Carlson: Well, if it is a trust fund, let me tell you it will last no more than a biennium.

Rep. Glassheim: But our Centers of Excellence money came out of the general fund so you could just say, this is just a way you could bring it back to the state by saying this is a return on our fifty million dollar investment, or if we keep it on the campus, but dedicated to research and development so that we are continuing to strengthen that.

Sen. Holmberg: I don't know how much money that would amount to but are you not though overlooking the philosophy of the Centers of Excellence that if they are being successful they are going to be generating other kinds of revenue to the state to the locals that could pale in comparison to this two percent.

Sen. Grindberg: I don't like it. I am not in this portfolio in my role of research, but I can tell you this is highly complex with federal funds and the private sector coming in and engaging with the Centers of Excellence and how all of these agreements work out. I haven't talked to anybody at NDSU on this.

Chairman Carlson: If you wouldn't mind, making a call to Phil just for our reference.

Rep. Glassheim: Actually, these changes take into account your concerns and this is not complicated, the money already comes back. This is after all of those other agreements are made and the money comes back into the institution. It is an internal matter.

Chairman Carlson: So you want a certain percent of it to make sure it stays into R&D.

Rep. Glassheim: Well, we are not giving them absolute freedom but then again, we are putting fifty million dollars in.

Chairman Carlson: So you prefer, overall in the other bill this would be your....

Rep. Glassheim: What I had in the other bill is probably not sustainable for reasons.

Al: Under current law, the Board of Higher Education provides staff services. Both the House and Senate version changed that so that the Dept. of Commerce provides staff services to the Centers of Excellence Commission. There is no difference there. The House version though, changes the membership of the commission. Right now there are six members, three appointed by the foundation and three appointed by the board of higher ed. The House version changes that by decreasing one of the members appointed by the foundation decreasing one of the members appointed by the Board of Higher Ed and providing that two legislators be added to the commission.

Sen. Holmberg: Someone could argue that this is really an executive branch function and in the final analysis it is going to be the legislators in the budget section that make the final approval in this process and I just wonder if giving two legislators the opportunity to sit on that board and perhaps funnel or perhaps have an inordinate amount of influence on that process might not be a good precedence.

Chairman Carlson: I would feel comfortable if we could adopt the part of the amendment that puts the budget section back in the loop and I think that I have no objections to the way they ran their selection process last time. This was added on and our whole committee, I believe if I

go back to where we were, I would easily cross that out because I think it muddles up. I am not sure constitutionally that we may have some muster problems there of mixing legislators in with that. I could easily let that one go.

Al: 156904-here there are some changes made to current law, however both the House and Senate versions are the same.

Chairman Carlson: There were some changes there from the about...is there any problems with the changes in that, any of you?

Al: Here under the Senate version the commission may use funds appropriate for the Centers of Excellence program to administer the program up to two and a half percent of the biennial appropriation. It also is a condition of the recede of funds, the Center shall agree to provide the commission with information regarding postal ward activities. Then on the House version, the Center's primary use of the fund is to enhance infrastructure, or if the Center's primary use is for adding infrastructure the commission must have specifically designated to the Center as addressing infrastructure needs and that kind of gets back to what we talked about earlier on infrastructure. The second item is the same as the Senate version and then the last item, the commission may not direct distribution of funds if the private sector participants cease to participate.

Sen. Grindberg: I have a question of Shane. In our hearing process when we had the bill, this was a concern and I don't recall why.

Goettle: My issue with that was we have had some applications come forward in which there may be, for example, in NDSU's case, they came forward with one dealing with surface protection and when the commission got done funding it, they had to actually ask some of the private sector partners to step away from it because they couldn't reach all of the activities they initially proposed. The commission didn't fund them at the level that they requested. So my

concern was I think we absolutely do need to have private sector participation in each ongoing private sector participation, but there are a little bit of fluidity in the private sector partners. In some of the projects for example, NDSU might, if it is okay with the commission, switch its horses a little bit from say a Marvin Windows Project to an Anderson Windows project. That doesn't really concern me so much when they proposed a wide variety of activities for that particular center, so I was just seeking to clarify that the backing away of one particular participant doesn't require everything to go back to go all the way through the process again. We saw some private sector partners dropping off as things went.

Chairman Carlson: That two and a half percent, where did that magic number come from?

Sen. Grindberg: That was either the Dept. of Commerce recommendation or through the business congress, it might have been the 1027 language.

Chairman Carlson: Where did the two and a half percent come from?

Goettle: This was not proposed by the interim economic development committee, it was our proposal. This is primarily for the commission needs to hire a third party to determine the economic viability or the technological viability of the proposed center. It gives it some administrative funds to be able to do that, not to exceed two and a half percent. They may not use it all and if they don't use it all, then the rest of it would go to potential awards.

Chairman Carlson: We have to adjourn here, bring any other suggestions or changes to the next meeting.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☒ Check here for Conference Committee

Hearing Date: 4/19/07

Recorder Job Number: 6163

Committee Clerk Signature D Penrose

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Chairman Carlson: I brought some information with me on my recommendation dealing with the Seed Capitol Investment Tax Credits and the R&D Tax Credits. I see Susan is here from the Trade Office. We had some discussion yesterday about the bill, changing from the House version on the match and there was discussion about when the money flows and how it flows.

Representative Skarphol: While Sen. Grindberg is getting it ready, he did a really good job of explaining to us how important match was last Friday. We may be reconsidering our thoughts and we'd just like to get your input.

Chairman Carlson: You can go ahead; the discussion rests around the match and the timing of when the money is sent out to you and how it's done. We understand the level of the budget is $1.4 million. So that's where our discussion centered. We didn't resolve anything yesterday. I think Shane called you about our discussions and you came in today so we'll take any comments you might have on that issue.

Susan Geib: The way the match has been run in the past, is for every $1 in private or outside state funds we get into the Trade Office, it's matched on a 2 to 1 basis from, essentially, The

Dept. of Commerce budget. So we have to get the $1 in first before the $2 comes in. That's okay except that we are a contracted vendor and so we have to watch our cash flow very, very carefully. At least in the past we haven't gotten paid by the State until probably September, after the budget comes through, late August.

Chairman Carlson: Last time, I believe our budget was $700,000 that the State participated; which meant that $350,000 would have had to have been raised under that formula I believe.

Susan: Correct.

Chairman Carlson: And how did you do on that.

Susan: We did fine; actually we raised about $550,000.

Chairman Carlson: So you have a carry-over, or has that money been spent.

Susan: We do have a carry-over and that money will have to toward payroll tax, because we have to go from a contract vendor scenario into a payroll scenario, since we're all now full-time in the Trade Office and we also have about $90,000 in matching funds for grants that we're going to have to pay on that. I've also got some membership benefits that I've got to pay, so with luck I am hoping I can carry-over about $172,000.

Senator Holmberg: Is this rub, as far as the money, statutory or bureaucratic or both. I don't mean bureaucratic in a negative sense.

Susan: I think by rub you mean you allocate the funds in July and I get them in September. It is bureaucratic.

Sen. Holmberg: And what can we do about that.

Susan: I'm not sure.

Chairman Carlson: We don't ever let easy ones out here, we go right for it.

Senator Grindberg: That answer is obvious, adopt the Senate version. We all know that Susan and her team are doing a wonderful job and Commerce as a result of where we were

two or three years ago, and where we are today. Our intent was simply to not starve cash flow, so that everything stopped for the next four or five months to do a massive fundraising campaign. I think there's a way to work through this so that cash flow works evenly; so that everyone sleeps at night and not have this 80% focus on fundraising vs. a majority of focus on trade related missions. That's what we were trying to accomplish here. So how can we work this through, to provide the expectation that the match will be there and figure this out from a cash flow perspective so that at the end of the next biennium, Susan comes back again and says here's the money we raised on top of the state money. That's what we all want. We added another piece in here of in-kind as eligible match. Our intent with that was that, and as part of this, the thinking from the e-mail she sent us, on hiring some more of these students. If company XYZ partners with the Trade Office and pays the internship salary, for example, for one of those individuals rather than sending cash, would their absorbing that intern responsibility qualify as a match? I think we could argue that it should. That is where the in-kind discussion came in to this, and I know that's from after the fact with the request for the $210,000. But I would hope that we could figure out a way to make this work so it's much less bureaucratic and maybe do half of her request for the $210,000 on these intern positions. Representative Skarphol: I fully agree with Senator Grindberg about the success of the Trade Office. I don't disagree with much of what you're saying. I think we can certainly find a mechanism be it as you suggested, by increasing the amount we are going to give her by $100,000 and increase the match to $800,000. I would have no problem giving her $700.000 as of August 1st and requiring a dollar for dollar match on the remaining $800,000 and she could get it as needed. If she has $100,000 match put together, she can request the matching dollars and get them. I don't have any problem with funding upfront, when we know we are going to fund it anyway.

Chairman Carlson: That would be my comment. When I read the language and when we're all done, I assume we spent $1.4 million on trade. We don't assume that we're only going to spend half of that. We are assuming that we are going to spend all of that somehow. So the mechanism is that I do want the private sector involvement because I think that's what makes this fly. It's not just a state program or a trade office program, the people who benefits are those who get involved and get aggressive and invest some time and money and sell their products. How we make that tie I am not sure, I don't think I have heartburn on it; the success has been good in the way we are doing it. If we can find a better mechanism for moving the money, Senator, and I don't argue about the in-kind. I have a little question about the extra internship money when we already had increased it in the House side. We added more money in for regular internships. So I'm just questioning at what level we want that to be for overall for internship ideas. Because is one better than the other one, I'm not sure, but we have increased that. If you have some ideas or recommendations, or Susan if you had some thoughts on what is a better cash flow situation for you and how the mechanics would better, we'll listen to that.

Susan: If I could just address two questions. One is the $208,000 for increasing the export assistant or internship budget. Remember that $700,000 came into the Trade Office last biennium for basically what I call the Commerce Effort; $100,000 came from the ND University System for the export assistant program. What I would like to do is double that program. We can do that with 12 export assistants over the biennium plus put a professional training program into place. What I found was very interesting just in the last few months. We've been able to recruit 28 international students into just NDSU, put them in part time jobs and they are paying tuition, room and board over the summer. We think we are going to recruit a significant number of those to get into graduate school in the Fall, plus we think we'll be able to recruit

families back to ND for welding positions after this. I think it's a great program. We think it works, but it requires extreme amounts of management, training, recruiting and that's why I am requesting that money in addition to the $1.4 million with the $700,000 match. The $1.4 million with the $700,000 match very clearly is going to go to trade missions, reverse missions, global conference and what that does, that is the money that enables us to go get sponsorship money. Because what they do is say, if we are going to give you this money what are you going to do for us. We're going to put you in front of exporters. The other thing we're going to do is put you in front of buyers and we're going to help you to get revenue. If I feel like I'd really like to put that money toward export assistants and they're going to go, that's nice, but it's going to take me a year or two to train that person, to get any productivity out them, I don't know. I'd rather put it over here. I think the University system behooves itself by helping us to get that export assistant budget. No question about it. We'll train them.

Chairman Carlson: That was going to be my comment. I am seeing this as more of a higher education function, than it is a function of the Commerce Dept.

Susan: No question about it, and I think that we got caught in the transition here. I believe that the new chancellor will be very supportive, but as we go forward with that, the only place that we can really take that is out of the discretionary fund, that has to be approved by the Board, so that's going to put us a year down the line. If I don't get it now, then I'll go back and it'll put us a year down the line and we'll try for it.

Chairman Carlson: Is there a $100,000 in the Higher Ed budget today for you, did they take the money out.

Susan: They took it out.

Chairman Carlson: It was so successful they took the money out. Sometimes you just have to wonder.

Susan: And placed them in successful jobs I might add.

Senator Robinson: The money is not in the emergency fund, so that's the problem.

Susan: Correct.

Chairman Carlson: So if we were to prioritize the $1.4 million dollars, so it best fit your needs to accomplish what we expect that money to accomplish because this is different than most of ours because we are taking public dollars and transferring it to a private entity. We may not say it's private but they are contracting with you from the Commerce Department, so it is different. So we want to make sure it's accountable for each and every dollar that slides across the table. So if you said, here's how I need the $1.4 million dollars, what would you tell us.

Susan: Well, if you give us the $1.4 million, we have a plan to get to $2.1 million. Our budget is $2.1 million. Our budget is $2.3 million with the expert assistance. We have a plan that says I absolutely need to get to $2.1 million anyway; because what we've said is if we increase the budget, we'll increase the export activity and we have sponsorship dollars tied to those activities. Now we have to go pitch it, which we're going to do over the next couple of months. No guarantees that we'll get it, but we've got a good plan.

Chairman Carlson: Have you supplied the Commerce Dept. with your budget. Is that part of the requirement that you have a filed budget with them and any performance measurements within that?

Susan: The performance measurements are going to come from export activity. You can't really tell how much incremental export revenue we're going to get, although we do have a track record. With the $700,000 that we got in the last biennium, we created $1.8 million dollars in incremental tax revenue. We know what moves the needle. We know that now, we know that the trade missions move the needle, we know that the global conference moves the

needle, we know that these trade talk events are important to these towns that we go into and now we've committed to Jamestown, as well as Grand Forks, as well as Dickinson. We have to do the 24 trade talks within those four cities next year.

Chairman Carlson: $1.4 million is on the table. The old law said that when you have the money you can access our money. Do you need a block of money for the interim to start out of that $1.4 million?

Susan: That would be very helpful.

Chairman Carlson: Give me some ideas here, because I am not in favor of a lot of changes unless the match still applies. But I'm not averse to putting money out to help you to get to that level so that you can meet your match. I just need some direction here.

Susan: If you can give our organization half, I will then go and get the match, once that match comes in, we'll go and get the other half.

Chairman Carlson: But the second half, you wouldn't need upfront. You would only come asking for that as you had the money.

Susan: I think that is fair.

Senator Robinson: Just a point of clarification. Your budget is $2.3 million. Where is the $200,000 difference between the $2.1 and $2.3 million?

Susan: That's in expert assistant money. If I don't get it I don't have it. That's subject to the match because last time it wasn't subject to the match.

Senator Grindberg: Are talking about addressing a $2.3 million budget, $1.5 million in general funds, $750,000 upfront (however we want to set it up so cash flow wise it works), so in essence we have come $100,000 towards the $200,000, she has to raise another $100,000. Then it's clean, it's pure and we know where we are going and there's no time spent in the other tower.

Chairman Carlson: I would rather that we would take a little out of Higher Ed. I'm not looking for a disagreement here because I think what we're doing it good.

Representative Skarphol: I always have trouble with the term in-kind. It makes me uncomfortable. I agree with what you said. I think what you said was entirely appropriate. I would like a different term to reflect what we mean by that. In other words, if they pay the salary, that's in-kind in one way, but I would like to call it something different, something more specific, so it does represent cash.

Representative Glassheim: Cash or services that could even be furniture. In-kind is very soft. If you're really meaning paying for somebody to do something, then I agree with you.

Representative Skarphol: Then it continues...and the percentage provided in cash. In other words, the funds provided in-kind and the percentage provided in cash. I would like to find a term and I don't know what it is, to replace in-kind so that it would reflect a cash outlay made by the entity that can be substantiated and documented.

Senator Grindberg: I would suggest that Shane and Susan can come up with some ideas for that and we can wrap this piece up.

Chairman Carlson: The only question we have before us and I still have to come to the conclusion whether I want to increase that $1.4 million to $1.5 and that $700,000 to $800,000, which is obviously our money. It's somebody else's money on the backside, but our money is $100,000. The only point of contention I have is that it was a very successful program, Higher Ed chose, out of a huge increase in their budget, not to do it again. I am not going to let that be the downfall of this project, because I think we've got to keep our eye on where we are headed here. If there is some language that can be worked out on what we would consider to be something of value besides a chair and a desk, actually paying for salaries or whatever other things you listed, I think we can resolve this and be done with it. Just give me a quick

statement of where you are at on the money upfront, the $700,000, whatever Sen. Grindberg recommended or Susan. I don't think that's our problem here anymore, I think it's just the language to get it resolved. If you make the promise to spend it, I assume it's gone. If it's the mechanics to make sure it's accountable for us, it's important for all of us. If you come up with something we'll address that and we'll clean out this section.

Susan: How would you like me to address the $100,000 for the export assistance, do you want me to go away and look at that in terms of in-kind as well, an in-kind match for that.

Chairman Carlson: I think that's one and the same, or is it not.

Sen. Grindberg: I would consider it part of your $800,000 campaign as it is defined in here.

Susan: Okay, so we'll match it.

Chairman Carlson: Because there may be some companies who are not adverse to spending their money on salaries for interns that could benefit them down the road; whereas there might be some who think it's a bad investment.

Susan: Thank you. I appreciate it.

Chairman Carlson: Anything else to add, Susan. I went up to the Tax Dept. yesterday and I addressed the two issues the Tax Dept is talking about, the R&D tax credits and Seed Capitol. Susan, the money that you have is carryover, is that part of what you used for the match in this biennium.

Susan: No.

Chairman Carlson: So that is money that's been raised after you met your match.

Susan: Absolutely, I had to raise $350,000, I raised about $550,000.

Chairman Carlson: We'll discuss that. Donita, if you wouldn't mind coming up and help explain this handout. As you know there is about $13.4 million dollars worth of tax credits between the Seed Capitol and the R&D. I think that what this is is a proposal that would

address those and clarify a few of the questions about how they should be functioning. Can you give us a quick summary? Distributed a handout. 1018.4.19.07 A.

Donita Wald: As you know, we'll go through the talking points that we prepared for you here a little bit. Current law is 8%, 4% on the first one and a half million dollars of expenses, and then 4% on everything over that. The engrossed bill right now, changes that credit from 25% of the first $100,000 of qualified expenses and then 20% of the qualified expenses in excess of $100,000. The bill also provides for the transferability of the tax credit. The other day, when we were down here, we received direction from a number of the committee members as to how maybe we can focus the increase in the rate to attract new R&D in ND, provide some incentive to those who are already here, contain the fiscal impact to a certain point, and still retain that rate at 25%, which would be the highest in the nation.

Chairman Carlson: You're on the back of the page now, right.

Donita Wald: I'm on the back of the page. What we proposed and what we believe accomplishes all those goals is that we would, the taxpayers who are already here, we would amend the bill, for taxpayers who are already earning or claiming an R&D tax credit in ND, we would give them 25% of the first $100,000 of qualified expense and then 8% of anything over the $100,000. As you can see on the note, that the change to the second rate, doubles what the existing companies are already getting and really that second rate is where most of the tax credit dollars are coming from. So that is what we thought we would do to keep the businesses, give a little incentive to those businesses who are already conducting R&D in ND. For those who aren't here, and that's the second bullet on the page, we thought we would do a phased down for 5 years. We proposed that in the first year of ND research activity, their credit would be 25% and 20%; year 2, again 25% and 20%; year 3, second rate would go down to 16%, year 4 the second rate would go down to 12% and year 5 and every year after

that, they would be at 25% and 8%, just like all the other ND companies. We think that the rates for those new companies will incent some of those new and smaller businesses to come here, because most of their tax credit dollars are in that first bracket. This also accomplishes the goal of decreasing the fiscal note to $2.21 million on the rates. So the 16 taxpayers that we talked about earlier will get $2.21 million.

Chairman Carlson: The charts just show that example correct.

Donita: Correct.

Chairman Carlson: Any thought about that, we're running out of time. If the committee wouldn't mind, the next time we meet would you mind if it were an hour session so that we could try and iron out a lot of these little things we're dragging around and try to just resolve these. I tried to put an idea forward here that was good for the new and good for the small.

Donita: The other thing that this does is it removes the transferable aspect of this tax credit, so that was part of the proposal that we put together.

Chairman Carlson: So Senators, if you would take a look at that and when we come back, that and the Seed Capitol are both in our packet of things to deal with.

Senator Holmberg: Do you have the same type of proposal for the Seed Capital?

Chairman Carlson: The only adjustments in the Seed Capitol that I would have done would have looked at the total value of dollars that are available. This is an existing system, is it not, Donita. We didn't change the number there; we just added more money into it.

Donita Wald: Right.

Chairman Carlson: Because of the angel fund, we might have to look at how we do that.

Senator Grindberg: My first reaction is I'm too conservative, I'm too risk averse. A little bit different from what we've talked and discussed in the two meetings.

Representative Skarphol: I think one of your concerns may be the inability to sell the credits.

Senator Grindberg: That would be one of them.

Chairman Carlson: I would like Donita to have some idea what the effect would be if a new company in the first year were able to sell their credits. Is there any way to ascertain any kind of value in that, simply because a new company or start-up may need the cash? I think that's one of the concerns. I can understand that concern.

Sen. Grindberg: The other thought is that it appears that we're scaling back companies where this would be a huge marketing tool for commerce and companies coming to the state. Again, we don't have a way of calculating a fiscal impact, because they aren't here now. I would be more in favor of some kind of sunset to evaluate some period in time, instead of scaling back over a five year period. It seems kind of counterproductive in the big picture.

Chairman Carlson: If I were a business, I would want to have as long a period as I could, that I knew what I was going to get upfront. I would view it in a different way. The question is when you have brokers calling the Tax Dept. wanting to know if we are going to have them transferable, so that they can start brokering these companies tax credits around, I have a little bit of concern about that phase of the project. I don't know that was our intention when we established tax credits to incent business, our intention was that we would be able to market them so that someone else could be out there taking them up to $57 or $47, and that's where I'm having the heartburn. These numbers are a start. I wanted to look at what it would do to the new smaller guy. I wanted to make sure...reality is ND is not getting General Motors, but we are going to have a lot of smaller companies that are going to be involved, we hope, in our rural state. Do I have the answers, no. But it's something to work off of.

Representative Glassheim: I could see being less conservative with some of the formulas if there was a cap on the total dollars available in the program. I don't know if you have thought of that or we want to do something like that. I mean it's still conservative in that it doesn't say

the sky is the limit, anybody come. But within whoever comes, if we were at $2, 3, 4 or 5 million dollars and said that's all we're going for these two years, and we'll look at it two years from now, I would feel better about being more generous with some of the give outs.

Chairman Carlson: My only concern is if you make a promise to somebody and then they are third in line and you can't keep it, because you run out of money. Senators, you talk with Donita and get back to us. The ball is in your court.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 4/19/07

Recorder Job Number: 6186

Committee Clerk Signature

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Chairman Carlson: We have a couple of issues that are out there. We have not finished going through the rest of the bill but Allen could not be with us today he is in another committee and I told Becky that we would not drag her through the ringer on something that she has never written or read so we are going to let her off the hook on that one. We are going to try to narrow down just a couple of things here. One of them is and one I will give you a little background on the tourism marketing. When we were doing the budget for this budget in the house, we didn't act on it until you passed the lodging tax in the Senate. When you passed the tax we removed the money. We removed the money under the discussion that we would reinstate what we removed if that tax were to fail. As you sent it back to us there was $3million and I believe we had removed $3.7million. I would like to address that topic if I could.

A motion was made by Representative Skarphol, seconded by Senator Robinson to restore the $750,000 that was removed from tourism.

Senator Robinson: I was hoping that we could even do a bit better than that. I will certainly support this. In our part of the state there is strong support for the program. We feel that we have had a return on our investment and that there are bigger and better things to come. I have been an advocate of putting more dollars in this particular area for all of the above reasons. I think we heard just last week about all of the ads that South Dakota has been running. They have been really blasting them out there. I know some folks are a bit skeptical and think we are tourists. Maybe we are. When we compare all of these issues other states are comparing their people as well. I know if you compare budgets we lag behind the region big time in this area.

Senator Grindberg: The exact number would be $753,948.

Chairman Carlson: Do we want to be exact or do we want to be $750,000.

Senator Robinson: Round it up to $800,000.

Chairman Carlson: We have a motion for $750,000 and we are having discussion. We will vote on that motion and if it doesn't pass we can address another number.

Representative Glassheim: How does this compare to the Governor's Budget?

Chairman Carlson: The Governor's Budget was at the $3.753million so what we took out is exactly what was in the Governor's Budget.

Representative Glassheim: What was the total?

Chairman Carlson: $8,156,012 are the numbers I have from tourism.

Representative Skarphol: There are a few other issues on this particular bill and if they resolved in some fashion that we feel we could put more money in, I wouldn't be adverse to adding some more at the end depending what happens between now and the end of our discussions on the other aspects of this bill.

Senator Robinson: Sounds good.

Representative Skarphol: I think it is appropriate that we at least put it back nearly at the level it was at this point in time.

Senator Grindberg: I can live with that. I see we are accomplishing one of two things as we walked in. One, we wanted to resolve this and two so that Sara didn't have to show up anymore.

Representative Skarphol: Sara is a nice lady. We like to have her around.

Senator Holmberg: I remember very vividly the discussions as we had the lodging tax and that money and what you folks were faced with over here in the House as far as what you felt you had to do. I think that we do owe it to the agency to at least return that budget to where it was.

Motion Carried.

Chairman Carlson: There are a couple of other little things that I would like to get off this sheet if I can. Senator I, excuse my ignorance but there was $50,000 added for Innovate ND I am not really sure what that does.

Senator Grindberg: It is an even match; $150,000 was general fund and the other $150,000 they have to raise privately.

Chairman Carlson: APUC funding do you have any information on the reason that you added the funding for that?

Senator Grindberg: I have a handout but I don't have it with me?

Chairman Carlson: Is this the one that dealt with the wineries or the grape growers?

Senator Grindberg: Yes. The grape growers up in Williston, Minot and eastern area are doing research for the different varieties and weather conditions to improve their growing conditions and the there is like fifty members of the grape growing association.

Chairman Carlson: How do they get it because it is a competitive grant?

Senator Grindberg: If legislature put some additional funds into APUC, would you consider an application if this group came forward and I was given assurance that there are no guarantees but APUC in the past has funded some of these grape growing operations. I think, in my mind it would help stimulate further growth in this business and it continues to grow in our state. Representative Klein had an effort on your side in the Ag Extension budget.

Representative Skarphol: The $200,000 figure for grapes is that comparable to what other commodities are represented in the APUC funding or is this an unusually high number and it does not specifically reference grapes in the amendment.

Chairman Carlson: I don't know that I am against this I just looked that they have $2.8million and that would move it to $3million for APUC. With out any assurances that they are going to get it I am not sure we just added $200,000. Are they out of money?

Senator Grindberg: If you are willing to line item it I guess that is a discussion we could have.

Chairman Carlson: We have tried not to do that on APUC and just let them run it like it should be run.

Senator Robinson: I think it is there is work initiative as Senator Grindberg pointed out of the potential of this industry in ND. It is finding roots in many parts of the state. I know there is a Maple River Winery in the Buffalo/Casselton area. There are several around the state and I think what we felt coming out of the Senate side, they made their case. The potential is here that there case is strong enough that the additional money in APUC, at least some of it would very likely find its way into this industry.

Senator Holmberg: If we started line iteming there we would never stop.

Chairman Carlson: We had that same discussion in the DOT bill when you added a particular project in the DOT bill and we had trouble with the same concept because I bet I could get one from every one of you that had something that needed fixing on a road. I guess I don't know if

they need the $200,000 or not or if it would be short and they don't have a chance. I don't have an answer for that. The development fund is just a transfer of money from one fund to another. There was no new dollars?

Senator Grindberg: That is correct and I made a call to Mr. Hardmeyer but I have not heard back from him to follow up on our discussion about he and the head of the development fund working out an arrangement to provide flexibility.

Chairman Carlson: If you would pursue that. Becky, tell me if I am reading this wrong tell me but the way my sheet shows it as new money. Is there a reduction in 1014?

Senator Grindberg: The best thing is if the Emergency Commission or the Industrial Commission would have the authority to transfer the money.

Chairman Carlson: Another thing we have is the career specialists and we have been talking about some workforce development. When we get our amendments and thoughts put together I would like to see if that fits anyplace in that group.

Senator Holmberg: When we get there I will address that. I worked in that area in Grand Forks for a number of years and we had a huge initiative on this kind of thing. In my opinion it was a waste of money.

Chairman Carlson: That is the problem we had in the House. Now if we have a proper place for it and we can properly direct our grants to these schools. Senator Grindberg and I have been working on an initiative in another budget we have and that is Career and Tech. What we are trying to establish is a workforce similar somewhat to the Centers of Excellence where there is money in grants to promote curriculum development and training and staffing for workforce shortage needs. If this blends into this we will talk about it. The workforce system initiative if someone would just explain that to me again.

Shane Goettle: I would describe it much like the business congress, as I understand it as it came out of the Senate. At the beginning of January and February of '08 there would be some focus groups around the state on workforce issues. Those focus groups would gather data and input from business leaders and eventually have a workforce congress in the spring. The work that that workforce congress would then feed into the appropriate interim committee to develop policy around workforce. It mirrors the business congress that we set up last biennium.

Chairman Carlson: This is a new initiative?

Shane Goettle: We didn't propose this. The Senate committee that was looking at our budget did. Having looked through it, it mirrors that business congress process.

Senator Holmberg: It is as described. After the business congress, the focus seemed to be workforce and workforce development. That was the message that came out of them. Therefore this is really taking that and transforming that slightly so that the focus is on what was identified by the business community as the chief problem which was workforce development and training. That's where it came from. You would not call it new you would call it a similar program with a different thrust to it.

Representative Glassheim: Who is going to be in this congress?

Senator Grindberg: It would be led by the legislative interim committee and a Commerce Department consultant.

Chairman Carlson: If it shows some value there, it is not a big investment.

Senator Robinson: No one is suggesting that their former efforts were not successful this is kind of a refocus focus from Senator Grindberg's refinement what they have done in the past.

Senator Grindberg: There was a similar thing started by Mr. Hirsh and the Workforce Development Council last summer in Medora. One of the things I would hope would come from this from the legislative side is for us to get our hands around this whole workforce inventory

system policy that we deal with every two years here. As well as, we are good at various programs; we have the spider web program that we are going to fund. I consider that a very micro targeted effort to try to make a difference to provide information on job openings. We have website recruitment, new jobs training program, workforce 20/20 and we have a lot of various programs we are funding the quadrant system. To stand up and have, what I would hope would come out of this as well would be more of a challenging thought provoking ideas about the future of the state demographically in workforce. As we have heard, every budget that we heard is how are we going to deal with aging baby boom population, declining folks in the workforce, the decline in students in our schools and the demands of the workforce business community. We have to be talking about those things in a more organized fashion. That is really what led us. We have had four years of this business congress trying to position North Dakota as best business climate in the nation. We have done a lot of great things but after a while how much more can you do? We felt that focusing solely on this workforce issue was the proper next two year discussion.

Chairman Carlson: Every bill I pick up seems to have some relation to workforce lately. I don't have any trouble with that.

The committee continued reviewing the bill section by section beginning with section 10 and ending with section 38.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☒ Check here for Conference Committee

Hearing Date: 4/20/07

Recorder Job Number: 6189

Committee Clerk Signature

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Chairman Carlson: Please take out your sheets for the Seed Capital Investment Tax credit, the Angel fund, and some of the printouts that we got from the Tax Department. We will try and resolve that during our session today on those three things. There was about $13.4 million dollars in credits in that bill. We need to take a good serious look at that, make sure that the policy is right. Dee, if you don't mind standing at the podium as we work through this and respond to questions. I think you are going to have to help us with the technical amendments, or at least work with Council to get the technical amendments right for the numbers and caps, etc.

Donita Wald: Absolutely.

Chairman Carlson: Let's go to the Seed Capital Investment Tax Credit part first. If you want to explain, if you have a copy of the bill, the changes that are in the bill and what they do, and whether we are in agreement with that, we will try and decide.

Donita Wald: The Seed Capital Investment Tax Credit is section 41, of version .0300.

Chairman Carlson: Section 41 of the bill.

Donita Wald: Yes. All that section does is increase the statewide cap for tax credit, some $2.5 million to $5 million.

Chairman Carlson: So as far as any of the guidelines, nothing changes, only the dollars.

Donita Wald: That's correct.

Chairman Carlson: Tell me one more time, what did we use in the last biennium. We have trouble thinking in yearly terms, so we're trying to separate the numbers out here between what's the yearly credit and what is one for the biennium.

Donita Wald: I know in 2006, approximately 66,000 credits were allowable; now whether that was the amount claimed or not, that was how many credits that potentially could have been claimed.

Chairman Carlson: $66,000.

Donita Wald: In 2006, yes.

Chairman Carlson: That's all.

Donita Wald: That's it, no 642,000.

Chairman Carlson: I was going to say that 66,000 sounded a little low.

Donita Wald: Actually in calendar year 2005 we did hit the $2.5 million dollar cap.

Sen. Robinson: What was it?

Donita Wald: Calendar year 2005...

Chairman Carlson: How much?

Donita Wald: We hit the $2.5 million dollar cap.

Chairman Carlson: Why the big drop?

Donita Wald: I don't know. That might be better addressed by the Commerce Department who certifies these companies. I think part of the reason that, in 2005 you will recall that we had to do some shifting over in the 2005 session. We took some companies who had previously

been certified in the Seed Capital and had used a lot of money and put them over into the Ag Commodity. There was some retroactive fixing for those who had been cut off in the previous year. There was a lot of shifting going around.

Representative Skarphol: So you are saying that we took them out of the Seed Capital and moved them to the Ag Commodity program.

Donita Wald: That is correct.

Representative Skarphol: So we had hit the cap and we moved them because we hit the cap, was that the logic.

Donita Wald: That's correct. The logic behind that was some of the Ag Commodity processing facilities are really bigger projects, so they were really eating up a lot of that $2.5 million dollars. The Seed Capital, if I recall, was intended more for smaller start-up kind of companies.

Representative Skarphol: What has been the result in 2006 in the area of the Ag entities that were moved? Did they have a similar $2.5 million dollar credit?

Donita Wald: The Ag Commodity Investment Tax credit has different limiters. There is not a statewide cap, but there is a tax, a per taxpayer cap, of $250,000.

Representative Skarphol: So we apparently had 9 of those in '05, how many did we have in 06?

Donita Wald: In 2006, I think there were three companies; are you talking about in the Ag?

Rep. Skarphol: In the Ag.

Donita Wald: There was $1.1 million of allowable credits in 2006, and $3.3 million in 2005.

Chairman Carlson: Didn't we allow something now up to $250,000, that was bank for the feedlots that would use the byproducts of the...

Donita Wald: That's what we did in Ag; we just increased the number, or changed the definition of what a qualified business would be.

Chairman Carlson: That would have been those that are using the byproducts.

Donita Wald: Yes.

Representative Skarphol: Do you anticipate that the $2.5 million would need to be changed now or would you anticipate that we would be okay at $2.5 million a year.

Donita Wald: I have no opinion on that. It's possible.

Chairman Carlson: But there is a certification process is there not, that they must apply to Commerce, if Commerce certifies them as being a primary sector or whatever the guidelines are, then the form is submitted to you and they are eligible for the tax credit.

Donita Wald: That is correct.

Chairman Carlson: One other thing I want you to comment on before we come up with a number on the Seed Capital. We had an amendment to allow the Angel Fund Tax Investment Credit to be used in the Seed Capital Tax credit category. What is your opinion on what that would do for the requests for the Seed Capital fund?

Donita Wald: I was just thinking that that was one possible reason why the cap should be increased, is because you are allowing this other group of investors to claim a credit, or to participate in that; to what extent I don't know. So it's possible with the Angel funds being able to invest and claim a credit, that more dollars would be needed.

Chairman Carlson: Is the language in that amendment that allows the excess carry forward to each of the succeeding four years; is that standard language to the Seed Capital?

Donita Wald: That is correct.

Chairman Carlson: Okay, that would be the same as anybody else would receive in a standard Seed Capital Investment Tax Credit.

Donita Wald: That's correct.

Chairman Carlson: Just so that I can understand all the guidelines here. Senators any thoughts about this.

Sen. Robinson: Can we get Shane Goettle to comment on this utilization.

Chairman Carlson: The Senators have requested that Mr. Goettle come to the podium and comment about what he thinks the demand is going to be for this.

Shane Goettle: One of the initial reasons that we proposed raising the cap is precisely because of some of the problems that we ran into as a result of hitting that cap in 2005 tax year. It generates a lot of confusion among the investors who thought that they had put money into this process, could claim the credits and then weren't able to. The confusion is quite a mess. There were a couple of ways of approaching it. The simplest way was simply to propose raising the cap so that we don't run into the problem. Having demonstrated that we had hit that in one year, it was my thought that raising the cap, I didn't think we would hit the $5 million; I was looking for some breathing room. I think some breathing room now with the additional expanding that base of taxpayers that we think are going to come in, is appropriate.

Representative Skarphol: By moving the Ag commodities entities out of that Seed Capital, it seemed to make a very dramatic shift in the utilization.

Shane Goettle: In the pilot project, it will give us the ability to know exactly which taxpayers came forward and claimed the credits. We don't know that for certain though because we don't communicate with the Tax Department on that. It's hard for me to know the answer, whether indeed, without knowing the entities exactly which were transferred over to address that question. A study, in which we're able to exchange information, might help us on that.

Chairman Carlson: Explain what you mean, because if you have tax study that's already in one of our sections, what are you talking about.

Shane Goettle: To answer that question, I would have to have individual tax payer information. The proposed pilot project, with the Seed Capital Investment Tax credit, that we're going to be studying, the language does allow now, in order for the purposes of conducting that study for the Dept. of Commerce to get that information about the individual taxpayers which we would need to actually measure the individual impact. I don't think it's proposed right now to go to the extent of knowing which ones were then slid over to the Ag Commodity.

Chairman Carlson: Are you suggesting that would be a good idea?

Shane Goettle: I'm suggesting only that to answer that question, I would have to have access to that information.

Representative Skarphol: In other words, what you need is access to the information and the privacy laws currently prohibit you from that, so you would need some language to address that particular aspect?

Shane Goettle: That's correct. The pilot project's recognizing that that was a problem. The language in the pilot project's that are in front of you does just that.

Representative Skarphol: I think it would be a good idea to allow this. I would like to see a study of the Seed Capital and both of the entities that we're going to discuss. I would suggest that maybe we should ask the Commissioner and the Tax Commissioner to put us together some language that would address those issues along with Allen, with regard to the privacy and put the study language to do the study.

Shane Goettle: The pilot project that's in front of you, we've talked about picking the Seed Capital Investment Tax credit as the credit. There is language in there already now that allows the Tax Dept. to share with the Commerce Dept. what we need to do that, and that would be for the individual taxpayer information. We would have an obligation, the same as the Tax Dept. to hold that confidentially and report it out only in the aggregate, like is currently allowed.

That language already exists for that particular tax credit. If we were to pick two, we could do the same thing fairly easy with that existing language. If we wanted to get to your question of what was the impact of moving over some of these taxpayers to the Ag Commodity Processing Tax Credit, you would need a little bit of an expansion to reach that third, but we could get there if you want us to study the Ag Commodity Processing Tax Credit too. We could probably address that, that's what I'm saying. All of this requires money to conduct the study.

Rep. Skarphol: I knew that was coming next. We were doing really well up till then. Any comments, anything to add on the Seed Capital side.

Donita Wald: No.

Rep. Skarphol: You feel comfortable with the study language that we have on this.

Donita Wald: Absolutely, confidentiality was our biggest concern.

Rep. Skarphol: I mean as far as getting to the study that we were going to request out of the Tax Dept and Commerce on Seed Capital is that inclusive enough for what you want to do.

Donita Wald: Absolutely, the language is fine.

Representative Glassheim: There is much I don't understand about this. From the figures I heard in that last year, I'd be a lot more comfortable going up to $3.5 million a year, rather than $5 million; keeping in mind that we are fighting in terms of the ending fund balance and what we're coming out of here with. This would show up in that ending fund balance. If we had $650,000 used last year, and you're taking some of the Ag out of it, it seems to me that $3.5 million per year gives you enough breathing room to expand, but also gives us $3 million more on the ending fund balance.

Donita Wald: If I may correct one thing, we already took the Ag Commodity Processing-type facilities out. They are already out of there.

Representative Glassheim: That would suggest that we might continue at the $650,000 level or at least not get up to the $2.5 million, which was the year before you took them out.

Donita Wald: Yes, but I agree with Commissioner Goettle that hitting that statewide cap is troublesome. There were a lot of unhappy taxpayers.

Chairman Carlson: Any comments about where we should be at. Rep. Glassheim feels that the increase to $3.5 million would be a logical number instead of five, is that what I understand.

Rep. Glassheim: That summarizes my thoughts.

Senator Grindberg: So we would have 7 instead 10.

Chairman Carlson: Yes.

Senator Grindberg: I think that's reasonable, provided that we adopt the language and amendments that we discussed here with tying the RAIN fund in.

Chairman Carlson: You all have a separate amendment that was given to you on this with the Angel fund.

Allen Knudson: I have a couple of extra copies here.

Chairman Carlson: It doesn't have a number on it, it just says proposed amendment, I'm sorry it does have a number, .0300. I believe it came from Donita Wald.

Donita Wald: Yes, it came from our office.

Chairman Carlson: That was your interpretation of how it would be incorporated.

Senator Grindberg: With what has been discussed here today with this particular provision in the bill. I think by adding this amendment, we'll not convolute the tax credit issue. Clearly I think we all agree that we're going to have enough room here. But what this will do in my opinion is provide that pool of investors to receive, as we've discussed, and then thereby the assumption and I would hope that these funds would embrace high level of risk. There are good ideas out there that by nature never receive a funding level, because some perceive it as

too risky. The expectation would be if we can diversify that risk, or spread that risk rather, through a pool and a tax credit. I think the state is going to benefit from that.

Chairman Carlson: So this $3.5 million is an acceptable level, including the Angel fund. I'm fine with that if everybody else is okay with that. Allan, would you incorporate that language change in that section 41, I am assuming that it then goes from $2.5 to $3.5 million.

Allen Knudson: I did have a note on the tax credit amendment, at the very end. We were supposed to add 57.38.5 or 57.38.6.

Donita Wald: That's correct.

Chairman Carlson: It had reference to two codes, instead of the one you referenced there.

Donita Wald: The issue is, most Angel funds are pass through entities, LLC's. The 57.38.5, the last sentence in that amendment bars a taxpayer from receiving the pass through credit from the fund, because of the potential double dipping, the same dollars exists with the Ag Commodities. We think by putting it in 57.38.6 at the end.

Chairman Carlson: Then there wouldn't be a double dip situation.

Donita Wald: There wouldn't be double dipping.

Chairman Carlson: I would surely be in favor of that, I would have a hard time giving it out twice. You would recommend that addition to your language.

Donita Wald: Yes.

Chairman Carlson: Anything else on there? So we will do the change of language, the number on the Seed Capital and we'll add the Angel fund amendment that was brought to us by the Tax Department. Let's go to the R&D side. We handed out a little sheet yesterday on the R&D side. Do you have any comments on that.

Senator Grindberg: Dee and Mr. Goettle met and talked this through a little further. I would recommend and have asked Dee to work with Mr. Walstad or the Council to come up with

some amendments that in essence take what I've come to title the "Sweet Sixteen", the sixteen current in the state that would take them from their present law to the 25/20 in the next four years.

Chairman Carlson: Yes, it was for five years.

Donita Wald: The proposal that we advanced yesterday, yes, it was for five. It was a phase down to the credit.

Chairman Carlson: That was for new people, though.

Donita Wald: Yes, new people.

Chairman Carlson: He's talking about the existing people that are ought there, phasing them up. Do they both end up at the same level when it's done.

Senator Grindberg: Yes, and at the end of this would be, we have the '09 session and these tax report studies which are going to be presented to us and then in the '11 session, it ends unless we renew it.

Chairman Carlson: That's your understanding of it, Dee.

Donita Wald: I thought maybe we were going to get rid of that four year limitation because of the fact that it might cause a chilling effect.

Senator Grindberg: I thought we were going to have it, if we didn't do something in the next two sessions, it would go back to current law.

Donita Wald: Is that what you wanted, okay, then...

Sen. Grindberg: What is the consensus of the committee, I guess we want...my sense is that we all agree that we want to be #1 in the nation with this initiative. But how do we want to set it up so that we send a message that it's not a two year deal, because it's not going to have the appeal I think, if we do that. We talked about this. Do we revert back after four years from now, to what we have.

Chairman Carlson: Well if you sunset it, you either have to revisit it or it's gone, correct.

Donita Wald: If we sunset the new rate, when the period ends, it would revert back to the 8 and 4 with a $1.5 million dollar threshold. Because we are looking at studying the R&D tax credit and also I think putting a four year limiter on this might cause some companies to look and say, this is going to be a ten year project, why would I want to go to ND for only a four year tax incentive that is really helping me. I think there will be plenty of opportunities to study it in between. We'll be watching it, especially with the transferable aspect.

Senator Grindberg: With that being said, what if anyone in that four year period was grandfathered and any new after the end of the '09-11 bienniums would be subject to review by either '09 or '11.

Chairman Carlson: I don't have any trouble with...if you make a promise you should keep it. If you drag them in on that...but on the other hand I don't want to just have it forever for everybody. I want to review it some day. If you could do this for us, what we discussed, Dee, on a sheet like this, do what you had discussed for your phasing 1 down and 1 up and then show me what that fiscal effect would be. Because then I think when we come back again we can review that sheet and I think we can come to some agreement as to...because I know we are concerned about the existing people getting a real bonus immediately and we wanted to make sure that at some point in time the other ones were phased down and that we ended up at a common level when we were all done with all the players. Do you need any other information from Sen. Grindberg? What else do you need.

Donita Wald: Just about how to deal with the four year thing.

Representative Skarphol: On these tax credits, can an out-of-state taxpayer that does not have income in ND, utilize tax credits; in other words all this brokering of tax credits that's going on.

Could someone in California, who has no ND income, buy these tax credits and utilize them in some fashion.

Donita Wald: No, they would not be useful to them unless they had a tax liability in ND.

Rep. Glassheim: Unless they could sell them.

Chairman Carlson: But they would have to sell them to somebody in ND. For there to be a cost to the state treasury, it would have to be a ND individual purchasing these credits.

Rep. Skarphol: But a broker would be brokering them to ND taxpayers, because that's the only people who could use them.

Donita Wald: Not to say that there's not out-of-state companies who have a ND tax liability.

Chairman Carlson: Sen. Grindberg and Dee, if you can bring us back a chart on how this would work. Also, I would also like Allen if it's possible and Shane, I would like to include in the Tax Dept., as long as we are going to study Seed Capitol, I would also like to include R&D in that, because I think that's a big deal.

Donita Wald: And I think that would, kind of get away from the four year sunsetting, if we study it in the next biennium with the pilot project, we will be reporting that information to you and it forces us to tell you and to have you look at that program.

Chairman Carlson: I think that's a good idea myself.

Representative Skarphol: I think the electric transmission tax rate issue should be in this study as well; so we not only have Seed Tax, R&D, but electric transmissions.

Chairman Carlson: Let me tell you, that bill is floating all over the place, because there are people all excited about the saleability and the cost of that one.

Rep. Skarphol: I think it would behoove us to have all three of those and the more that I thought about it, if we set it up for four years and if a company moves to the state, we're talking new company moving to the state to take advantage of the aggressive R&D tax credit and

expand in the state of ND, if they do that within four years, they have a 10 year period to use those tax credits. That way, we get beyond this. But you have to be here within that four year period and then we have true measurement. So if someone comes in after that period, we're going to have to change it. But we have control for four years of the new companies coming to the state, but we give them 10 years to utilize that R&D tax credit program.

Chairman Carlson: Next time we meet it will be for an hour, so we can get this and we don't cut you short. Would you work with Sen. Grindberg, Dee, and we'll try and finalize the concept, just so we can look at it like you did your other sheet.

Donita Wald: Yes.

Chairman Carlson: Just so we have some idea what our costs would be and whether we need to add caps or not. That will give me that answer.

Donita Wald: Okay.

Chairman Carlson: I knew this would be adding more work. We are adjourned until next meeting.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/20/07

Recorder Job Number: 6220

Committee Clerk Signature: Tonya A. Voeglé

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Representative Brandenburg explained amendment 78018.0215.

Chairman Carlson: So this is what we were already going to tax them?

Brandenburg: Wilton Wind Farm is already at 1.5%. We passed that last session.

A motion was made by Senator Holmberg, seconded by Representative Skarphol to adopt amendment 78018.0215 to House Bill 1018. MOTION CARRIED

Amendment 78018.0216

Representative Skarphol explained the amendment.

A motion was made by Representative Skarphol, seconded by Senator Grindberg to adopt amendment 78018.0216 to House Bill 1018.

Senator Grindberg: Who would do the work?

Representative Skarphol: I didn't get into the specifics of that but ITD was involved in the discussion. The Department of Commerce has assured me that they would be an active participant in the implementation of this. The Secretary of State is pretty excited about this.

Senator Grindberg: I am going to support the concept but let's just say that 1340 takes off like gang busters and we double the projection this biennium. We would set up this loan for $2.92million, let the process begin. It seems to me that it really takes off we wouldn't want to step along and come back in 09 and pay off the short term loan. Is that kind of what you are thinking?

Representative Skarphol: This was simply thought of as a mechanism to trigger the implementation of the project. We want to see a trend not all of a sudden one big blossom and the thing dies off. We wanted it to be indicated by a trend of increasing utilization that would say that it is going to continue to give us that. Yes, this could probably change in the 09-11 session and probably would because the largest amount of revenue generated would not come in until after the 09 session.

Chairman Carlson: What triggers his ability to get at the money?

Representative Skarphol: The developing trend of utilization of the charter ability in 1340.

Chairman Carlson: What does that mean?

Representative Skarphol: We will analyze that in the budget section when he comes in and asks permission whether or not we deem it to be sufficient.

Chairman Carlson: So nothing happens with this. This is language that allows him to if the budget section approves. I think there are mixed feelings whether or not that 1340 is going to take off like gang busters or not.

Representative Glassheim: If there is very little activity in 1340 nothing happens.

Chairman Carlson: That is the way I am reading it.

Representative Glassheim: Suppose there is some activity and we decide to go ahead, what is going to do?

Representative Skarphol: It is a website portal. It is a one stop place for businesses to do business in ND. It tells them and shows them where they need to go to do whatever their business needs may be within state government.

MOTION CARRIED.

Chairman Carlson: Dee, are we at the stage that we can go back to our discussion this morning?

Donita Wald: Yes.

Donita Wald explained the requested handouts.

Representative Glassheim: Why is it important for the old and the new to get the same rate?

Senator Grindberg: We have scaled this back and stepped it up to the new over time. Here is why I think the sweet 16 are entitled to the same as anything new overtime. There is one on that list but I will not mention the name but they employ thousands of people in ND. They are a publicly traded company with global markets. They have severe challenges with demographic aging population in their workforce and expanding other parts of the world other than ND. I think it is in our best interest to continue to stimulate tax credits to their R & D division so that their innovation and new ideas help them become competitive in the industry. The demographics in the workforce are a challenge for them. I think corporate would really take notice that the state of ND is really positioning itself for innovation.

Representative Glassheim: Could you expect that they would expand their R & D or would they just keep doing the kind of work they have been doing?

Senator Grindberg: I can't answer that.

Discussion continued regarding the tax credits.

Poor audio

Amendment 78018.0212

A motion was made by Senator Grindberg, seconded by Representative Skarphol to adopt amendment 78018.0212 to House Bill 1018 with language addressing small communities. MOTION CARRIED.

Meeting Adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 4/21/07

Recorder Job Number: 6238

Committee Clerk Signature Tonya K Voeglé

Minutes:

Chairman Carlson opened discussion on House Bill 1018.

All members were present.

Chairman Carlson reviewed what we discussed yesterday.

Representative Skarphol: I think most of us were satisfied with the "sweet 16" thing and I think our discussion revolved a little bit around the new ones and what the potential impact could be and how we could resolve the issue of unduly surprised with the potential new. I think that is where we are at.

Chairman Carlson: In my simple way of thinking, my thought was, I thought we were going to phase on up the existing and we were going to phase one from high down. At the end of our road we were going to be in the same place. I don't know if it is better to leave them all high and put a cap of dollars so when it is used up it is used up. Then there was some discussion that if you make a promise to somebody and then they don't get the money because you run out of money. I guess I need somebody to tell me where we should be on this because I think we are really close to the right concept.

Donita Wald explained the last phase of the tax credits.

Senator Grindberg: I think the main issue where we are at now is with the new coming to the state the way the amendments were drawn, is that it is four years. Our thinking was that we are going to have the study, be back here in 09 and 11 and then something would have to happen beyond the four years.

Donita Wald: That is correct this will sunset in tax year 2010.

Senator Grindberg: What I suggested that we have for the new coming to the state, is an ineligibility period. That four year period, if a new entity sets up operation in the state, they are qualified for the 25/20 and they get it for ten years then it sunsets. Mr. Goettle and I had a conversation with one of the larger organizations in the state and talked it through just to get their opinions. One gentleman made a good point. He said we are talking to some supplier right now that this could be an attractive feature for, but really you don't get going with 18-24 months as some of these things come to be. It really isn't an attractive feature to add to the encouragement to the state. It gets back to the premise, we don't have the income now but we give Commerce and their entities four years to market this and then we can always change it.

Chairman Carlson: Where does our promise go if we change it?

Senator Grindberg: It is a four year test. If 50 companies move into the state and take advantage of it there is now downside.

Chairman Carlson: You are fishing with this second one.

Senator Holmberg: What Senator Grindberg is saying is that because it takes a long time for them to get going if we had it sunset in four years their probably not going to take advantage of it but if they know they can get in during the four years and they are going to have up until 2017 in order to take advantage of it that could be a very good marketing tool.

Senator Grindberg: What is the origin of 25 and 20?

Donita Wald: It came from the business congress.

Chairman Carlson: That is the only uneasiness I have.

Donita Wald: To address your concerns, like I said you could phase the new ones up to something and phase the sweet 16 up to something. We can do anything we want to get that.

Representative Glassheim: We envision this bringing people to the state. What is the impact of people that are here and are already doing research?

Representative Skarphol: I am assuming that those that have the capabilities of taking advantage of this credit currently are.

Representative Glassheim: So it is already here but it is lower.

Representative Skarphol: Yes. We already have it in statute and even 8% is 8% and I am not sure too many people would turn it down when it is there for their taking. I am assuming that those that are here are doing it and this is going to increase the amount of credit that they are going to have available.

Senator Holmberg: What is the disadvantage in person X in Rugby seeing this new law and all of a sudden deciding to invest in R & D in the state? There is not really a downside with the more attractive rates for the new folks they might just say you know I am not going to send that money to AZ to buy land I am going to do something here in ND.

Senator Robinson: We always think about bring it in. To me that is fine but there is probably more stability in the potential of what we have here already doing more. We know them they know us. The risk is not as high for someone from Ohio to move here hoping that this is sustained over the years. That is fine if they move here but for the existing people, to me it is win/win.

Chairman Carlson: I am in full agreement of doing this. I am a little concerned that bottom number we end up with for all of those years is too high. I like doing this. I would love to see a point in time where they both ended up the same. I am not sure if they are both at the same

does that mean they both should be 20% forever. That is where all of the money is going to be in the future. The first hundred is all our little guys and the second thing over the hundred is all of our big guys. I am not adverse to giving them something it just seems that that is really a very big number. If somebody could tell me that we will start at 25 and 20 for the new guy and that he will end up at 12 or 14 and when we are all done moving the other guy up that he is going to end up at the same 14. If you want to continue out and revisit in four years but you give them the ten year life and you put a cap on there I think you got a good program.

Representative Glassheim: What if you did 25 for the first two hundred thousand or some number then went down to 15 for the rest.

Chairman Carlson: I don't know what it does. These again are all business congress numbers. We didn't set these in here.

Representative Skarphol: If I might just throw an idea out there I will go back to what I said earlier. How about if we did 25% for the first $100,000, 20% on the next $150,000, that puts you at $250,000, then 15% on the next $250,000 and 10% on the next $500,000. You are at $1million then, then 5% on everything over. That way if you get some extremely large outfit it is not going to hit us incredibly hard until we get a chance two years from now to analyze what is happening and maybe revise this type of system

Chairman Carlson: How hard is it to administer Dee?

Donita Wald: This is an audit issue for us on almost every R & D credit claimed. There is difficulty in computing the credit right now. That is one of our concerns for the transferability.

Senator Grindberg: How long would it take you to run a comparison on Rhode Island right now?

Donita Wald: The reason Rhode Island is so high. They have a cap they can only claim it up to 50% of their tax liability. They also have a big limiter.

Chairman Carlson: There is nothing wrong with that.

Donita Wald: No.

Representative Glassheim: They get something and we get something.

Donita Wald: The 25% for the start up is what is going to be important to them in the first four years.

Representative Skarphol: What would prevent a company from only moving their R & D Division to ND?

Donita Wald: Nothing would stop them from doing that.

Senator Grindberg: Which normally are very high wage positions.

Chairman Carlson: It is a little bit harder to justify those that are here, to take something that they thought was satisfactory and move them way up. It is different than giving somebody brand new a huge carat to come here. I agree that when we are all done they should be fair. They could be similar because that is what our program is for R & D. I like the fact that there are some limiters in terms of the tax liability. I would hate to have someone with no tax liability to be able to carry force with a half a million dollars in credits.

Chairman Carlson: I still haven't figured out the magic of 20%.

Donita Wald: I did not participate in those interim committees.

Senator Grindberg: I would like to know the basis for the 25-20.

Shane Goettle: During the interim committee we were asked to find the best rates of the country.

Donita Wald recapped the information that the committee asked for.

Donita explained the workforce tax credit.

Chairman Carlson: Who does the tax credit go to?

Donita Wald: The employer.

Allen Knudson explained the amendment 78018.0217.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/21/07

Recorder Job Number: 6249

Committee Clerk Signature Tanya J. Vogel

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Chairman Carlson: On the workforce side of things, we put language in the Career and Technical Education bill about a system that we want to set up for the four quadrants; for the colleges to have a grant system, Senator Robinson were you on that conference committee as well?

Senator Robinson: No I was not.

Chairman Carlson: The language required that we took $2million out of Career and Technical and the money would be moved to Commerce. We had established what is called the Workforce Enhancement Council and that council would set up a grant system for where these four quadrants schools, our two year schools, who are assigned for the primary responsibility for workforce training, to create or enhance training programs that address workforce needs of private sector companies. The grants made pursuant to this section may be used for curriculum development, equipment, recruitment of participants or training and certification for instructors. Grants may not be used to plant funding for current operations. So what we did was to set up a mini centers of excellence for those schools, not calling it that, so they can

access programs for curriculum development to react more to the workforce training side of it. What we need to do is move the money over here and this would all be done under the existing structure that is established with the workforce development council which we already have. We added the director of the division of workforce development from Commerce and we also added the Career and Technical Education Director. It would be their responsibility to work on that program. So we need to move that $2million over here I believe.

Senator Grindberg: I think we did that in 1019.

Allen Knudson: That is appropriated to Dept of Commerce in 1019.

Chairman Carlson: Ok the only other thing that I don't know that we have done Allen is that we talked about a talent strategy and we wanted some language here. I have an amendment that would go in here.

Chairman Carlson explained the amendment.

Senator Robinson: That language is on page 14 on that handout that I gave to the committee that was given to me by Maron Daily. I don't recall that we have talked about this language at all.

Chairman Carlson: I get confused because we have spent a tremendous amount of time talking about it in Career and Technical when we were trying to establish this and move the money over.

Senator Robinson: This was for informational purposes only.

Chairman Carlson: Shane have you got a comment about this because we are not going to reinvent the wheel on the workforce side other than we have established in the Career and Tech the language and the shipping of the money over which puts your workforce division and adds some additional responsibilities over there and I want to know if there is anything else missing of that component that we need to do.

Shane Goettle presented and explained a handout regarding workforce with language from 1027.

Chairman Carlson: I have always thought there should be more coordination amongst all our efforts on workforce training. Obviously I am supportive of a concept like this. Without giving them some money I don't think that they have the ability to do anything worth while.

Senator Grindberg: We are putting more emphasis on this workforce development division. With what we have done in 1019, the talent strategy, I asked Shane are you properly staffed? Do you have enough FTEs and maybe he can respond to that.

Shane Goettle: In our budget bill there is an FTE for the workforce development position. The purpose of that request was to give us another body to implement the operation intern program as well as the career specialist program. We had put a price tag on that salary and benefits and a little operating at about $160,000. In reference to Senator Grindberg's question, you could ask probably any agency in federal government, could you use more FTEs and the answer is sure we could create a list of all of the skills that we would implement and use so in reference to workforce, that is where I focus my attention if we had, in addition to the FTE we requested yet another FTE, the price we would put that would be in data analysis and some of the program and planning and strategic planning that would be necessary under the proposal that we laid in front of you.

Chairman Carlson: If we were to adopt the language from this bill adding responsibilities in addition to what we have sent the $2million for another initiative in the enhancement grants program, where are we at as far a budget and people?

Shane Goettle: With that additional responsibility it is taxing on the staff. Jim Hirsch, actually, only works half time on workforce development. His other half is on state commission. With a

full blown talent strategy being assigned to the Department of Commerce, we could use another body.

Chairman Carlson: The operating money, was the $50,000 that was in it?

Shane Goettle: Yes.

Chairman Carlson: Senator Robinson, was there not $50,000 attached to the original version of what you wanted to attach?

Senator Robinson: I didn't know the fiscal note on this. This comes as a result of the three of us spoke one night about concerns across the state and the need to be more aggressive in coordination and just a bit more assurance that everything is where it needs to be and it even gets down to this discussion that we are having. Are we staffed appropriately or do we have some voids? This language never did come to the House Appropriations committee. It came out of 1027in the policy committee.

Chairman Carlson: What it would cost to do what we are talking about here?

Shane Goettle: The price tag of $50,000 that we put on here was for some consulting and to go through a strategic planning process and coordinating data from around the state and with the partners. We were looking at contracting out to a third party. Bringing it in house is certainly attractive from a stand point of longevity and potentially training somebody for Jim's replacement someday.

Chairman Carlson: What does an FTE cost for a biennium?

Shane Goettle: Salary of about $45,000-$50,000 health, benefits and a little operating associated with it ends up being about $160,000.

Chairman Carlson: They have been running $130,000 to $170,000 in other budgets for one FTE. I need a few minutes to talk to our people upstairs about all of this so we will break here.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/21/07

Recorder Job Number: 6256

Committee Clerk Signature Tanya A Voegele

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Donita Wald distributed a handout regarding the Workforce Recruitment Tax Credit.

Bill Shalhoob: The largest concern was with using all six of the criteria but now that that has been changed in this amendment to four I think that answers the biggest concern. The second concern would be over the time period.

A motion was made by Senator Holmberg, seconded by Senator Grindberg to adopt the amendment regarding the workforce tax credit. Motion carried.

Donita Wald distributed and explained the proposed amendments for the 2:00 pm Conference.

Chairman Carlson: If the company left before the four years is up then they get what?

Donita Wald: Nothing.

Chairman Carlson: If the company is here for three years and leave, do they get the 25/20 for the first three years.

Donita Wald: Yes I don't know how to cut that off.

Chairman Carlson: I was assuming by the explanation that they almost had a four year waiting period and they can carry it and if they leave after two year they were not going to get anything.

Donita Wald: It would be like a retroactive tax credit. I don't know if that is necessarily good policy.

Donita continued her explanation.

Representative Glassheim: On page four section eight, this is the selling and assigning but this does not have the $100,000 cap on it does it?

Donita Wald: This is new language. If you look in the bill itself that $100,000 cap is already in there.

Representative Skarphol: What are the criteria there?

Donita Wald: They have to have gross revenues of less than 750,000, they have to be new to the state, they are a primary sector business and the commissioner of commerce says that they qualify to transfer the tax credits.

Senator Grindberg: Up to 100,000.

Donita Wald: Right.

Representative Glassheim: The 750,000 is only for selling but you can get the credit if you are a bigger business?

Chairman Carlson: That was one of our concerns.

Senator Grindberg: Tax credit transfer study. This is an additional study?

Donita Wald: This is something the tax commissioner himself is going to conduct during the biennium.

A motion was made by Senator Grindberg, seconded by Senator Holmberg to adopt the amendments prepared for the 2:00pm meeting. Motion carried.

A motion was made by Representative Skarphol, seconded by Senator Holmberg to add $50,000 for two more studies.

A motion was made by Representative Glassheim, seconded by Senator Robinson to fund COE at $15million cash with the possibility of borrowing from BND $5million following an approval by budget section after a report within the year.

The motion will be held over to the next meeting.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

☑ Check here for Conference Committee

Hearing Date: 4/21/07

Recorder Job Number: 6270

Committee Clerk Signature Tonya J. Vaagen

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present.

Representative Skarphol: I would move that we add language in the appropriate place and I no longer know where that is for sure. That the State Industrial Commission upon the request of the Commissioner of Commerce may transfer up to $1million from the PACE fund to the ND Development fund as needed.

A motion was made by Representative Skarphol, seconded by to adopt the amendment stating that the State Industrial Commission upon the request of the Commissioner of Commerce may transfer up to $1million from the PACE fund to the ND Development fund as needed.

Chairman Carlson: Shane just so we understand this is not new money this is the authority to transfer that $1million out of PACE to the Development Fund if there is a need. That leaves us with a total of how much in the PACE fund.

Shane Goettle: You are totaling all of it?

Chairman Carlson: Everything that is in there.

Karlene Fine: This would be $7million in the PACE fund and this would be $4million in the Development Fund.

Representative Skarphol: How much is in Ag PACE?

Karlene Fine: In Biofuels PACE there is $4.2million, well actually $5million with the $800,000 of carryover. Ag PACE has $1.4million.

Chairman Carlson: If you add up all of our PACE money we are talking about $13million. Is that about as much as we have ever had in the PACE line to work with?

Karlene Fine: In all of those funds yes.

Senator Robinson: I don't know where we are at with this issue. It kind of caught me off guard to be honest. I have been thinking that it would be nice for us to have a quick analysis of where we are with finances in this bill right now and where we are with expenditures. I know we are way down. We had talked yesterday that at least I was led to believe there might be some interest in adding some dollars to tourism. I would be supportive of that.

Chairman Carlson: When we meet at 10am tomorrow morning we will have that total for you. This would not affect that total. The PACE money other than some bills moving it around on the floor has been the same since we added $3million at one point in time. I think their concern was that when you look at the development fund and the demand we have had there could be more demand for that. I think this is a good move to give them the flexibility. Do you feel comfortable voting on that Senator?

Senator Robinson: We can.

Motion carried.

A motion was made by Representative Skarphol, seconded by Senator Grindberg to adopt an amendment adding $250,000 to the tourism budget. Motion failed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Apriations Committee
Governm Operations Division

☒ Cheere for Conference Committee

Hearinge: 4/22/07

Recordeb Number: 6271

Committ Clerk Signature Tanya J. Voegele

Minutes:

Rep. Cason opened discussion on House Bill 1018.

All members were present.

Rep. Skarphol: This went something to the effect that the Center's of excellence fund would be funded with $5 million cash and $5 for borrowing authority from the Bank of ND following a budget section report after one year. In other words $15 million up front and $5 million of borrowing authority after one year would have been his motion.

Rep. Carlson: I guess the one year period has been the biggest part of our discussion. It's not necessarily been all the money. It's been how long we are going to wait to do it. I think we have some other ideas that address the same amount of money with a different time line. If we could I'd like to see us dispose of this and then come up with a final solution here which I think **Sen. Grindberg** has some final ideas on this. Is there any further discussion? All those in favor say 'aye' all opposed say 'no'. The motion fails. I think we will be comfortable with what we did when we are all done. We made sure that he had some input on the way in the final product. We are basically down to a couple of items on this budget and the biggest one being the Centers of Excellence funding. I'm open for any motions or suggestions of how we wrap this

up on the centers. After our discussions we will present a plan so when I'm done walking those through I will make the motion.

Senator Grindberg: Similar of what we talked yesterday that first there are two dates. The final approval will happen on what will be two rounds. It will be the fall meeting of 2007 and the fall budget section meeting of 2008. Or the first meeting after the first of September, whatever is the proper way to have that written. So the commerce department will back into that date or that range of date September – October. This will start in June or 3-4 months prior to this. That being said $15 million is available over the two year period. $10 million for 2007 from the oil trust fund and then $5 million for the oil trust fund of 2008. That is a cumulative number. If they only use $7 million in 2007, the $3 million carries forward with the $5 so there is $8 million. Then with the 2008 round if applications come in over $5 million presuming that the $15 million has been expended or committed that the budget section has the authority to borrow up to an additional $5 million which is similar language that we had after this biennium. It gets us to the $20 million. Is that consistent? That handles the two rounds and the two dates with the money. Then we would like further clarification back in the criteria section that each application must define further the match requirement.

Rep. Boucher: When you talk about the $15million and the 2.5% admin are we talking about the Commerce Department may use up to 2.5% of the $15million for administrative costs?

Senator Grindberg: Yes.

Chairman Carlson: How do they do that?

Senator Grindberg: This would be new because we have not provided this before.

Representative Skarphol: From my perspective I would think they could use 2.5% of the awarded amount on a project. In other words I would not want them to use 2.5% of the $15million on one project.

Chairman Carlson: It would be by project if you don't need it you don't need it.

Representative Skarphol: If they use 2% of what is in a project they would have some left for the COE forms if there is something needed.

Shane Goettle: The problem I would see with that would be is that we would be spending money on the reviews before we know what the awards are. We wouldn't know what the commission is going to award when we are engaging those expert reviews. When we were looking at the 2.5% for administrative expenses we were basing that off of the Governor's request of $20million out of the General Fund for the outside parameters of what we might spend on expert reviews. Its not that we would spend it all but the idea was that we could spend up to that amount and what we didn't spend would be available for awards.

Chairman Carlson: When do you call for an expert review?

Shane Goettle: That would be during the COE review process. The commission would see the application, and they might determine that we need an economic analysis done on this or we need an expert to come in and talk to us about the technology. We don't understand it. They would then authorize us to find an expert. They would put the further review on hold until the expert came in at a subsequent meeting to give us the report.

Chairman Carlson: Representative Boucher had a good question. This would be done on a job by job basis. My assumption would be if you have a $3million request we wouldn't automatically give you the 2.5% of the $20million. We would give you the 2.5% of the $3million request because otherwise it would be so open ended.

Shane Goettle: It would work if you based it on the request but what I was hearing was basing a fixed percentage of the award.

Senator Grindberg: I need to think this through so you have the flexibility obviously you are not going to draw it all down and then. If three applications come forward and they hire technical

consultants to review those, and two of the three are turned down, that consultant is still going to want to be paid. How does he have assurance that he can pull down percentages or pull money from the trust fund to pay those expenses?

Representative Skarphol: I think what we can do is ask for a reporting in this first go round with the utilization of the 2.5% on a project by project basis.

Chairman Carlson: Would this require appropriation authority as well?

Allen Knudson: Because the COE funding is appropriated to OMB I guess the Department of Commerce is going to have to request the funding from OMB to pay for this 2.5%.

Chairman Carlson: We would want to include that in the language to appropriate that.

Shane Goettle: What I was thinking originally as far as a trigger mechanism, it would work similar to the way the awards worked. The COE chairman Mark Nesbit writes to Pam Sharp and tells her that this amount has been awarded and this is the date for distribution.

Chairman Carlson: I am ok with that. I just want to make sure it is on a project by project basis.

Allen Knudson: Either you would have to give them the special fund authority of $375,000 in their budget or you could put language in to statute that would continuing appropriate.

Chairman Carlson: What do you think would be the best?

Allen Knudson: If it is in their budget then you would know how much it is each time.

Representative Skarphol: Do we need to go up to $20million contingent on the loan?

Chairman Carlson: I wouldn't think they would be short if they were contracting in at 2.5% of $15million that's a pretty significant number.

Representative Skarphol: I think it would also be appropriate that we be told how it would be better to build a building than it would be to fund the building from the revenue stream produced by the building and use the award for the actual commercialization of the product.

A motion was made by Senator Grindberg, seconded by to adopt the verbal amendment regarding Centers of Excellence fund distribution. Motion carried.

The committee recapped the bill.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill No. 1018

House Appropriations Committee
Government Operations Division

☒ Check here for Conference Committee

Hearing Date: 4/23/07

Recorder Job Number: 6279

Committee Clerk Signature

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

All members were present. We need a motion to reconsider our action.

A motion was made by Senator Holmberg, seconded by Senator Grindberg to reconsider our actions from April 22, 2007. Voice voted carried.

Chairman Carlson: We have several items that have come up. One because of the OMB budget.

Rep Skarphol moved that we add the language with regard to the missile silo site that has been authorized that we call it the Ronald Reagan Peace Through Strength Site. Seconded By Sen. Grindberg.

Sen. Holmberg: Sen. Robinson wants to amend that to Jimmy Carter Peace Through Strength Site, but I'm not going to support that.

Rep. Carlson: We have a motion, any further discussion.

Rep. Skarphol: If the state historical society acquires the missile silo site the site is named the Ronald Reagan Peace Through Strength Historic Site.

Rep. Carlson: This has to do with the one up in Cooperstown where there is a control center and a missile site. In case you had not heard this has made some national news since this

has passed. FOX News and the Ronald Reagan Library picked up on this and wanted to know the status of this.

Sen. Robinson: Rep. Martinson convinced me that the State Historical Society could add $250,000 to it.

Rep. Glassheim: You have the power to do it but I think it is foolish. He had nothing to do with the thing which is my main point. He did not build them. Eisenhower thought of the missile defense; Kennedy and Johnson built the missile defense. We usually name buildings after people who give money to things. I voted for Mark Andrews, because he gave money in Grand Forks, even though I may not like his political party. It seems appropriate to me since he gave money. This is not appropriate as far as I am concerned. Making a political speech is part of the name; a Ronald Reagan Missile Solo is bad enough, but then making a political speech as part of the name, I have never heard of any building. This is not the way we do things in our society. It seems another abuse of power.

Sen. Grindberg: With the Quentin Burdick Courthouse, it was my understanding that it was Ronald Reagan and Mikhail Gorbachev that settled the arms race and the decommissioning of these missile sites in Iceland or Greenland somewhere around 15 years ago maybe. So I would say that Ronald Regan played a very influential role in the decommissioning.

Rep. Glassheim: Usually you name things after the people who build them. When Burdick gets the money for a courthouse or something then it is appropriate. We don't put that other appendage on, of the political speech.

Rep. Skarphol: I would offer a substitute motion that would call it the Ronald Regan Historic Site. Would that make you happier?

Rep. Glassheim: A lot happier.

Chairman Carlson: We had a motion and second before. Who seconded the motion before?

Rep. Grindberg: I withdraw my second of the first motion. I second this motion.

Rep. Carlson: I can't disagree, if we give it the name of the historical site, you can argue whether or not he started it or finished it, but you can say that he had some influence in it and then that's okay. All those in favor of the motion of Ronald Regan Historical Site. Voice vote. Motion carried.

Rep. Skarphol: I would move that we add $100,000 to the Lewis & Clark Interpretive Center at Washburn, but it would require a 2 to 1 match to access the money.

Rep. Carlson: And it would be put in the tourism side of the budget but it would be a grant to them, but they could not access the grant unless they had a 2 to 1 match.

Sen. Robinson: Seconded.

Chairman Carlson: We had a motion and a second on adding $100,000 additional new money to be accessed by the Lewis and Clark Interpretive Center, if they can secure a 2-1 match for that money. It would be in the Grant's line item of the Department of Tourism. Any further discussion. Clerk call roll.

Vote 6 Yes 0 No 0 Absent Motion Carried.

Rep. Carlson: We need a motion for the entire bill as amended.

Senator Holmberg: I move a Do Pass as Amended.

Rep. Skarphol: Seconded.

Rep. Carlson: Further discussion. Clerk call roll.

Vote: 6 Yes 0 No 0 Absent Motion Carried

Rep. Carlson: We are adjourned.

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Title.

Prepared by the Office of State Tax Commissioner
April 11, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 1, line 8, after the second comma insert "a new subdivision to section 57-38-01.2," and remove ", and a"

Page 1, line 9, remove "new subsection to section 57-38-30.3"

Page 1, line 11, after "credits" insert "and an exemption"

Page 1, line 15, after "sections" insert "57-38-30.3"

Page 1, line 20, after the first comma insert "tax credits and an exemption for internships, workforce recruitment," and remove "tax credits"

Page 1, line 21, remove "tax credits", after the comma insert "and", and remove "tax credits"

Page 19, after line 5, insert:

"**SECTION 37.** A new subdivision to subsection 1 of section 57-38-01.2 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount received by a taxpayer that was paid by an employer under subdivision 6 of subsection 2 of section 57-38-01.25 to hire the taxpayer for a hard-to-fill position under section 57-38-01.25, but only to the extent the amount received by the taxpayer is included in federal taxable income. The reduction applies only if the employer is entitled to the tax credit under 57-38-01.25. The taxpayer must attach a statement from the employer certifying that the employer is entitled to the credit under section 57-38-01.25 and indentifying the type and the amount of the payment to the employee."

Page 20, line 18, replace "three or more" with "all

Page 20, remove lines 27 through 29

Page 20, line 30, replace "(6)" with "(4)"

Page 21, line 2, after "methods" insert "and for which the employer's recruitment efforts for the specific position have been unsuccessful for six consecutive calendar months"

Page 21, line 3, after "means" insert "one hundred twenty-five percent of"

Page 21, replace lines 20 through 23 with:

"**SECTION 40. AMENDMENT.** Section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30.3. Simplified method of computing tax.

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual,

estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over $27,050	2.10%
Over $27,050 but not over $65,550	$568.05 plus 3.92% of amount over $27,050
Over $65,550 but not over $136,750	$2,077.25 plus 4.34% of amount over $65,550
Over $136,750 but not over $297,350	$5,167.33 plus 5.04% of amount over $136,750
Over $297,350	$13,261.57 plus 5.54% of amount over $297,350

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over $45,200	2.10%
Over $45,200 but not over $109,250	$949.20 plus 3.92% of amount over $45,200
Over $109,250 but not over $166,500	$3,459.96 plus 4.34% of amount over $109,250
Over $166,500 but not over $297,350	$5,944.61 plus 5.04% of amount over $166,500
Over $297,350	$12,539.45 plus 5.54% of amount over $297,350

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over $22,600	2.10%
Over $22,600 but not over $54,625	$474.60 plus 3.92% of amount over $22,600
Over $54,625 but not over $83,250	$1,729.98 plus 4.34% of amount over $54,625
Over $83,250 but not over $148,675	$2,972.31 plus 5.04% of amount over $83,250
Over $148,675	$6,269.73 plus 5.54% of amount over $148,675

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over $36,250	2.10%
Over $36,250 but not over $93,650	$761.25 plus 3.92% of amount over $36,250
Over $93,650 but not over $151,650	$3,011.33 plus 4.34% of amount over $93,650
Over $151,650 but not over $297,350	$5,528.53 plus 5.04% of amount over $151,650
Over $297,350	$12,871.81 plus 5.54% of amount over $297,350

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over $1,800	2.10%
Over $1,800 but not over $4,250	$37.80 plus 3.92% of amount over $1,800
Over $4,250 but not over $6,500	$133.84 plus 4.34% of amount over $4,250
Over $6,500 but not over $8,900	$231.49 plus 5.04% of amount over $6,500
Over $8,900	$352.45 plus 5.54% of amount over $8,900

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, 2001, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes.

2. For purposes of this section, "North Dakota taxable income" means the federal taxable income of an individual, estate, or trust as computed under the Internal Revenue Code of 1986, as amended, adjusted as follows:

a. Reduced by interest income from obligations of the United States and income exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.

b. Reduced by the portion of a distribution from a qualified investment fund described in section 57-38-01 which is attributable to investments by the qualified investment fund in obligations of the United States, obligations of North Dakota or its political subdivisions, and any other obligation the interest from which is exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.

c. Reduced by the amount equal to the earnings that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.

d. Reduced by thirty percent of the excess of the taxpayer's net long-term capital gain for the taxable year over the net short-term capital loss for that year, as computed for purposes of the Internal Revenue Code of 1986, as amended. The adjustment provided by this subdivision is allowed only to the extent the net long-term capital gain is allocated to this state.

e. Increased by the amount of a lump sum distribution for which income averaging was elected under section 402 of the Internal Revenue Code of 1986 [26 U.S.C. 402], as amended. This adjustment does not apply if the taxpayer received the lump sum distribution while a nonresident of this state and the distribution is exempt from taxation by this state under federal law.

f. Increased by an amount equal to the losses that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.

g. Reduced by the amount received by the taxpayer as payment for services performed when mobilized under title 10 United States Code federal service as a member of the national guard or reserve member of the armed forces of the United States. This subdivision does not apply to federal service while attending annual training, basic military training, or professional military education.

h. Reduced by income from a new and expanding business exempt from state income tax under section 40-57.1-04.

i. Reduced by interest and income from bonds issued under chapter 11-37.

j. Reduced by up to ten thousand dollars of qualified expenses that are related to a donation by a taxpayer or a taxpayer's dependent, while living, of one or more human organs to another human being for human organ transplantation. A taxpayer may claim the reduction in this subdivision only once for each instance of organ donation during the taxable year in which the human organ donation and the human organ transplantation occurs but if qualified expenses are incurred in more than one taxable year, the reduction for those expenses must be claimed in the year in which the expenses are incurred. For purposes of this subdivision:

(1) "Human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person.

(2) "Organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow.

(3) "Qualified expenses" means lost wages not compensated by sick pay and unreimbursed medical expenses as defined for federal income tax purposes, to the extent not deducted in computing federal taxable income, whether or not the taxpayer itemizes federal income tax deductions.

k. Increased by the amount of the contribution upon which the credit under section 57-38-01.21 is computed, but only to the extent that the contribution reduced federal taxable income.

l. Reduced by the amount of any payment received by a veteran or beneficiary of a veteran under section 37-28-03 or 37-28-04.

m. Reduced by the amount received by a taxpayer that was paid by an employer under subdivision 6 of subsection 2 of section 57-38-01.25 to hire the taxpayer for a hard-to-fill position under section 57-38-01.25, but only to the extent the amount received by the taxpayer is included in federal taxable income. The reduction applies only if the employer is entitled to the credit under 57-38-01.25. The taxpayer must attach a statement from the employer in which the employer certifies that the employer is entitled to the credit under section 57-38-01.25 and which specifically identified the type of payment and the amount of the exemption under this section.

3. Married individuals filing a joint federal income tax return shall file a joint state income tax return if the return is filed under this section. If separate federal income tax returns are filed, one spouse's state income tax return may be filed under this section and the other spouse's income tax return may be filed under the other provisions of this chapter.

4. a. A resident individual, estate, or trust must be allowed a credit against the tax otherwise due under this section for the amount of any income tax imposed on the taxpayer for the taxable year by another state or territory of the United States or the District of Columbia on income derived from sources therein and which is also subject to tax under this section.

   b. The credit provided under this subsection may not exceed the proportion of the tax otherwise due under this section that the amount of the taxpayer's adjusted gross income derived from sources in the other taxing jurisdiction bears to the taxpayer's federal adjusted gross income as reported on the taxpayer's federal income tax return.

   c. The tax commissioner may require written proof of the tax paid to another state. The required proof must be provided in a form and manner as determined by the tax commissioner.

5. Individuals, estates, or trusts that file an amended federal income tax return changing their federal taxable income figure for a year for which an election to file state income tax returns has been made under this section shall file an amended state income tax return to reflect the changes on the federal income tax return.

6. The tax commissioner may prescribe procedures and guidelines to prevent requiring income that had been previously taxed under this chapter from becoming taxed again because of the provisions of this section and may prescribe procedures and guidelines to prevent any income from becoming exempt from taxation because of the provisions of this section if it would otherwise have been subject to taxation under the provisions of this chapter.

7. A taxpayer filing a return under this section is entitled to the credit provided under section 57-38-01.20.

8. A taxpayer filing a return under this section is entitled to the exemptions or credits provided under sections 40-63-04, 40-63-06, and 40-63-07.

9. a. A taxpayer is entitled to a credit against the tax imposed by this section for any unused federal credit for prior year minimum tax. "Unused federal credit for prior year minimum tax" means the amount of the federal credit for prior year minimum tax attributable to federal alternative minimum tax included in the taxpayer's federal income tax liability for purposes of this section for taxable years beginning before January 1, 2001, reduced by the total amount of the federal credit for prior year minimum tax claimed on the taxpayer's federal income tax return for all taxable years beginning after December 31, 2000.

   b. The credit under this subsection is equal to fourteen percent of the portion of the unused federal credit for prior year minimum tax claimed on the taxpayer's federal income tax return and may not exceed the taxpayer's tax liability under this section for the taxable year. For a nonresident taxpayer, the credit determined under this subsection must be multiplied by the percentage that the nonresident taxpayer's North Dakota adjusted gross income is of the nonresident's federal adjusted gross income.

   c. The credit under this subsection is not allowed for taxable years beginning after December 31, 2004.

10. a. If an individual taxpayer engaged in a farming business elects to average farm income under section 1301 of the Internal Revenue Code [26 U.S.C. 1301], the taxpayer may elect to compute tax under this subsection. If an election to compute tax under this subsection is made, the tax imposed by subsection 1 for the taxable year must be equal to the sum of the following:

(1) The tax computed under subsection 1 on North Dakota taxable income reduced by elected farm income.

(2) The increase in tax imposed by subsection 1 which would result if North Dakota taxable income for each of the three prior taxable years were increased by an amount equal to one-third of the elected farm income. However, if other provisions of this chapter other than this section were used to compute the tax for any of the three prior years, the same provisions in effect for that prior tax year must be used to compute the increase in tax under this paragraph. For purposes of applying this paragraph to taxable years beginning before January 1, 2001, the increase in tax must be determined by recomputing the tax in the manner prescribed by the tax commissioner.

b. For purposes of this subsection, "elected farm income" means that portion of North Dakota taxable income for the taxable year which is elected farm income as defined in section 1301 of the Internal Revenue Code of 1986 [26 U.S.C. 1301], as amended, reduced by the portion of an exclusion claimed under subdivision d of subsection 2 that is attributable to a net long-term capital gain included in elected farm income.

c. The reduction in North Dakota taxable income under this subsection must be taken into account for purposes of making an election under this subsection for any subsequent taxable year.

d. The tax commissioner may prescribe rules, procedures, or guidelines necessary to administer this subsection.

11. The tax commissioner may prescribe tax tables, to be used in computing the tax according to subsection 1, if the amounts of the tax tables are based on the tax rates set forth in subsection 1. If prescribed by the tax commissioner, the tables must be followed by every individual, estate, or trust determining a tax under this section.

12. An individual, estate, or trust is entitled to a credit against the tax determined under this section as calculated under section 57-38.6-03.

13. A taxpayer filing a return under this section is entitled to the credit provided under section 57-38.5-03.

14. An individual taxpayer filing a return under this section is entitled to the credit provided under section 57-38-01.21.

15. A taxpayer filing a return under this section is entitled to the credits provided under sections 57-38-01.22 and 57-38-01.23.

16. A taxpayer filing a return under this section is entitled to the credits provided under sections 57-38-01.24, 57-38-01.25, and 57-38-30.5."

Page 27, line 18, after "42," insert "43" and replace "44" with "45"

Renumber accordingly

Prepared for Rep. Carlson
Conference Committee on HB 1018
April 19, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018 (#78018.0300)

Page 21, line 28, after "section 57-38-29, 57-38-30, or 57-38-30.3" insert "for conducting qualified research in this state" and overstrike "for the taxable year equal to"

Page 21, line 29, remove "twenty-five", overstrike "percent of the first one", remove "hundred thousand", and overstrike "dollars of the"

Page 21, overstrike line 30

Page 21, line 31, overstrike "expenses and equal to", remove "twenty", and overstrike "percent of all qualified research expenses for the taxable"

Page 22, line 1, overstrike "year more than one", remove "hundred thousand", and overstrike "dollars in excess of the base period"

Page 2, overstrike "research expenses", and insert immediately thereafter

"1. The amount of the credit for taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007, is calculated as follows:

a. For the first two taxable years in which the taxpayer conducts qualified research in the state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twenty percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

b. For the third taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to sixteen percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

c. For the fourth taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twelve percent of all qualified research expenses for the

taxable year more than one hundred thousand dollars in excess of the base period research expenses.

d. For the fifth taxable year and for each subsequent taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

2. The amount of the credit for taxpayers that earned or claimed a credit under this section in taxable years beginning before January 1, 2007, is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

Page 22, line 3, overstrike "1." and insert immediately thereafter "3."

Page 22, line 15, overstrike "2." and insert immediately thereafter "4."

Page 22, line 17, overstrike "3." and insert immediately thereafter "5."

Page 22, line 24, overstrike "4." and insert immediately thereafter "6."

Page 22, line 25, overstrike "2" and insert immediately thereafter "4"

Page 22, line 27, remove "or the taxpayer may"

Page 22, line 28, remove "assign or transfer, for consideration, the excess to another taxpayer", remove the overstrike over "~~The~~", and remove "If the"

Page 22, line 29, remove "taxpayer elects to carry back or carry over the credit, the"

Page 23, line 1, remove the overstrike over "~~. The~~", and remove "and the"

Page 23, remove lines 4 through 31

Page 24, remove lines 1 through 19

Page 24, remove lines 25 through 30

Page 25, line 1, replace "7." with "8."

Page 25, line 8, replace "five" with "three"

Prepared by the Legislative Council staff for
Representative Glassheim
April 18, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

That the Senate recede from its amendments as printed on pages 1374-1390 of the House Journal and pages 999-1015 of the Senate Journal and that Engrossed House Bill No. 1018 be amended as follows:

Page 1, line 7, after "program" insert "; to amend and reenact subsection 4 of section 15-69-02 of the North Dakota Century Code, relating to intellectual property developed at centers of excellence"

Page 5, after line 5, insert:

"**SECTION 14. AMENDMENT.** Subsection 4 of section 15-69-02 of the North Dakota Century Code is amended and reenacted as follows:

4. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers. The board rules adopted under subsection 9 of section 15-10-17 must provide that at least two percent of the institution of higher education's net revenues derived from intellectual property developed as a part of center activities must be used for research and development activities on the campus of the institution of higher education affiliated with the center."

Page 6, line 15, replace "14" with "15"

Renumber accordingly

restore $750,000 for tourism

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 1018 (, as (re)engrossed): Date: 4/19/07

Your Conference Committee House App. Gov Ops

For the Senate:	YES / NO		For the House:	YES / NO	
Grindberg	Y		Carlson	Y	
Holmberg	Y		Skarphol	Y	
Robinson	Y		Glassheim	Y	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

Adopt Amendment

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

____, and place _____ on the Seventh order.

____, adopt (further) amendments as follows, and place _____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____
CARRIER: _____

LC NO. of amendment
LC NO. of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Skarphol

SECONDED BY: Robinson

VOTE COUNT ___ **YES** ___ **NO** ___ **ABSENT**

Revised 4/1/05

78018.0212
Title.

Prepared by the Legislative Council staff for
Senator Grindberg
April 19, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

That the Senate recede from its amendments as printed on pages 1374-1390 of the House Journal and pages 999-1015 of the Senate Journal and that Engrossed House Bill No. 1018 be amended as follows:

Page 1, line 4, replace "a report" with "reports"

Page 4, after line 19, insert:

"**SECTION 12. RENAISSANCE ZONE CONFERENCE - LEGISLATIVE COUNCIL PARTICIPATION - REPORT TO LEGISLATIVE COUNCIL.** The department of commerce, during the 2007-08 interim, shall organize, host, and facilitate a renaissance zone conference. The department shall extend invitations to participate in the conference to representatives of each of the state's renaissance zone communities and to legislators who are members of the Legislative Council interim committee studying economic development-related issues. Legislators who are members of the interim committee studying economic development-related issues shall attend the conference as part of their interim committee responsibilities. The purpose of the conference is to provide a forum at which the department, legislators, and renaissance zone community members may review the list of projects in the state which have been undertaken under the renaissance zone program, evaluate whether the projects have positively impacted the renaissance zone communities, and make recommendations regarding how the program could be improved to further meet the needs of the state and local communities. Before July 1, 2008, the department of commerce shall report to the legislative council on the conference activities and the department's legislative and administrative recommendations resulting from the conference."

Page 6, line 15, replace "14" with "15"

Renumber accordingly

78018.0212
With Small Communities language

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 1018 (, as (re)engrossed): Date: 4/20/07

Your Conference Committee House Appr - Gov Ops

For the Senate:	YES / NO	**For the House:**	YES / NO
GRINDBERG		CARLSON	
HOLMBERG		SKARPHOL	
ROBINSON		GLASSHEIM	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

Adopted Voice Vote

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

____, and place _____ on the Seventh order.

____, adopt (further) amendments as follows, and place _____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____
CARRIER: _____

LC NO. of amendment
LC NO. of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: GRINDBERG

SECONDED BY: SKARPHOL

VOTE COUNT ___ **YES** ___ **NO** ___ **ABSENT**

Revised 4/1/05

78018.0217
Title.

Prepared by the Legislative Council staff for
Representative Carlson
April 20, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

That the Senate recede from its amendments as printed on pages 1374-1390 of the House Journal and pages 999-1015 of the Senate Journal and that Engrossed House Bill No. 1018 be amended as follows:

Page 1, line 2, after "education" insert "; to provide an appropriation to the office of management and budget; to authorize the industrial commission to issue and sell evidences of indebtedness"

Page 4, after line 24, insert:

"**SECTION 13. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - CENTERS OF EXCELLENCE.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission and in accordance with section 14 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 14. CENTERS OF EXCELLENCE AWARDS - 2007-09 BIENNIUM - BUDGET SECTION REPORT. The centers of excellence commission may not make any centers of excellence funding award recommendations prior to July 1, 2008. Prior to July 1, 2008, the department of commerce shall report to the budget section on the economic activity that has resulted from centers of excellence grants awarded prior to July 1, 2007.

SECTION 15. BOND ISSUANCE AUTHORIZATION - PURPOSES - APPROPRIATION. The industrial commission, acting as the North Dakota building authority, shall arrange through the issuance of evidences of indebtedness under chapter 54-17.2 for the funding in an amount not to exceed $5,000,000, which is appropriated to the industrial commission for the purpose of providing centers of excellence infrastructure-related centers of excellence grants for the biennium beginning July 1, 2007, and ending June 30, 2009, which is declared to be in the public interest under chapter 54-17.2. The industrial commission shall issue evidences of indebtedness under this section with the condition that repayment on the evidences of indebtedness need not begin until July 1, 2009. For purposes of this Act, loan or debt service repayments are equivalent to lease rental payments as that term is used in chapter 54-17.2.

The authority of the industrial commission to issue evidences of indebtedness under this section ends June 30, 2009, but the industrial commission may continue to exercise all other powers granted to it under chapter 54-17.2 and this Act and comply with any covenants entered into before that date.

SECTION 16. ADDITIONAL ALLOCATION FOR CENTERS OF EXCELLENCE INFRASTRUCTURE GRANTS. If a higher education institution issues revenue bonds on existing facilities at that institution to make available additional funding for centers of excellence at that institution, the centers of excellence commission may grant up to $2,000,000 of the $10,000,000 appropriated in section 13 of this Act for centers of excellence infrastructure grants for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 6, line 15, replace "14" with "18"

Renumber accordingly

Staggered distribution

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 1018 (, as (re)engrossed): Date: 4/ 107

Your Conference Committee House App. Gov Ops.

For the Senate:	YES / NO	For the House:	YES / NO
Grindberg	N	CARLSON	N
Holmberg	N	SKARPHOL	Y
Robinson	Y	~~GRASSLEY~~ Boucher	Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

____, and place _____ on the Seventh order.

____, adopt (further) amendments as follows, and place _____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____
CARRIER: _____

LC NO. of amendment
LC NO. of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: ~~Holmberg~~ SKARPHOL

SECONDED BY: Holmberg

VOTE COUNT ___ **YES** ___ **NO** ___ **ABSENT**

Revised 4/1/05

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018 (No. 78018.0300)

Page 1, line 8, after the second comma insert "a new section to chapter 57-38,"

Page 1, line 11, after "for" insert "angel fund investments"

Page 19, after line 5 insert:

"**SECTION 37.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Angel fund investment tax credit. A taxpayer is entitled to a credit against state income tax liability under sections 57-38-29, 57-38-30, or 57-38-30.3 for an investment made in an angel fund that is incorporated in this state. The angel fund must be in compliance with the securities laws of this state for the investment to qualify for the tax credit under this section. The amount of the credit to which a taxpayer is entitled is forty-five percent of the amount invested by the taxpayer in an angel fund during the taxable year. The aggregate annual credit for which a taxpayer may obtain a tax credit is not more than forty-five thousand dollars. To be eligible for the credit, the investment must be at risk in the angel fund for at least three years. Investments placed in escrow do not qualify for the credit. The credit must be claimed in the taxable year in which the investment in the angel fund was received by the angel fund. The credit allowed may not exceed the liability for tax under this chapter. If the amount of credit determined under this section exceeds the liability for tax under this chapter, the excess may carried forward to each of the four succeeding taxable years. A taxpayer claiming a credit under this section may not claim any credit available to the taxpayer as a result of an investment made by the angel fund in a qualified business under chapter 57-38.5."

Page 21, line 20, after "under" insert "section 37 of this Act,"

Page 27, line 18, aft4er "42," insert "43," and replace "44" with "45"

Renumber accordingly

78018.0215
Title.

Prepared by the Legislative Council staff for
Representative Brandenburg
April 20, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

This amendment is for consideration for inclusion in a set of amendments under consideration regarding Engrossed House Bill No. 1018.

"**SECTION ____. AMENDMENT.** The new section to chapter 57-06 of the North Dakota Century Code as created by section 2 of House Bill No. 1072, and as amended by section 2 of House Bill No. 1317, as approved by the sixtieth legislative assembly, is amended and reenacted as follows:

Taxable valuation of centrally assessed wind turbine electric generators. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed before ~~July 1, 2007~~ January 1, 2011, must be valued at ~~the current~~ three percent of assessed value to determine taxable valuation of the property~~. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed after June 30, 2007, and before January 1, 2011, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property. However a centrally assessed wind turbine electric generation unit with nameplate generation capacity of one hundred kilowatts or more, for which construction is begun after July 1, 2007 and before January 1, 2011, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property.~~ except:

1. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is completed after April 30, 2005, and before July 1, 2006, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property for the duration of the initial purchased power agreement for the generation unit; and

2. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed after June 30, 2006, and before January 1, 2011, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property."

78018.0216
Title.

Prepared by the Legislative Council staff for
Representative Skarphol
April 20, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

This amendment is for consideration for inclusion in a set of amendments under consideration regarding Engrossed House Bill No. 1018.

Page 1, line 3, after the first semicolon insert "to provide for a loan from the Bank of North Dakota; to provide a contingent appropriation;"

Page 3, after line 12, insert:

"**SECTION 6. SECRETARY OF STATE LOAN AUTHORIZATION - CONTINGENT APPROPRIATION - BUDGET SECTION APPROVAL.** Subject to budget section approval, the secretary of state may borrow up to $2,920,000 from the Bank of North Dakota which is appropriated to the secretary of state for the purpose of implementing the North Dakota business development engine information technology project during the biennium beginning July 1, 2007, and ending June 30, 2009. The secretary of state may request budget section approval only if the revenues projected by the secretary of state and the office of management and budget to be generated as a result of provisions of House Bill No. 1340 over the term of the proposed loan based on the trend of actual corporate charters granted are anticipated to exceed the revenues projected by the sixtieth legislative assembly relating to this bill by an amount sufficient to repay the proposed loan including interest over the term of the loan."

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 108 - Secretary of State

A section is added authorizing the Secretary of State to obtain a Bank of North Dakota loan to implement the North Dakota business development engine information technology project, subject to Budget Section approval.

Prepared for Senator Grindberg
Conference Committee on HB 1018
April 20, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018 (#78018.0300)

Page 21, line 28, after "section 57-38-29, 57-38-30, or 57-38-30.3" insert "for conducting qualified research in this state" and overstrike "for the taxable year equal to"

Page 21, line 29, remove "twenty-five", overstrike "percent of the first one", remove "hundred thousand", and overstrike "dollars of the"

Page 21, overstrike line 30

Page 21, line 31, overstrike "expenses and equal to", remove "twenty", and overstrike "percent of all qualified research expenses for the taxable"

Page 22, line 1, overstrike "year more than one", remove "hundred thousand", and overstrike "dollars in excess of the base period"

Page 22, line 2, overstrike "research expenses", and insert immediately thereafter

"1. The amount of the credit for taxpayers that earned or claimed a credit under this section in taxable years beginning before January 1, 2007, is calculated as follows:

a. For the first taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

b. For the second taxable year beginning after December 31, 2006, in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twelve percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

c. For the third taxable year beginning after December 31, 2006, in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to sixteen

percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

d. For the fourth taxable year beginning after December 31, 2006, and for each subsequent taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twenty percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

e. The maximum annual credit a taxpayer may obtain under this section is two million dollars. Any credit amount earned in the taxable year in excess of two million dollars may not be carried back or forward as provided in section 6.

2. The amount of the credit for taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007,is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twenty percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

Page 22, line 3, overstrike "1." and insert immediately thereafter "3."

Page 22, after line 7 insert:

"b. "Director" means the director of the department of commerce division of economic development and finance.

c. "Primary sector business" means a qualified business that through the employment of knowledge or labor adds value to a product, process, or service."

Page 22, line 8, overstrike "b." and insert immediately thereafter "d."

Page 22, after line 10 insert:

"e. "Qualified research and development company" means a taxpayer that is a primary sector business with annual gross revenues of less than seven hundred fifty thousand and which has not previously conducted research and development in North Dakota"

Page 22, line 11, overstrike "c." and insert immediately thereafter "f."

Page 22, line 15, overstrike "2." and insert immediately thereafter "4."

Page 22, line 17, overstrike "3." and insert immediately thereafter "5."

Page 22, line 24, overstrike "4. If" and insert immediately thereafter "6. "Except as provided in subsection 1, if"

Page 22, line 25, overstrike "2" and insert immediately thereafter "4"

Page 22, line 27, remove "or the taxpayer may"

Page 22, line 28, remove "assign or transfer, for consideration, the excess to another taxpayer", remove the overstrike over "~~The~~", and remove "If the"

Page 22, line 29, remove "taxpayer elects to carry back or carry over the credit, the"

Page 23, after line 3 insert:

"5. A taxpayer that is certified as a qualified research and development company by the director may elect to sell, transfer or assign all or part of the unused tax credit earned under this section. The director shall certify whether a taxpayer that has requested to become a qualified research and development company meets the requirements of subsection 3. The director shall establish the necessary forms and procedures for certifying qualifying research and development companies. The director shall issue a certification letter to the taxpayer and the tax commissioner. A tax credit can be sold, transferred or assigned subject to the following:"

Page 25, line 8, replace "five" with "three", and remove the overstrike over "~~five hundred thousand~~"

Page 27, after line 15, insert:

"SECTION 43. TAX CREDIT TRANSFER STUDY. During the 2007-09 biennium the tax commissioner shall monitor the implementation and use of transferable tax credits. Before the tenth legislative day of the sixty-first legislative assembly, the tax commissioner shall submit to the president of the senate and the speaker of the house a tax credit transfer report. This report must be based upon information available to the tax commissioner and must include an analysis of the transferred tax credits, a description of the annual state revenue losses and benefits, and the impact on the sellers and purchasers of the tax credits."

Page 27, line 25, after the period insert "Section 40 of this Act is effective through the tax year 2010."

Renumber accordingly

TRANSFER – The state industrial commission upon the request of the commissioner of commerce may transfer up to $1,000,000 from the partnership in assisting community expansion fund to the North Dakota development fund as needed.

"ENGROSSED VERSION"

Workforce Recruitment Tax Credit

With Tax Department Amendments #78018.03TX

April 21, 2007

57-38-01.25. Workforce recruitment credit for hard to fill employment positions. A taxpayer that is an employer in this state is entitled to a credit as determined under this section against state income tax liability under sections 57-38-29, 57-38-30, or 57-38-30.3 for costs the taxpayer incurred during the tax year to recruit and hire employees for hard-to-fill employment positions within this state for which the annual salary for the position meets or exceeds the state average wage.

1. The amount of the credit to which a taxpayer is entitled is five percent of the salary paid for the first twelve consecutive months to the employee hired for the hard-to-fill employment position. To qualify for the credit under this section, the employee must be employed by the taxpayer in the hard-to-fill employment position for twelve consecutive months.
2. For purposes of this section:
   a. "Extraordinary recruitment methods" means using all of the following:
      (1) A person with the exclusive business purpose of recruiting employees and for which a fee is charged by that recruiter.
      (2) An advertisement in a professional trade journal, magazine, or other publication, the main emphasis of which is providing information to a particular trade or profession.
      (3) A web site, the sole purpose of which is to is to recruit employees and for which a fee is charged by the web site.
      (4) Payment of a signing bonus, moving expenses or non-typical fringe benefits.

      (REMOVED JOB FAIR PARTICIPATION AND PROFESSIONAL CERTIFICATION AND LICENSING. The latter is included in the definition of non-typical fringe benefit.)

b. "Hard-to-fill employment position" means a job that requires the employer to use extraordinary recruitment methods and for which the employer's recruitment efforts for the specific position have been unsuccessful for six consecutive calendar months.

c. "State average wage" means one hundred and twenty-five percent of the state average wage published annually by job service North Dakota and which is in effect at the time the employee is hired.

3. The taxpayer may claim the credit in the first tax year beginning after the employee hired for the hard-to-fill position has completed the employee's first twelve consecutive months of employment in the hard-to-fill position with the taxpayer.
4. Any amount of unused credit under this section may be carried forward for up to four taxable years after the taxable year in which the credit was initially claimed.
5. A partnership, subchapter S corporation , or limited liability company that for tax purposes is treated like a partnership that is entitled to the credit under this section must be considered to be the taxpayer for purposes of this section and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the passthrough entity level must be allowed to the members in proportion to their respective interests in the passthrough entity."

SECTION 14. A new subsection to section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

A taxpayer filing a return under this section is entitled to the credits provided under sections 57-38-01.24; 57-38-01.25 and 57-38-30.5.

Prepared by the Office of State Tax
Commissioner for Senator Grindberg
April 21, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 21, line 28, after "section 57-38-29, 57-38-30, or 57-38-30.3" insert "for conducting qualified research in this state"and overstrike "for the taxable year equal to"

Page 21, line 29, remove "twenty-five", overstrike "percent of the first one", remove "hundred thousand", and overstrike "dollars of the"

Page 21, overstrike line 30:

Page 21, line 31, overstrike "expenses and equal to", remove "twenty, and overstrike "percent of all qualified research expenses for the taxable"

Page 22, line 1, overstrike "year more than one", remove "hundred thousand", and overstrike "dollars in excess of the base period"

Page 22, line 2, overstrike "research expenses" and insert immediately thereafter:

"1. The amount of the credit for taxpayers that earned or claimed a credit under this section in taxable years beginning before January 1, 2007, is calculated as follows:

a. For the first taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to seven and one-half percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

b. For the second taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eleven percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

c. For the third taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to fourteen and one-half percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

d. For the fourth through the tenth taxable years beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eighteen percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

e. For the eleventh taxable year beginning after December 31, 2006, and for each subsequent taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

f. The maximum annual credit a taxpayer may obtain under this section is two million dollars. Any credit amount earned in the taxable year in excess of two million dollars may not be carried back or forward as provided in section 6.

2 For taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007, and who begin conducting qualified research in North Dakota in any of the first four taxable years beginning after December 31, 2006, the amount of the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twenty percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

a. This rate applies through the tenth taxable year beginning after December 31, 2006.

b. For the eleventh taxable year beginning after December 31, 2006, and for each subsequent taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

3. For taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007, and who begin conducting qualified research in North Dakota in any tax year following the fourth taxable year beginning after December 31, 2006, the amount of the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses."

Page 22, line 3, overstrike "1." and insert immediately thereafter "4."

Page 22, after line 7, insert:

"b. "Director" means the director of the department of commerce division of economic development and finance.

c. "Primary sector business", means a qualified business that through the employment of knowledge or labor adds value to a product, process, or service."

Page 22, line 8, overstrike "b." and insert immediately thereafter" d."

Page 22, after line 10, insert:

"e. "Qualified research and development company" means a taxpayer that is a primary sector business with annual gross revenues of less than seven hundred fifty thousand and which has not conducted new research and development in North Dakota."

Page 22, line 11, overstrike "c." and insert immediately thereafter" f.

Page 22, line 15, overstrike "2." and insert immediately thereafter" 5."

Page 22, line 17, overstrike "3." and insert immediately thereafter" 6."

Page 22, line 24, overstrike "4." and insert immediately thereafter "7. "Except as provided in subsection 1, if"

Page 22, line 25, overstrike "2." and insert immediately thereafter" 5."

Page 22, line 27, remove "or the taxpayer may"

Page 22, line 28, remove "assign or transfer, for consideration, the excess to another taxpayer", remove the overstrike over "~~The~~", and remove "If the"

Page 22, line 29, remove "taxpayer elects to carry back or carry over the credit, the"

Page 23, after line 3, insert:

"8. A taxpayer that is certified as a qualified research and development company by the director may elect to sell, transfer or assign all or part of the unused tax credit earned under this section. The director shall certify whether a taxpayer that has requested to become a qualified research and development company meets the requirements of subsection 4. The director shall establish the necessary forms and procedures for certifying qualifying research and development companies. The director shall issue a certification letter to the taxpayer and the tax commissioner. A tax credit can be sold, transferred or assigned subject to the following:"

Page 25, line 8, replace "five" with "three", and remove the overstrike over "~~five hundred thousand~~"

Page 27, after line 15, insert:

"**SECTION 43. TAX CREDIT TRANSFER STUDY.** During the 2007-09 biennium the tax commissioner shall monitor the implementation and use of transferable tax credits. Before the tenth legislative day of the sixty-first legislative assembly, the tax commissioner shall submit to the president of the senate and the speaker of the house a tax credit transfer report. This report must be based upon information available to the tax commissioner and must include an analysis of the transferred tax credits, a description of the annual state revenue losses and benefits, and the impact on the sellers and purchasers of the tax credits."

Renumber accordingly

Prepared for
Conference Committee on HB 1018
April 21, 2007
2:00 pm Conference

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018 (#78018.0300)

Page 21, line 28, after "section 57-38-29, 57-38-30, or 57-38-30.3" insert "for conducting qualified research in this state" and overstrike "for the taxable year equal to"

Page 21, line 29, remove "twenty-five", overstrike "percent of the first one", remove "hundred thousand", and overstrike "dollars of the"

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Page 22, line 2, overstrike "research expenses", and insert immediately thereafter

"1. The amount of the credit for taxpayers that earned or claimed a credit under this section in taxable years beginning before January 1, 2007, is calculated as follows:

a. For the first taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to seven and one-half percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

b. For the second taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eleven percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

c. For the third taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to fourteen and one-half percent of all qualified research expenses for the taxable

year more than one hundred thousand dollars in excess of the base period research expenses.

d. For the fourth through the tenth taxable years beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eighteen percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

e. For the eleventh taxable year beginning after December 31, 2006, and for each subsequent taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

f. The maximum annual credit a taxpayer may obtain under this section is two million dollars. Any credit amount earned in the taxable year in excess of two million dollars may not be carried back or forward as provided in section 6.

2. For taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007, and who begin conducting qualified research in North Dakota in any of the first four taxable years beginning after December 31, 2006, the amount of the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twenty percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

a. This rate applies through the tenth taxable year beginning after December 31, 2006.

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3. For taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007, and who begin conducting qualified research in North Dakota in any tax year following the fourth taxable year beginning after December 31, 2006, the amount of the credit is equal to

twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

Page 22, line 3, overstrike "1." and insert immediately thereafter "4."

Page 22, after line 7 insert:

"b. "Director" means the director of the department of commerce division of economic development and finance.

c. "Primary sector business" means a qualified business that through the employment of knowledge or labor adds value to a product, process, or service."

Page 22, line 8, overstrike "b." and insert immediately thereafter "d."

Page 22, after line 10 insert:

"e. "Qualified research and development company" means a taxpayer that is a primary sector business with annual gross revenues of less than seven hundred fifty thousand and which has not conducted new research and development in North Dakota"

Page 22, line 11, overstrike "c." and insert immediately thereafter "f."

Page 22, line 15, overstrike "2." and insert immediately thereafter "5."

Page 22, line 17, overstrike "3." and insert immediately thereafter "6."

Page 22, line 24, overstrike "4. If" and insert immediately thereafter "7. "Except as provided in subsection 1, if"

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"8. A taxpayer that is certified as a qualified research and development company by the director may elect to sell, transfer or assign all or part of the unused tax credit earned under this section. The director shall certify whether a taxpayer that has requested to become a qualified research and development company meets the requirements of subsection 4. The director shall establish the necessary forms and procedures for certifying qualifying research and development companies. The director shall issue a certification letter to the taxpayer and the tax commissioner. A tax credit can be sold, transferred or assigned subject to the following:"

Page 25, line 8, replace "five" with "three", and remove the overstrike over "~~five hundred thousand~~"

Page 27, after line 15, insert:

"**SECTION 43. TAX CREDIT TRANSFER STUDY.** During the 2007-09 biennium the tax commissioner shall monitor the implementation and use of transferable tax credits. Before the tenth legislative day of the sixty-first legislative assembly, the tax commissioner shall submit to the president of the senate and the speaker of the house a tax credit transfer report. This report must be based upon information available to the tax commissioner and must include an analysis of the transferred tax credits, a description of the annual state revenue losses and benefits, and the impact on the sellers and purchasers of the tax credits."

Renumber accordingly

Possible Language to Add to HB 1018 from Introduced HB 1027 concerning Workforce Development Coordination

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

Division of workforce development - Talent strategy - Performance and accountability.

1. The division of workforce development, in developing and implementing the state's talent strategy, shall:
   a. Consult with partners in the state's system for workforce development, workforce training, and talent attraction, including job service North Dakota, the department of career and technical education, the superintendent of public instruction, the state board of higher education, the department of human services, and other divisions of the department of commerce.
   b. Develop a comprehensive, consolidated biennial statewide strategic plan for the state's system for workforce development, workforce training, and talent attraction.
   c. Continuously review, identify how to improve, and implement improvements to the state's system for workforce development, workforce training, and talent attraction.
   d. Develop linkages between partners of the state's system for workforce development, workforce training, and talent attraction, to assure coordination and nonduplication of programs and services provided in the state.
2. The division of workforce development shall develop and implement a system of performance and accountability measures for the state's system for workforce development, workforce training, and talent attraction. Each partner of the state's system for workforce development, workforce training, and talent attraction shall cooperate in providing the division the data necessary to implement these measures.

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REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 1018 (, as (re)engrossed): Date: 4/22/07

Your Conference Committee House App. Gov Ops.

For the Senate:	YES / NO	For the House:	YES / NO
Grindberg	Y	Carlson	Y
Holmberg	N	Skarphol	Y
Robinson	N	~~Glassheim~~ Boucher	Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

____, and place _____ on the Seventh order.

____, adopt (further) amendments as follows, and place _____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____
CARRIER: _____

LC NO. of amendment
LC NO. of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Skarphol

SECONDED BY: Grindberg

VOTE COUNT ___ **YES** ___ **NO** ___ **ABSENT**

Revised 4/1/05

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 1018 (, as (re)engrossed): Date: 4/22/07

Your Conference Committee House App. Gov Ops

For the Senate:	YES / NO	For the House:	YES / NO
Grindberg	Y	Carlson	Y
Holmberg	Y	Skarphol	Y
Robinson	Y	Boucher	Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

____, and place _____ on the Seventh order.

____ (adopt (further) amendments as follows, and place _____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: 4/22/07
CARRIER: Carlson

LC NO. of amendment
LC NO. of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Robinson

SECONDED BY: Holmberg

VOTE COUNT ___ **YES** ___ **NO** ___ **ABSENT**

Revised 4/1/05

$100,000 with 2-1 match for Lewis + Clark Interpretive Center

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 1018 (, as (re)engrossed): Date: 4/23/01

Your Conference Committee House App Gov Ops

For the Senate:	YES / NO	For the House:	YES / NO
Grindberg	Y	Carlson	Y
Holmberg	Y	Skarphol	Y
Robinson	Y	Glassheim	Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

____, and place _____ on the Seventh order.

____, adopt (further) amendments as follows, and place _____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____
CARRIER: _____

LC NO. of amendment
LC NO. of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Skarphol

SECONDED BY: Holmberg

VOTE COUNT ___ **YES** ___ **NO** ___ **ABSENT**

Revised 4/1/05

The Senate provided a contingent appropriation from the balance of per student payments and transportation payments available as of June 30, 2007, for providing grants on a matching basis for school nursing services. The conference committee removed this funding.

The conference committee added a section providing for a Legislative Council study of emergency medical services during the 2007-08 interim.

The conference committee added a section providing for a demonstration project to be conducted during the 2007-09 biennium for voluntary surveys during major construction or renovation of basic care and long-term care facilities.

The Senate appropriated $1.5 million from the permanent oil tax trust fund for the morgue branch location at the University of North Dakota School of Medicine and Health Sciences. The conference committee removed this funding.

The conference committee added an intent section providing that the appropriation in House Bill No. 1435 be limited to the amount needed for the childhood immunization program.

The conference committee added a section providing that the 60th Legislative Assembly's action on House Bill No. 1004 does not preclude the University of North Dakota from receiving federal and special funds for a state morgue pursuant to North Dakota Century Code Sections 54-16-04.1 and 54-16-04.2.

Engrossed HB 1004 was placed on the Seventh order of business on the calendar.

CONSIDERATION OF CONFERENCE COMMITTEE REPORT

SEN. KILZER MOVED that the conference committee report on Engrossed HB 1004 be adopted, which motion prevailed on a voice vote.

Engrossed HB 1004, as amended, was placed on the Fourteenth order.

SECOND READING OF HOUSE BILL

HB 1004: A BILL for an Act to provide an appropriation for defraying the expenses of the state department of health; to create and enact a new section to chapter 23-39 of the North Dakota Century Code, relating to collecting fees for tanning facility inspections; to amend and reenact section 23-01-05.3 of the North Dakota Century Code, relating to tracking immunizations; to provide legislative intent; to allow the acceptance and expenditure of certain moneys; to provide for a demonstration project; to provide for a legislative council study; to provide a continuing appropriation; to provide for a report to the legislative council; and to provide an expiration date.

ROLL CALL

The question being on the final passage of the amended bill, which has been read, the roll was called and there were 47 YEAS, 0 NAYS, 0 EXCUSED, 0 ABSENT AND NOT VOTING.

YEAS: Anderson; Andrist; Bakke; Behm; Bowman; Christmann; Cook; Dever; Erbele; Fiebiger; Fischer; Flakoll; Freborg; Grindberg; Hacker; Heckaman; Heitkamp; Holmberg; Horne; Kilzer; Klein; Krauter; Krebsbach; Lee, G.; Lee, J.; Lindaas; Lyson; Marcellais; Mathern; Nelson; Nething; O'Connell; Oehlke; Olafson; Pomeroy; Potter; Robinson; Seymour; Stenehjem; Tallackson; Taylor; Tollefson; Triplett; Urlacher; Wanzek; Wardner; Warner

Engrossed HB 1004, as amended, passed and the title was agreed to.

****

REPORT OF CONFERENCE COMMITTEE

HB 1018, as engrossed: Your conference committee (Sens. Grindberg, Holmberg, Robinson and Reps. Carlson, Skarphol, Glassheim) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1374-1390, adopt amendments as follows, and place HB 1018 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1374-1390 of the House Journal and pages 999-1015 of the Senate Journal and that Engrossed House Bill No. 1018 be amended as follows:

Page 1, line 2, after the second semicolon insert "to provide an appropriation to the office of management and budget; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide for a contingent loan from the Bank of North Dakota; to provide a contingent appropriation to the secretary of state;"

Page 1, line 4, replace "a report" with "reports" and after the first semicolon insert "to provide for legislative council studies;"

Page 1, line 5, replace "and a new section to chapter 54-60" with ", four new sections to chapter 54-60, a new section to chapter 55-10, a new section to chapter 57-38, a new subdivision to subsection 1 of section 57-38-01.2, and sections 57-38-01.24 and 57-38-01.25"

Page 1, line 6, after "innovation" insert ", department of commerce division of workforce development programs and duties, naming the missile silo historic site, angel fund investments, tax credits for internships, tax exemptions for workforce recruitment, tax credits for research and experimental expenditures,"

Page 1, line 7, replace "and to provide an expiration date" with "to amend and reenact sections 15-69-02, 15-69-03, 15-69-04, and 15-69-05, subsections 4 and 6 of section 54-17-07.3, sections 54-60-02 and 54-60-09, subdivision I of subsection 2 of section 54-60.1-01, the new section to chapter 57-06 as created by section 2 of House Bill No. 1072, and as amended by section 2 of House Bill No. 1317, as approved by the sixtieth legislative assembly, and sections 57-38-30.3, 57-38-30.5, 57-38.5-05, and 57-38.6-01 of the North Dakota Century Code and section 17 of chapter 151 of the 2005 Session Laws, relating to the centers of excellence program, housing finance agency programs, updating department of commerce law, department of commerce division of workforce development duties, the definition of business incentive, tax forms, wind energy taxable valuation, tax credits for workforce recruitment, research and experimental expenditures tax credits, seed capital investment tax credits, agricultural business investment tax credits, and a legislative council study; to repeal sections 57-38-71, 57-38-72, 57-38-73, and 57-38-74 of the North Dakota Century Code, relating to beginning entrepreneur income tax incentives; to provide effective dates; to provide an expiration date; and to declare an emergency"

Page 2, line 5, replace "855,807" with "1,075,807"

Page 2, line 6, replace "446,720" with "4,865,720"

Page 2, line 7, replace "(1,728,122)" with "(1,628,122)"

Page 2, line 9, replace "(207,807)" with "(7,807)"

Page 2, line 13, replace "1,400,000" with "1,500,000"

Page 2, line 14, replace "385,773" with "5,424,773"

Page 2, line 15, replace "(2,072,990)" with "(1,672,990)"

Page 2, line 16, replace "2,458,763" with "7,097,763"

Page 2, line 23, replace "8,617,235" with "8,837,235"

Page 2, line 24, replace "9,978,688" with "14,397,688"

Page 2, line 26, replace "48,374,748" with "48,474,748"

Page 2, line 30, replace "2,808,193" with "3,008,193"

Page 3, line 1, replace "1,400,000" with "1,500,000"

Page 3, line 2, replace "77,000,837" with "82,039,837"

Page 3, line 3, replace "55,361,293" with "55,761,293"

Page 3, line 4, replace "21,639,544" with "26,278,544"

Page 4, line 3, replace "$50,000" with "$100,000"

Page 4, replace lines 9 through 14 with:

"**SECTION 10. TRADE OFFICE - MATCHING FUND REQUIREMENT.** The total general fund appropriation in section 3 of this Act includes $1,500,000 of funding relating to the North Dakota trade office. The department of commerce may spend fifty

percent of this amount without requiring any matching funds from the trade office. Any additional amounts may be spent only to the extent that the North Dakota trade office provides one dollar of matching funds from private or other public sources for each one dollar provided by the department for the biennium beginning July 1, 2007, and ending June 30, 2009. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota trade office's export assistance program.

SECTION 11. TRANSFER AUTHORIZATION - PACE FUND TO DEVELOPMENT FUND. The state industrial commission, upon the request of the commissioner of commerce, may transfer up to $1,000,000 from the partnership in assisting community expansion fund to the North Dakota development fund for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 4, after line 24, insert:

"**SECTION 14. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - CENTERS OF EXCELLENCE.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $15,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2007, and ending June 30, 2009. Of this amount, up to $10,000,000 is available for budget section approval at its first meeting after September 1, 2007, and up to $5,000,000 and any unawarded funds remaining from the $10,000,000 allocation is available for budget section approval at its first meeting after September 1, 2008.

SECTION 15. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - CONTINGENT BORROWING AUTHORITY - APPROPRIATION. As requested by the centers of excellence commission and subject to emergency commission and budget section approval, the office of management and budget shall borrow the sum of $5,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2007, and ending June 30, 2009. The office of management and budget shall request funding from the sixty-first legislative assembly to repay any loan obtained pursuant to provisions of this section, including accrued interest. The borrowing authority and appropriation provided for in this section are available only if all other funding provided by the sixtieth legislative assembly for centers of excellence has been obligated.

SECTION 16. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PRAIRIE PUBLIC BROADCASTING. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $2,023,138, or so much of the sum as may be necessary, to the office of management and budget for the purpose of providing funding to prairie public broadcasting, for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 17. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIRST LEGISLATIVE ASSEMBLY. The general fund appropriation in section 16 of this Act includes $686,000 for an analog to digital conversion project which is a one-time funding item. These amounts are not a part of the office of management and budget's base budget to be used in preparing the 2009-11 executive budget. The office of management and budget shall report to the appropriations committees of the sixty-first legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 18. SECRETARY OF STATE LOAN AUTHORIZATION - CONTINGENT APPROPRIATION - BUDGET SECTION APPROVAL. Subject to budget section approval, the secretary of state may borrow up to $2,920,000 from the Bank of North Dakota which is appropriated to the secretary of state for the purpose of implementing the North Dakota business development engine information technology project during the biennium beginning July 1, 2007, and ending June 30, 2009. The secretary of state may request budget section approval only if the revenues projected by the secretary of state and the office of management and budget to be generated as a result of provisions of House Bill No. 1340 over the term of the proposed loan based on the trend of actual corporate charters granted are anticipated to exceed the revenues projected by the sixtieth legislative assembly relating to this bill by an amount sufficient to repay the proposed loan, including interest over the term of the loan.

SECTION 19. RENAISSANCE ZONE CONFERENCE - LEGISLATIVE COUNCIL PARTICIPATION - REPORT TO LEGISLATIVE COUNCIL. The department of commerce, during the 2007-08 interim, shall organize, host, and facilitate a renaissance zone conference. The department shall extend invitations to participate in the conference to representatives of each of the state's renaissance zone communities, other community representatives interested in this concept, and to legislators who are members of the legislative council interim committee studying economic development-related issues. Legislators who are members of the interim committee studying economic development-related issues shall attend the conference as part of their interim committee responsibilities. The purpose of the conference is to provide a forum at which the department, legislators, and renaissance zone and other community members may review the list of projects in the state which have been undertaken under the renaissance zone program, evaluate whether the projects have positively impacted the renaissance zone communities, consider options for smaller communities to become involved in the renaissance zone program or a similar program, and make recommendations regarding how the program could be improved to further meet the needs of the state and local communities. Before July 1, 2008, the department of commerce shall report to the legislative council on the conference activities and the department's legislative and administrative recommendations resulting from the conference.

SECTION 20. LEGISLATIVE COUNCIL STUDY - NORTH DAKOTA WORKFORCE SYSTEM INITIATIVE.

1. During the 2007-08 interim, the legislative council shall study the state's system for addressing workforce needs through a workforce system initiative. The workforce system initiative must include receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, active participation in focus groups across the state, and active participation in a workforce congress.

2. The focus groups shall discuss ways to enhance the state's system for addressing workforce needs, including consideration of workforce availability, skilled workforce needs, future workforce needs, and alignment of the state's higher education curriculum with the state's current and future workforce needs. The workforce congress shall receive a report on the activities of the focus groups, identify methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive, and evaluate the impact and effectiveness of the state's existing workforce system.

3. The department of commerce shall organize the focus groups and the workforce congress. Before the workforce congress, which must be held before June 1, 2008, the department shall convene a minimum of four focus groups. The department shall consult with the legislative council in compiling focus group and workforce congress participant invitation lists and drafting and distributing invitations, establishing focus group and workforce congress dates and locations, and preparing agendas for focus groups and the workforce congress. The focus groups and the workforce congress schedules and activities must take into consideration workforce study activities of the department.

4. The legislative council and the department of commerce shall enter a joint contract with a third party to provide the legislative council and the department with professional services to plan, facilitate, report on, and coordinate followup for the focus groups and workforce congress. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 21. LEGISLATIVE COUNCIL STUDY - DEPARTMENT OF COMMERCE.

1. The legislative council shall consider studying, during the 2007-08 interim, the organization, powers, duties, and effectiveness of the department of commerce. The study must include:

a. A review of the legislative history leading to the creation of the department of commerce, including the 1999-2000 interim activities of the legislative council's interim commerce and labor committee;

b. A review of the legislative and executive branch expectations in the creation of the department of commerce and whether those expectations are being met;

c. Evaluation of the effectiveness of the North Dakota economic development foundation in providing a nonpartisan, private sector perspective to the department's approach to the department's duties;

d. Evaluation of the organizational structure of the department of commerce, including whether the department should include a division of science and technology; and

e. Evaluation of the strategic planning process of the department of commerce and its effectiveness.

2. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 22. LEGISLATIVE COUNCIL STUDY - HIGHER EDUCATION PROMISE GRANT PROGRAM. The legislative council shall consider studying, during the 2007-08 interim, the desirability and feasibility of implementing a grant program for North Dakota students who are attending North Dakota institutions of higher education and who have excelled academically. The study shall include consideration of desirable eligibility criteria for students under such a grant program, funding options for such a grant program, and a cost-benefit analysis of such a grant program. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 23. STATE BOARD OF HIGHER EDUCATION REPORT ON CCBENEFITS - LEGISLATIVE COUNCIL REPORT. During the 2007-08 interim, the state board of higher education shall monitor the implementation of the services of ccbenefits, incorporated, by the institutions under the control of the state board of higher education. Before July 1, 2008, the state board of higher education shall report to the legislative council on the status of the implementation of the ccbenefits, incorporated, services, including the status of the implementation at each institution using the services, the level of utilization of the services at the institutional level and at the system level, the feasibility and desirability of expanding the use of the services from use by the community colleges to use by all institutions in order to improve responsiveness of institutions and to improve forecasting efforts of institutions, and recommendations relating to the use of the ccbenefits, incorporated, services. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 24. TAX EXPENDITURE REPORT PILOT PROJECT - REPORT.

1. During the 2007-09 biennium, the commissioner of commerce, in consultation with the tax commissioner, shall select three tax expenditures for the purposes of conducting a tax expenditure report pilot project.

2. Before the tenth legislative day of the sixty-first legislative assembly, the commissioner of commerce shall submit to the president pro tempore of the senate and the speaker of the house a tax expenditure report. This report must be based upon information available to the tax commissioner and information available to the department of commerce, and must include an analysis of the selected tax expenditures which includes a description of the annual state revenue losses and benefits and a cyclical analysis of these losses and benefits.

3. The tax commissioner shall compile tax expenditure data and provide this data to the department of commerce. Notwithstanding section 57-38-57 and other confidentiality statutes, the tax commissioner shall provide the department of commerce the information necessary to accomplish and effectuate the intent of this section. The tax commissioner may request the assistance of the office of management and budget as necessary to compile this tax expenditure data.

4. The tax commissioner may establish the procedure by which the tax commissioner will compile the tax expenditure data and the format in which the tax commissioner will provide this data to the department of commerce. The department of commerce may establish the manner in which the tax expenditure data will be analyzed, organized, and presented in the report.

5. Confidential tax information the department of commerce receives from the tax commissioner may not be divulged by the department of commerce unless the information is in the aggregate and in a manner that will not divulge information specific to any taxpayer.

6. For purposes of this section, the term tax expenditure means a provision in the state tax laws, including an exclusion, a deduction, a tax preference, a credit, and a deferral designed to encourage certain activities or to aid a taxpayer in special circumstances.

SECTION 25. STATE BUSINESS INCENTIVE EXPENDITURE REPORT PILOT PROJECT - REPORT.

1. During the 2007-09 biennium, the commissioner of commerce shall select a state business incentive for the purposes of conducting a state business incentive expenditure report pilot project.

2. Before the tenth legislative day of the sixty-first legislative assembly, the commissioner of commerce shall submit to the president pro tem of the senate and the speaker of the house a state business incentive expenditure report. This report must be based upon information available to the department and must include an analysis of the selected state business incentive which includes a description of the annual state revenue losses and benefits and a cyclical analysis of these losses and benefits.

3. The administering agency for the selected state business incentive shall compile state business incentive expenditure data and provide this data to the department. The department shall determine the data appropriate to measure the losses and benefits for the selected state business incentive and shall inform the administering agency of the specific data required and the format in which the administering agency shall provide this data to the department.

4. For purposes of this section, the term business incentive does not include a tax expenditure as defined under section 20 of this Act.

SECTION 26. TAX CREDIT TRANSFER STUDY - REPORT. During the 2007-09 biennium the tax commissioner shall monitor the implementation and use of transferable tax credits. Before the tenth legislative day of the sixty-first legislative assembly, the tax commissioner shall submit to the president pro tempore of the senate and the speaker of the house a tax credit transfer report. This report must be based upon information available to the tax commissioner and must include an analysis of the transferred tax credits, a description of the annual state revenue losses and benefits, and the impact on the sellers and purchasers of the tax credits.

SECTION 27. LEGISLATIVE COUNCIL STUDY - HOUSING NEEDS. During the 2007-08 interim, the legislative council shall consider studying the state's housing needs and how unmet housing needs may affect economic development in the state. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly.

SECTION 28. LEGISLATIVE COUNCIL STUDY - WIRELESS SERVICE PROVIDERS. During the 2007-08 interim, the legislative council shall consider studying issues relating to wireless service providers in the state and how wireless service impacts the business climate in the state. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Page 5, after line 5, insert:

"**SECTION 30. AMENDMENT.** Section 15-69-02 of the North Dakota Century Code is amended and reenacted as follows:

15-69-02. (Effective through July 31, 2011) Centers of excellence.

1. The board shall establish a centers of excellence program relating to economic development. The program must distinguish among center designations for awards designated to address commercialization and infrastructure needs. Workforce may not be the primary need addressed by a center. Through the program the commission shall make funding award recommendations for commission-approved applications to the board, the foundation, the emergency commission, and the budget section of the legislative council. A center must be 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 the control of the board. In order to be considered for center designation, the institution of higher education or nonprofit foundation must be working in partnership with the private sector. For an application that includes infrastructure to be considered for center designation, the application must provide detailed information regarding how the future operational costs and maintenance costs related to the infrastructure will be provided and how the costs will not be provided from the general fund. In addition to any center designated under this chapter, the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation are centers.

2. A commission funding award recommendation must be for a specified amount. Designation of a center occurs upon board, foundation, and budget section approval of a commission funding award recommendation. In considering whether to designate a center, the board, foundation, and budget section may not modify the commission recommendation. The budget section may not ~~make a determination of whether to approve or reject~~ a take action on an original commission funding award recommendation until the emergency commission reviews the commission recommendation and makes a recommendation to the budget section. Upon receipt of a commission funding award recommendation, the budget section shall approve the recommendation, reject the recommendation, or rerefer the recommendation to the commission with recommended modifications. If the commission receives a rereferred recommendation from the budget section, the commission shall determine whether to modify the recommendation or whether to retain the recommendation and provide additional information with the recommendation.

   a. If within thirty days of the budget section rereferring a recommendation the commission makes a determination of whether to modify the recommendation or to retain the recommendation and within the same thirty days the emergency commission meets to review the modified recommendation or the retained recommendation accompanied by additional information, the emergency commission shall approve or reject the recommendation. If within the thirty days following the budget section rereferral the emergency commission acts under this subdivision, the determination of the emergency commission is final and the recommendation is approved or rejected.

   b. If thirty days expire following the budget section's rereferral and the process under subdivision a is not completed timely, the commission shall submit to the budget section the modified recommendation or the retained recommendation. Upon receipt of the recommendation under this subdivision, the budget section shall approve or reject the recommendation. The budget section may not rerefer a recommendation received under this subdivision.

3. A center that receives funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent designation.

4. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

SECTION 31. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. (Effective through July 31, 2011) Centers of excellence commission. The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on 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; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of ~~initial~~ commission members ~~begin on July 1, 2005, and~~ must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The ~~board~~ department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

SECTION 32. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. (Effective through July 31, 2011) Application - Eligibility requirements.

1. The ~~board~~ department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, ~~and~~ forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission.

2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the office of management and budget to distribute funds to the centers; monitor centers for compliance with award requirements; ~~and~~ review changes in assertions made in center applications; and conduct postaward monitoring of centers.

3. In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:

   a. Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;

   b. Create high-value private sector employment opportunities in this state;

   c. Provide for public-private sector involvement and partnerships;

   d. Leverage other funding;

   e. Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;

   f. Foster and practice entrepreneurship;

   g. Promote the commercialization of new products and services in industry clusters;

h. Become financially self-sustaining; and

i. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.

4. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.

5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

SECTION 33. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds to supplant funding for current operations or academic instructions or to pay indirect costs.

2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative council with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of ~~four years following the final distribution of funds under this chapter~~ the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center.

3. Before the commission directs the office of management and budget to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The matching funds may include a combination of cash and in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.

4. The commission shall direct the office of management and budget to distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.

5. If, before funds are distributed by the office of management and budget, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the office of management and budget withhold all or a portion of any undistributed funds pending commission review of the changes.

6. The commission may use funds appropriated for the centers of excellence program to pay for the commission's administrative expenses, which may

include contracting for independent, expert reviews of complete applications and centers of excellence forums. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.

SECTION 34. AMENDMENT. Subsections 4 and 6 of section 54-17-07.3 of the North Dakota Century Code are amended and reenacted as follows:

4. Mortgage loan financing program. A program or programs to provide for the purchase or guaranty of a temporary or permanent mortgage ~~loans~~ loan originated by ~~lenders~~ a lender on residential real property or on land to be developed into residential real property, in addition to ~~such~~ a mortgage ~~loans~~ loan acquired or to be acquired under subsections 1 through 3. A program authorized under this subsection may provide assistance in the development of low to moderate income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.

6. Housing grant program. A program or programs to provide ~~grants~~ a grant other than those authorized by section 54-17-07.6 to encourage and promote housing availability for persons of low or moderate income or to otherwise assist a developing community in this state address an unmet housing need or alleviate a housing shortage.

SECTION 35. AMENDMENT. Section 54-60-02 of the North Dakota Century Code is amended and reenacted as follows:

54-60-02. Department of commerce - Divisions. The North Dakota department of commerce is created. All records, materials, supplies, and equipment used by the division of community services, department of economic development and finance, and the department of tourism are transferred to the department.

1. The department must consist of:

   a. A division of community services;

   b. A division of economic development and finance;

   c. A division of tourism;

   d. A division of workforce development; and

   e. Any division the commissioner determines necessary to carry out this chapter.

2. The commissioner shall appoint the director of ~~any~~ each division ~~created by the commissioner under subsection 1. Effective August 1, 2003, the commissioner shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development. Effective August 1, 2005, the commissioner shall appoint the director of the division of tourism~~ of the department. Each director appointed by the commissioner serves at the pleasure of the commissioner and is entitled to receive a salary set by the commissioner within the limits of legislative appropriations. ~~Until August 1, 2003, the governor shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development and until August 1, 2005, the governor shall appoint the director of the division of tourism. The individuals appointed by the governor shall serve at the pleasure of the governor and are entitled to receive a salary set by the governor within the limits of legislative appropriations.~~

SECTION 36. AMENDMENT. Section 54-60-09 of the North Dakota Century Code is amended and reenacted as follows:

54-60-09. Division of workforce development - Duties. The division of workforce development shall ~~actively~~:

1. Actively monitor local, regional, and national private and public workforce development initiatives.

2. Develop and implement the state's talent strategy.

3. Develop and implement a statewide intelligence coordination strategy.

SECTION 37. Three new sections to chapter 54-60 of the North Dakota Century Code are created and enacted as follows:

Division of workforce development - Higher education internships and work experience opportunities. The division of workforce development shall administer a program to increase use of higher education internships and work experience opportunities for higher education students. The primary focus of this program must be higher education internships in target industries. This program shall provide services to employers, communities, and business organizations to increase higher education internship and work experience opportunities.

Division of workforce development - Career specialist. The division of workforce development, in consultation with the department of career and technical education, job service North Dakota, and the superintendent of public instruction, shall develop and implement a program to assist public schools in promoting North Dakota career opportunities to students in grades nine through twelve.

Division of workforce development - Talent strategy - Performance and accountability.

1. The division of workforce development, in developing and implementing the state's talent strategy, shall:

   a. Consult with partners in the state's system for workforce development, workforce training, and talent attraction, including job service North Dakota, the department of career and technical education, the superintendent of public instruction, the state board of higher education, the department of human services, and other divisions of the department of commerce.

   b. Develop a comprehensive, consolidated biennial statewide strategic plan for the state's system for workforce development, workforce training, and talent attraction.

   c. Continuously review, identify how to improve, and implement improvements to the state's system for workforce development, workforce training, and talent attraction.

   d. Develop linkages between partners of the state's system for workforce development, workforce training, and talent attraction, to assure coordination and nonduplication of programs and services provided in the state.

2. The division of workforce development shall develop and implement a system of performance and accountability measures for the state's system for workforce development, workforce training, and talent attraction. Each partner of the state's system for workforce development, workforce training, and talent attraction shall cooperate in providing the division the data necessary to implement these measures."

Page 6, after line 14, insert:

"**SECTION 39. AMENDMENT.** Subdivision I of subsection 2 of section 54-60.1-01 of the North Dakota Century Code is amended and reenacted as follows:

I. ~~Except for a center of excellence award under chapter 15-69, assistance~~ Assistance for a collaboration between a North Dakota institution of higher education and a business.

SECTION 40. A new section to chapter 55-10 of the North Dakota Century Code is created and enacted as follows:

Ronald Reagan historic site. If the state historical society acquires a missile silo historic site, the site is named the Ronald Reagan historic site.

SECTION 41. AMENDMENT. The new section to chapter 57-06 of the North Dakota Century Code as created by section 2 of House Bill No. 1072, and as amended by section 2 of House Bill No. 1317, as approved by the sixtieth legislative assembly, is amended and reenacted as follows:

Taxable valuation of centrally assessed wind turbine electric generators. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more on which construction is completed before ~~July 1, 2007~~ January 1, 2011, must be valued at ~~the current~~ three percent of assessed value to determine taxable valuation of the property. ~~A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed after June 30, 2007, and before January 1, 2011, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property. However, a centrally assessed wind turbine electric generation unit with nameplate generation capacity of one hundred kilowatts or more, for which construction is begun after July 1, 2007, and before January 1, 2011, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property.~~ except:

1. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is completed after April 30, 2005, and before July 1, 2006, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property for the duration of the initial purchased power agreement for the generation unit; and

2. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed after June 30, 2006, and before January 1, 2011, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property.

SECTION 42. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Angel fund investment tax credit. A taxpayer is entitled to a credit against state income tax liability under sections 57-38-29, 57-38-30, or 57-38-30.3 for an investment made in an angel fund that is incorporated in this state. The angel fund must be in compliance with the securities laws of this state for the investment to qualify for the tax credit under this section. The amount of the credit to which a taxpayer is entitled is forty-five percent of the amount invested by the taxpayer in an angel fund during the taxable year. The aggregate annual credit for which a taxpayer may obtain a tax credit is not more than forty-five thousand dollars. To be eligible for the credit, the investment must be at risk in the angel fund for at least three years. Investments placed in escrow do not qualify for the credit. The credit must be claimed in the taxable year in which the investment in the angel fund was received by the angel fund. The credit allowed may not exceed the liability for tax under this chapter. If the amount of credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the four succeeding taxable years. A taxpayer claiming a credit under this section may not claim any credit available to the taxpayer as a result of an investment made by the angel fund in a qualified business under chapter 57-38.5 or 57-38.6.

SECTION 43. A new subdivision to subsection 1 of section 57-38-01.2 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount received by a taxpayer that was paid by an employer under paragraph 4 of subdivision a of subsection 2 of section 57-38-01.25 to hire the taxpayer for a hard-to-fill position under section 57-38-01.25, but only to the extent the amount received by the taxpayer is included in federal taxable income. The reduction applies only if the employer is entitled to the tax credit under section 57-38-01.25. The taxpayer must attach a statement from the employer certifying that the employer is entitled to the credit under

section 57-38-01.25 and identifying the type and the amount of the payment to the employee.

SECTION 44. Section 57-38-01.24 of the North Dakota Century Code is created and enacted as follows:

57-38-01.24. Internship employment tax credit.

1. A taxpayer that is an employer within this state is entitled to a credit as determined under this section against state income tax liability under section 57-38-29, 57-38-30, or 57-38-30.3 for qualified compensation paid to an intern employed in this state by the taxpayer. To qualify for the credit under this section, the internship program must meet the following qualifications:

   a. The intern must be an enrolled student in an institution of higher education or vocational technical education program who is seeking a degree or a certification of completion in a major field of study closely related to the work experience performed for the taxpayer;

   b. The internship must be taken for academic credit or count toward the completion of a vocational technical education program;

   c. The intern must be supervised and evaluated by the taxpayer; and

   d. The internship position must be located in this state.

2. The amount of the credit to which a taxpayer is entitled is ten percent of the stipend or salary paid to a college intern employed by the taxpayer. A taxpayer may not receive more than three thousand dollars in total credits under this section for all taxable years combined.

   a. The tax credit under this section applies to a stipend or salary for not more than five interns employed at the same time.

   b. A partnership, subchapter S corporation, or limited liability company that for tax purposes is treated like a partnership that is entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 45. Section 57-38-01.25 of the North Dakota Century Code is created and enacted as follows:

57-38-01.25. Workforce recruitment credit for hard-to-fill employment positions. A taxpayer that is an employer in this state is entitled to a credit as determined under this section against state income tax liability under section 57-38-29, 57-38-30, or 57-38-30.3 for costs the taxpayer incurred during the tax year to recruit and hire employees for hard-to-fill employment positions within this state for which the annual salary for the position meets or exceeds the state average wage.

1. The amount of the credit to which a taxpayer is entitled is five percent of the salary paid for the first twelve consecutive months to the employee hired for the hard-to-fill employment position. To qualify for the credit under this section, the employee must be employed by the taxpayer in the hard-to-fill employment position for twelve consecutive months.

2. For purposes of this section:

   a. "Extraordinary recruitment methods" means using all of the following:

      (1) A person with the exclusive business purpose of recruiting employees and for which a fee is charged by that recruiter.

      (2) An advertisement in a professional trade journal, magazine, or other publication, the main emphasis of which is providing information to a particular trade or profession.

(3) A web site, the sole purpose of which is to recruit employees and for which a fee is charged by the web site.

(4) Payment of a signing bonus, moving expenses, or nontypical fringe benefits.

b. "Hard-to-fill employment position" means a job that requires the employer to use extraordinary recruitment methods and for which the employer's recruitment efforts for the specific position have been unsuccessful for six consecutive calendar months.

c. "State average wage" means one hundred twenty-five percent of the state average wage published annually by job service North Dakota and which is in effect at the time the employee is hired.

3. The taxpayer may claim the credit in the first tax year beginning after the employee hired for the hard-to-fill position has completed the employee's first twelve consecutive months of employment in the hard-to-fill position with the taxpayer.

4. The credit under this section may not exceed a taxpayer's liability for the taxable year as determined under this chapter. Any amount of unused credit may be carried forward for up to four taxable years after the taxable year in which the credit could initially be claimed.

5. A partnership, subchapter S corporation, or limited liability company that for tax purposes is treated like a partnership that is entitled to the credit under this section must be considered to be the taxpayer for purposes of this section and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the passthrough entity level must be allowed to the members in proportion to their respective interests in the passthrough entity.

SECTION 46. AMENDMENT. Section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30.3. Simplified method of computing tax.

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over $27,050	2.10%
Over $27,050 but not over $65,550	$568.05 plus 3.92% of amount over $27,050
Over $65,550 but not over $136,750	$2,077.25 plus 4.34% of amount over $65,550
Over $136,750 but not over $297,350	$5,167.33 plus 5.04% of amount over $136,750
Over $297,350	$13,261.57 plus 5.54% of amount over $297,350

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over $45,200	2.10%
Over $45,200 but not over $109,250	$949.20 plus 3.92% of amount over $45,200
Over $109,250 but not over $166,500	$3,459.96 plus 4.34% of amount over $109,250
Over $166,500 but not over $297,350	$5,944.61 plus 5.04% of amount over $166,500
Over $297,350	$12,539.45 plus 5.54% of amount over $297,350

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over $22,600	2.10%
Over $22,600 but not over $54,625	$474.60 plus 3.92% of amount over $22,600
Over $54,625 but not over $83,250	$1,729.98 plus 4.34% of amount over $54,625
Over $83,250 but not over $148,675	$2,972.31 plus 5.04% of amount over $83,250
Over $148,675	$6,269.73 plus 5.54% of amount over $148,675

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over $36,250	2.10%
Over $36,250 but not over $93,650	$761.25 plus 3.92% of amount over $36,250
Over $93,650 but not over $151,650	$3,011.33 plus 4.34% of amount over $93,650
Over $151,650 but not over $297,350	$5,528.53 plus 5.04% of amount over $151,650
Over $297,350	$12,871.81 plus 5.54% of amount over $297,350

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over $1,800	2.10%
Over $1,800 but not over $4,250	$37.80 plus 3.92% of amount over $1,800
Over $4,250 but not over $6,500	$133.84 plus 4.34% of amount over $4,250
Over $6,500 but not over $8,900	$231.49 plus 5.04% of amount over $6,500
Over $8,900	$352.45 plus 5.54% of amount over $8,900

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, 2001, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes.

2. For purposes of this section, "North Dakota taxable income" means the federal taxable income of an individual, estate, or trust as computed under the Internal Revenue Code of 1986, as amended, adjusted as follows:

a. Reduced by interest income from obligations of the United States and income exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.

b. Reduced by the portion of a distribution from a qualified investment fund described in section 57-38-01 which is attributable to investments by the qualified investment fund in obligations of the United States, obligations of North Dakota or its political subdivisions, and any other obligation the interest from which is exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.

c. Reduced by the amount equal to the earnings that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.

d. Reduced by thirty percent of the excess of the taxpayer's net long-term capital gain for the taxable year over the net short-term capital loss for that year, as computed for purposes of the Internal Revenue Code of 1986, as amended. The adjustment provided by this subdivision is allowed only to the extent the net long-term capital gain is allocated to this state.

e. Increased by the amount of a lump sum distribution for which income averaging was elected under section 402 of the Internal Revenue Code of 1986 [26 U.S.C. 402], as amended. This adjustment does not apply if the taxpayer received the lump sum distribution while a nonresident of this state and the distribution is exempt from taxation by this state under federal law.

f. Increased by an amount equal to the losses that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.

g. Reduced by the amount received by the taxpayer as payment for services performed when mobilized under title 10 United States Code federal service as a member of the national guard or reserve member of the armed forces of the United States. This subdivision does not apply to federal service while attending annual training, basic military training, or professional military education.

h. Reduced by income from a new and expanding business exempt from state income tax under section 40-57.1-04.

i. Reduced by interest and income from bonds issued under chapter 11-37.

j. Reduced by up to ten thousand dollars of qualified expenses that are related to a donation by a taxpayer or a taxpayer's dependent, while living, of one or more human organs to another human being for human organ transplantation. A taxpayer may claim the reduction in this subdivision only once for each instance of organ donation during the taxable year in which the human organ donation and the human organ transplantation occurs but if qualified expenses are incurred in more than one taxable year, the reduction for those expenses must be claimed in the year in which the expenses are incurred. For purposes of this subdivision:

(1) "Human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person.

(2) "Organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow.

(3) "Qualified expenses" means lost wages not compensated by sick pay and unreimbursed medical expenses as defined for federal income tax purposes, to the extent not deducted in computing federal taxable income, whether or not the taxpayer itemizes federal income tax deductions.

k. Increased by the amount of the contribution upon which the credit under section 57-38-01.21 is computed, but only to the extent that the contribution reduced federal taxable income.

l. Reduced by the amount of any payment received by a veteran or beneficiary of a veteran under section 37-28-03 or 37-28-04.

m. Reduced by the amount received by a taxpayer that was paid by an employer under paragraph 4 of subdivision a of subsection 2 of section 57-38-01.25 to hire the taxpayer for a hard-to-fill position under section 57-38-01.25, but only to the extent the amount received

by the taxpayer is included in federal taxable income. The reduction applies only if the employer is entitled to the credit under section 57-38-01.25. The taxpayer must attach a statement from the employer in which the employer certifies that the employer is entitled to the credit under section 57-38-01.25 and which specifically identified the type of payment and the amount of the exemption under this section.

3. Married individuals filing a joint federal income tax return shall file a joint state income tax return if the return is filed under this section. If separate federal income tax returns are filed, one spouse's state income tax return may be filed under this section and the other spouse's income tax return may be filed under the other provisions of this chapter.

4. a. A resident individual, estate, or trust must be allowed a credit against the tax otherwise due under this section for the amount of any income tax imposed on the taxpayer for the taxable year by another state or territory of the United States or the District of Columbia on income derived from sources therein and which is also subject to tax under this section.

   b. The credit provided under this subsection may not exceed the proportion of the tax otherwise due under this section that the amount of the taxpayer's adjusted gross income derived from sources in the other taxing jurisdiction bears to the taxpayer's federal adjusted gross income as reported on the taxpayer's federal income tax return.

   c. The tax commissioner may require written proof of the tax paid to another state. The required proof must be provided in a form and manner as determined by the tax commissioner.

5. Individuals, estates, or trusts that file an amended federal income tax return changing their federal taxable income figure for a year for which an election to file state income tax returns has been made under this section shall file an amended state income tax return to reflect the changes on the federal income tax return.

6. The tax commissioner may prescribe procedures and guidelines to prevent requiring income that had been previously taxed under this chapter from becoming taxed again because of the provisions of this section and may prescribe procedures and guidelines to prevent any income from becoming exempt from taxation because of the provisions of this section if it would otherwise have been subject to taxation under the provisions of this chapter.

7. A taxpayer filing a return under this section is entitled to the credit provided under section 57-38-01.20.

8. A taxpayer filing a return under this section is entitled to the exemptions or credits provided under sections 40-63-04, 40-63-06, and 40-63-07.

9. a. A taxpayer is entitled to a credit against the tax imposed by this section for any unused federal credit for prior year minimum tax. "Unused federal credit for prior year minimum tax" means the amount of the federal credit for prior year minimum tax attributable to federal alternative minimum tax included in the taxpayer's federal income tax liability for purposes of this section for taxable years beginning before January 1, 2001, reduced by the total amount of the federal credit for prior year minimum tax claimed on the taxpayer's federal income tax return for all taxable years beginning after December 31, 2000.

   b. The credit under this subsection is equal to fourteen percent of the portion of the unused federal credit for prior year minimum tax claimed on the taxpayer's federal income tax return and may not exceed the taxpayer's tax liability under this section for the taxable year. For a nonresident taxpayer, the credit determined under this subsection must be multiplied by the percentage that the nonresident taxpayer's North Dakota adjusted gross income is of the nonresident's federal adjusted gross income.

c. The credit under this subsection is not allowed for taxable years beginning after December 31, 2004.

10. a. If an individual taxpayer engaged in a farming business elects to average farm income under section 1301 of the Internal Revenue Code [26 U.S.C. 1301], the taxpayer may elect to compute tax under this subsection. If an election to compute tax under this subsection is made, the tax imposed by subsection 1 for the taxable year must be equal to the sum of the following:

(1) The tax computed under subsection 1 on North Dakota taxable income reduced by elected farm income.

(2) The increase in tax imposed by subsection 1 which would result if North Dakota taxable income for each of the three prior taxable years were increased by an amount equal to one-third of the elected farm income. However, if other provisions of this chapter other than this section were used to compute the tax for any of the three prior years, the same provisions in effect for that prior tax year must be used to compute the increase in tax under this paragraph. For purposes of applying this paragraph to taxable years beginning before January 1, 2001, the increase in tax must be determined by recomputing the tax in the manner prescribed by the tax commissioner.

b. For purposes of this subsection, "elected farm income" means that portion of North Dakota taxable income for the taxable year which is elected farm income as defined in section 1301 of the Internal Revenue Code of 1986 [26 U.S.C. 1301], as amended, reduced by the portion of an exclusion claimed under subdivision d of subsection 2 that is attributable to a net long-term capital gain included in elected farm income.

c. The reduction in North Dakota taxable income under this subsection must be taken into account for purposes of making an election under this subsection for any subsequent taxable year.

d. The tax commissioner may prescribe rules, procedures, or guidelines necessary to administer this subsection.

11. The tax commissioner may prescribe tax tables, to be used in computing the tax according to subsection 1, if the amounts of the tax tables are based on the tax rates set forth in subsection 1. If prescribed by the tax commissioner, the tables must be followed by every individual, estate, or trust determining a tax under this section.

12. An individual, estate, or trust is entitled to a credit against the tax determined under this section as calculated under section 57-38.6-03.

13. A taxpayer filing a return under this section is entitled to the credit provided under section 57-38.5-03.

14. An individual taxpayer filing a return under this section is entitled to the credit provided under section 57-38-01.21.

15. A taxpayer filing a return under this section is entitled to the credits provided under sections 57-38-01.22 and 57-38-01.23.

16. A taxpayer filing a return under this section is entitled to the credits provided under section 42 of this Act and sections 57-38-01.24, 57-38-01.25, and 57-38-30.5.

SECTION 47. AMENDMENT. Section 57-38-30.5 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30.5. ~~Corporate--income~~ Income tax credit for research and experimental expenditures. ~~Any corporation~~ A taxpayer is allowed a credit against the tax imposed under ~~this chapter for the taxable year equal to eight percent of the first one and one-half million dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to four percent of all~~

~~qualified research expenses for the taxable year more than one and one-half million dollars in excess of the base period research expenses~~ section 57-38-29, 57-38-30, or 57-38-30.3 for conducting qualified research in this state.

1. The amount of the credit for taxpayers that earned or claimed a credit under this section in taxable years beginning before January 1, 2007, is calculated as follows:

   a. For the first taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to seven and one-half percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

   b. For the second taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eleven percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

   c. For the third taxable year beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to fourteen and one-half percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

   d. For the fourth through the tenth taxable years beginning after December 31, 2006, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eighteen percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

   e. For the eleventh taxable year beginning after December 31, 2006, and for each subsequent taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

   f. The maximum annual credit a taxpayer may obtain under this section is two million dollars. Any credit amount earned in the taxable year in excess of two million dollars may not be carried back or forward as provided in subsection 7.

2. For taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007, and which begin conducting qualified research in North Dakota in any of the first four taxable years beginning after December 31, 2006, the amount of the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to twenty percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

   a. This rate applies through the tenth taxable year beginning after December 31, 2006.

   b. For the eleventh taxable year beginning after December 31, 2006, and for each subsequent taxable year in which the taxpayer conducts qualified research in this state, the credit is equal to twenty-five

percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

3. For taxpayers that have not earned or claimed a credit under this section in taxable years beginning before January 1, 2007, and which begin conducting qualified research in North Dakota in any taxable year following the fourth taxable year beginning after December 31, 2006, the amount of the credit is equal to twenty-five percent of the first one hundred thousand dollars of the qualified research expenses for the taxable year in excess of the base period research expenses and equal to eight percent of all qualified research expenses for the taxable year more than one hundred thousand dollars in excess of the base period research expenses.

4. For purposes of this section:

a. "Base period research expenses" means base period research expenses as defined in section 41(c) of the Internal Revenue Code [26 U.S.C. 41(c)], except it does not include research conducted outside the state of North Dakota.

b. "Director" means the director of the department of commerce division of economic development and finance.

c. "Primary sector business" means a qualified business that through the employment of knowledge or labor adds value to a product, process, or service.

d. "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code [26 U.S.C. 41(d)], except it does not include research conducted outside the state of North Dakota.

~~c.~~ e. "Qualified research and development company" means a taxpayer that is a primary sector business with annual gross revenues of less than seven hundred fifty thousand dollars and which has not conducted new research and development in North Dakota.

f. "Qualified research expenses" means qualified research expenses as defined in section 41(b) of the Internal Revenue Code [26 U.S.C. 41(b)], except it does not include expenses incurred for basic research conducted outside the state of North Dakota.

~~2.~~ 5. The credit allowed under this section for the taxable year may not exceed the liability for tax under this chapter.

~~3.~~ 6. In the case of a ~~corporation which~~ taxpayer that is a partner in a partnership or a member in a limited liability company, the credit allowed for the taxable year may not exceed an amount separately computed with respect to the ~~corporation's~~ taxpayer's interest in the trade, business, or entity equal to the amount of tax attributable to that portion of the ~~corporation's~~ taxpayer's taxable income which is allocable or apportionable to the ~~corporation's~~ taxpayer's interest in the trade, business, or entity.

~~4.~~ 7. ~~If~~ Except as provided in subsection 1, if the amount of the credit determined under this section for any taxable year exceeds the limitation under subsection ~~2~~ 5, the excess may be used as a research credit carryback to each of the three preceding taxable years and a research credit carryover to each of the fifteen succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. ~~The~~ and the amount of the unused credit which may be added under this subsection may not exceed the taxpayer's liability for tax less the research credit for the taxable year.

8. A taxpayer that is certified as a qualified research and development company by the director may elect to sell, transfer, or assign all or part of

the unused tax credit earned under this section. The director shall certify whether a taxpayer that has requested to become a qualified research and development company meets the requirements of subsection 4. The director shall establish the necessary forms and procedures for certifying qualifying research and development companies. The director shall issue a certification letter to the taxpayer and the tax commissioner. A tax credit can be sold, transferred, or assigned subject to the following:

a. A taxpayer's total credit assignment under this section may not exceed one hundred thousand dollars over any combination of taxable years.

b. If the taxpayer elects to assign or transfer an excess credit under this subsection, the tax credit transferor and the tax credit purchaser jointly shall file with the tax commissioner a copy of the purchase agreement and a statement containing the names, addresses, and taxpayer identification numbers of the parties to the transfer, the amount of the credit being transferred, the gross proceeds received by the transferor, and the taxable year or years for which the credit may be claimed. The taxpayer and the purchaser also shall file a document allowing the tax commissioner to disclose tax information to either party for the purpose of verifying the correctness of the transferred tax credit. The purchase agreement, supporting statement, and waiver must be filed within thirty days after the date the purchase agreement is fully executed.

c. The purchaser of the tax credit shall claim the credit beginning with the taxable year in which the credit purchase agreement was fully executed by the parties. A purchaser of a tax credit under this section has only such rights to claim and use the credit under the terms that would have applied to the tax credit transferor, except the credit purchaser may not carry back the credit as otherwise provided in this section. This subsection does not limit the ability of the tax credit purchaser to reduce the tax liability of the purchaser, regardless of the actual tax liability of the tax credit transferor.

d. The original purchaser of the tax credit may not sell, assign, or otherwise transfer the credit purchased under this section.

e. If the amount of the credit available under this section is changed as a result of an amended return filed by the transferor, or as the result of an audit conducted by the internal revenue service or the tax commissioner, the transferor shall report to the purchaser the adjusted credit amount within thirty days of the amended return or within thirty days of the final determination made by the internal revenue service or the tax commissioner. The tax credit purchaser shall file amended returns reporting the additional tax due or claiming a refund as provided in section 57-38-38 or 57-38-40, and the tax commissioner may audit these returns and assess or issue refunds, even though other time periods prescribed in these sections may have expired for the purchaser.

f. Gross proceeds received by the tax credit transferor must be assigned to North Dakota. The amount assigned under this subsection cannot be reduced by the taxpayer's income apportioned to North Dakota or any North Dakota net operating loss of the taxpayer.

g. The tax commissioner has four years after the date of the credit assignment to audit the returns of the credit transferor and the purchaser to verify the correctness of the amount of the transferred credit and if necessary assess the credit purchaser if additional tax is found due. This subdivision does not limit or restrict any other time period prescribed in this chapter for the assessment of tax.

h. The tax commissioner may adopt rules to permit verification of the validity and timeliness of the transferred tax credit.

~~5.~~ 9. If a taxpayer acquires or disposes of the major portion of a trade or business or the major portion of a separate unit of a trade or business in a transaction with another taxpayer, the taxpayer's qualified research

expenses and base period must be adjusted in the manner provided by section 41(f)(3) of the Internal Revenue Code [26 U.S.C. 41(f)(3)].

10. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return. This section does not apply to tax credits received or purchased under subsection 8.

11. An individual, estate, or trust that purchases a credit under this section is entitled to claim the credit against state income tax liability under section 57-38-29 or 57-38-30.3.

SECTION 48. 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 is limited to ~~two~~ three 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 49. AMENDMENT. Section 57-38.6-01 of the North Dakota Century Code is amended and reenacted as follows:

57-38.6-01. Definitions. As used in this chapter, unless the context otherwise requires:

1. "Agricultural commodity processing facility" means a:

   a. A facility that through processing involving the employment of knowledge and labor adds value to an agricultural commodity capable of being raised in this state; or

   b. A livestock feeding, handling, milking, or holding operation that uses as part of its operation a byproduct produced at a biofuels production facility.

2. "Biofuels production facility" means a corporation, limited liability company, partnership, individual, or association in this state:

   a. Involved in production of diesel fuel containing at least five percent biodiesel meeting the specifications adopted by the American society for testing and materials;

   b. Involved in the production of corn-based ethanol or cellulose-based ethanol; or

   c. Involved in a soybean or canola crushing facility.

3. "Director" means the director of the department of commerce division of economic development and finance.

~~3.~~ 4. "Qualified business" means a cooperative, corporation, partnership, or limited liability company that:

   a. Is incorporated or organized in this state after December 31, 2000, for the primary purpose of ~~processing and marketing~~ being an agricultural ~~commodities capable of being raised in this state~~ commodity processing facility;

   b. Has been certified by the securities commissioner to be in compliance under the securities laws of this state;

   c. Has an agricultural commodity processing facility, or intends to locate one, in this state; and

d. Is among the first ten businesses that meets the requirements of this subsection, but not a business that was previously certified as a qualified business under chapter 57-38.5.

~~4.~~ 5. "Taxpayer" means an individual, estate, trust, corporation, partnership, or limited liability company.

SECTION 50. AMENDMENT. Section 17 of chapter 151 of the 2005 Session Laws is amended and reenacted as follows:

SECTION 17. NORTH DAKOTA BUSINESS CLIMATE INITIATIVE - LEGISLATIVE COUNCIL STUDY. During the 2005-06 ~~and 2007-08 interims~~ interim, 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 a biennial business ~~congresses~~ congress. The focus groups shall discuss ways to enhance the state's business climate to stimulate job growth and enhance economic prosperity for employers and employees 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~~ The 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, shall identify methods to prepare the state for the high-growth and high-demand jobs of the future, 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~~ congress. Before ~~each~~ the 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 the business ~~congresses~~ congress. 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~~ congress. 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~~ assembly.

SECTION 51. REPEAL. Sections 57-38-71, 57-38-72, 57-38-73, and 57-38-74 of the North Dakota Century Code are repealed.

SECTION 52. EFFECTIVE DATE. Sections 42, 43, 44, 45, 46, 47, 48, 49, 50, and 51 of this Act are effective for taxable years beginning after December 31, 2006. Section 47 of this Act is effective for tax credits earned and assigned after December 31, 2006. However, rentals under a lease entered before January 1, 2007, and eligible for the exemption under section 57-38-73 when the lease was entered continue to be eligible for the exemption for taxable years after 2006 on the same terms and conditions for the duration of the lease."

Page 6, line 15, replace "14" with "38"

Page 6, after line 16, insert:

"**SECTION 54. EMERGENCY.** Section 34 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Summary of Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Secretary of State						
Total all funds	$0	$0	$2,920,000	$2,920,000	$0	$2,920,000
Less estimated income			2,920,000	2,920,000		2,920,000

General fund	$0	$0	$0	$0	$0	$0
Office of Management and Budget						
Total all funds	$0	$0	$22,023,138	$22,023,138	$27,023,138	($5,000,000)
Less estimated income			20,000,000	20,000,000	5,000,000	15,000,000
General fund	$0	$0	$2,023,138	$2,023,138	$22,023,138	($20,000,000)
Board for Career and Technical Education						
Total all funds	$0	$70,000	$0	$70,000	$70,000	$0
Less estimated income						
General fund	$0	$70,000	$0	$70,000	$70,000	$0
Department of Commerce						
Total all funds	$81,531,029	$77,000,837	$5,039,000	$82,039,837	$81,714,837	$325,000
Less estimated income	55,361,293	55,361,293	400,000	55,761,293	55,361,293	400,000
General fund	$26,169,736	$21,639,544	$4,639,000	$26,278,544	$26,353,544	($75,000)
Bill Total						
Total all funds	$81,531,029	$77,070,837	$29,982,138	$107,052,975	$108,807,975	($1,755,000)
Less estimated income	55,361,293	55,361,293	23,320,000	78,681,293	60,361,293	18,320,000
General fund	$26,169,736	$21,709,544	$6,662,138	$28,371,682	$48,446,682	($20,075,000)

House Bill No. 1018 - Secretary of State - Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Operating expenses			$2,920,000	$2,920,000		$2,920,000
Total all funds	$0	$0	$2,920,000	$2,920,000	$0	$2,920,000
Less estimated income			2,920,000	2,920,000		2,920,000
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Dept. 108 - Secretary of State - Detail of Conference Committee Changes

	ADDS CONTINGENT FUNDING FOR COMPUTER PROJECT [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Operating expenses	$2,920,000	$2,920,000
Total all funds	$2,920,000	$2,920,000
Less estimated income	2,920,000	2,920,000
General fund	$0	$0
FTE	0.00	0.00

1 A section is added by the conference committee authorizing the Secretary of State to obtain a Bank of North Dakota loan to implement the North Dakota business development engine information technology project, subject to Budget Section approval.

House Bill No. 1018 - Office of Management and Budget - Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Centers of excellence			$15,000,000	$15,000,000	$20,000,000	($5,000,000)
Centers of excellence - Contingency			5,000,000	5,000,000	5,000,000	
Prairie Public Broadcasting			2,023,138	2,023,138	2,023,138	
Total all funds	$0	$0	$22,023,138	$22,023,138	$27,023,138	($5,000,000)
Less estimated income			20,000,000	20,000,000	5,000,000	15,000,000
General fund	$0	$0	$2,023,138	$2,023,138	$22,023,138	($20,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Dept. 110 - Office of Management and Budget - Detail of Conference Committee Changes

	ADDS CENTERS OF EXCELLENCE FUNDING [1]	ADDS CONTINGENT CENTERS OF EXCELLENCE FUNDING [2]	ADDS FUNDING FOR PBS [3]	TOTAL CONFERENCE COMMITTEE CHANGES
Centers of excellence	$15,000,000			$15,000,000
Centers of excellence - Contingency		$5,000,000		5,000,000
Prairie Public Broadcasting			$2,023,138	2,023,138
Total all funds	$15,000,000	$5,000,000	$2,023,138	$22,023,138
Less estimated income	15,000,000	5,000,000		20,000,000
General fund	$0	$0	$2,023,138	$2,023,138

FTE	0.00	0.00	0.00	0.00

1 A section is added appropriating funds from the permanent oil tax trust fund for centers of excellence for the 2007-09 biennium. The Senate provided $20 million from the general fund.

2 A section is added authorizing the Office of Management and Budget, as directed by the Centers of Excellence Commission and with Emergency Commission and Budget Section approval, to borrow up to $5 million from the Bank of North Dakota for providing additional funding for centers of excellence, only if the $15 million appropriated from the permanent oil tax trust fund is all committed. The Senate included a similar section.

3 A section is added providing funding for Prairie Public Broadcasting, the same as the Senate version.

House Bill No. 1018 - Board for Career and Technical Education - Conference Committee Action

The conference committee did not change the Senate and House version.

House Bill No. 1018 - Department of Commerce - Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Salaries and wages	$8,617,235	$8,617,235	$220,000	$8,837,235	$8,617,235	$220,000
Operating expenses	13,642,636	9,978,688	4,419,000	14,397,688	13,092,688	1,305,000
Capital assets	25,000	25,000		25,000	25,000	
Grants	48,374,748	48,374,748	100,000	48,474,748	48,774,748	(300,000)
North Dakota Development Fund	3,000,000	3,000,000		3,000,000	4,000,000	(1,000,000)
Discretionary funds	1,450,127	1,450,127		1,450,127	1,450,127	
Economic development initiatives	2,163,090	1,296,846		1,296,846	1,296,846	
Agricultural products utilization	2,808,193	2,808,193	200,000	3,008,193	3,008,193	
Economic development grants	50,000	50,000		50,000	50,000	
North Dakota Trade Office	1,400,000	1,400,000	100,000	1,500,000	1,400,000	100,000
Total all funds	$81,531,029	$77,000,837	$5,039,000	$82,039,837	$81,714,837	$325,000
Less estimated income	55,361,293	55,361,293	400,000	55,761,293	55,361,293	400,000
General fund	$26,169,736	$21,639,544	$4,639,000	$26,278,544	$26,353,544	($75,000)
FTE	73.00	64.00	2.00	66.00	64.00	2.00

Dept. 601 - Department of Commerce - Detail of Conference Committee Changes

	ADDS FUNDING FOR INNOVATE ND [1]	ADD FUNDING FOR FOR APUC [2]	ADDS FUNDING FOR WORKFORCE DEVELOPMENT [3]	ADDS FUNDING FOR WORKFORCE SYSTEM INITIATIVE [4]	ADDS FUNDING FOR TOURISM MARKETING [5]	ADDS FUNDING FOR TRADE OFFICE [6]
Salaries and wages			$220,000			
Operating expenses	$50,000		80,000,000	$50,000	$3,750,000	
Capital assets						
Grants						
North Dakota Development Fund						
Discretionary funds						
Economic development initiatives						
Agricultural products utilization		$200,000				
Economic development grants						
North Dakota Trade Office						$100,000
Total all funds	$50,000	$200,000	$300,000	$50,000	$3,750,000	$100,000
Less estimated income						
General fund	$50,000	$200,000	$300,000	$50,000	$3,750,000	$100,000
FTE	0.00	0.00	2.00	0.00	0.00	0.00

	ADDS FUNDING FOR FAITH-BASED INITIATIVE [7]	ADDITIONAL TAX EXPENDITURE REPORTS [8]	ADDS FUNDING FOR COE ADMINISTRATIVE COSTS [9]	ADDS FUNDING FOR STATE ENERGY PLAN [10]	ADDS LEWIS AND CLARK GRANT [11]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages						$220,000
Operating expenses	$14,000	$50,000	$375,000	$50,000		4,419,000
Capital assets						
Grants					$100,000	100,000
North Dakota Development Fund						
Discretionary funds						
Economic development initiatives						
Agricultural products utilization						200,000
Economic development grants						
North Dakota Trade Office						100,000
Total all funds	$14,000	$50,000	$375,000	$50,000	$100,000	$5,039,000
Less estimated income			375,000	25,000		400,000
General fund	$14,000	$50,000	$0	$25,000	$100,000	$4,639,000
FTE	0.00	0.00	0.00	0.00	0.00	2.00

1 Funding for Innovate ND is increased to provide a total of $300,000, of which $150,000 is from the general fund, the same as the Senate version.

2 Funding for the Agricultural Products Utilization Commission is increased to provide a total of $1,662,115 from the general fund, the same as the Senate version.

3 Funding and 2 FTE positions are added to the Workforce Development Division for additional responsibilities, including talent initiative and workforce intelligence coordination and for planning. The Senate had added $400,000 to provide grants for career counseling services for students.

4 Funding is added for costs relating to the Workforce System Initiative, the same as the Senate version.

5 This amendment restores $3,750,000 of the $3,753,948 reduced by the House for tourism marketing and promotion. The Senate had restored $3 million of this amount.

6 An additional $100,000 from the general fund is added for the internship program of the Trade Office.

7 Funding is added to provide a total of $25,000 for operating expenses of the Office of Faith-Based and Community Initiatives, the same as the Senate version. Funding of $11,000 from the general fund is appropriated to the department in Senate Bill No. 2001.

8 Funding is added for the Department of Commerce and the Tax Department to expand the tax expenditure pilot project to include three rather than one tax incentive.

9 Funding for administrative costs relating to centers of excellence applications is appropriated from the funds transferred by the Office of Management and Budget from the centers of excellence appropriation from the permanent oil tax trust fund. The department will report to the Budget Section on the funds spent on each center of excellence application considered.

10 Funding is added for costs relating to the provisions of House Bill No. 1462, including the development of a state energy plan. The $25,000 of special funds is from funds to be raised by the department.

11 Funding is added for the Tourism Division to provide a grant to the Lewis and Clark Foundation in Washburn. The Tourism Division may only provide grant funds to the extent the Lewis and Clark Foundation provides $2 of matching funds for each $1 of state grant funds.

A section is added authorizing the Industrial Commission to transfer up to $1 million from the PACE fund to the Development Fund during the 2007-09 biennium. The Senate had appropriated an additional $1 million from the general fund to provide a total general fund appropriation for the Development Fund of $4 million. The conference committee did not change the general fund appropriation included in the House version of $3 million for the Development Fund.

The section added by the House requiring the Trade Office to raise $1 in matching funds for every $2 provided by the state is replaced with a section allowing the department to provide 50 percent of the $1.5 million appropriation for the Trade Office without a matching requirement and the remaining 50 percent with the requirement that the Trade Office provide $1 of matching funds for each $1 provided by the department. The section added by the Senate requiring the department to report to the Budget Section on the status of matching funds raised by the Trade Office is not included.

Sections added by the Senate which were not changed by the conference committee include:

- Housing Finance Agency programs.
- Department of Commerce organizational structure.
- Workforce talent strategy and statewide intelligence coordination strategy.
- Internships.
- Career specialists of the department.
- Internship employment tax credit.
- Agriculture business investment tax credit.
- Business climate initiative study.
- Beginning entrepreneur tax deductions and exemptions.
- Monitoring CCbenefits, Inc., and reporting to the Legislative Council.
- Definition of business incentive.
- Business incentive expenditure report pilot project.

- Legislative Council studies of housing needs, wireless service providers, higher education promise grants, and Workforce System Initiative.

Sections added by the Senate and removed by the conference committee include:

- Visitor information centers of the Tourism Division.
- Image information program.

Sections added by the Senate and changed by the conference committee include:

- Centers of excellence.
- Research and experimental expenditures tax credit.
- Research and development tax credit.
- Seed capital investment tax credit.
- Tax expenditure report pilot project.
- Workforce recruitment tax deductions and credits.
- Legislative Council study of the Department of Commerce.

Sections added by the conference committee relate to:

- Renaissance zone conference.
- Workforce development talent strategy.
- Taxable valuation of wind turbine generators.
- Angel fund investment tax credit.
- Naming the missile silo historic site.

Engrossed HB 1018 was placed on the Seventh order of business on the calendar.

CONSIDERATION OF CONFERENCE COMMITTEE REPORT

SEN. GRINDBERG MOVED that the conference committee report on Engrossed HB 1018 be adopted, which motion prevailed on a voice vote.

Engrossed HB 1018, as amended, was placed on the Fourteenth order.

SECOND READING OF HOUSE BILL

HB 1018: A BILL for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide an appropriation to the department of career and technical education; to provide an appropriation to the office of management and budget; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide for a contingent loan from the Bank of North Dakota; to provide a contingent appropriation to the secretary of state; to provide a continuing appropriation; to provide for reports to the sixty-first legislative assembly; to provide for reports to the legislative council; to provide for legislative council studies; to provide exemptions; to create and enact a new section to chapter 15-20.1, four new sections to chapter 54-60, a new section to chapter 55-10, a new section to chapter 57-38, a new subdivision to subsection 1 of section 57-38-01.2, and sections 57-38-01.24 and 57-38-01.25 of the North Dakota Century Code, relating to a program to provide grants for innovation, department of commerce division of workforce development programs and duties, naming the missile silo historic site, angel fund investments, tax credits for internships, tax exemptions for workforce recruitment, tax credits for research and experimental expenditures, and to create a beginning again North Dakota pilot program; to amend and reenact sections 15-69-02, 15-69-03, 15-69-04, and 15-69-05,

Prepared for HB 1018 Conference Committee
April 20, 2007

HB 1018

Section 40 – Credit for Research & Experimental Expenditures

Current Statutory Provisions for the Credit (NDCC 57-38-30.5):

- Available to Corporations and Members in Pass-thru Entities (HB 1412)
- Credit is computed as:
  - 8% of the first $ 1.5 Million of qualified expenses, plus
  - 4% of the qualified expense in excess of $ 1.5 Million
- Credit may not exceed the tax liability
- Unused credit may be carried back 3 years and carried forward 15 years

Provisions Under Engrossed HB 1018:

- Available to Corporations and Individuals (both ND1 & ND2)
- Credit is computed as:
  - 25% of the first $ 100,000 of qualified expenses, plus
  - 20% of the qualified expense in excess of $ 100,000
- Credit may not exceed the tax liability
- Unused credit may be carried back 3 years and carried forward 15 years
- Allows sale of unused credit – lifetime cap of $100,000 in credit may be sold per taxpayer
- Biennial fiscal impact of the increased rate is $8.4 Million in additional credit for taxpayers who are already conducting research in the state

  $ 11.29 Million in credits under the new rates
  2.89 Million in credits under existing law
  $ 8.40 Million Fiscal note (attached)
- The fiscal impact for new businesses cannot be predicted

Goals of HB 1018:

- Attract new businesses to conduct research activity in ND
- Provide a significant incentive to retain those businesses already conducting research activity in ND
- Provide the highest rate in the nation for a research tax credit
- Contain the fiscal impact of the bill to an acceptable amount

Proposed Amendment to Engrossed HB 1018:

- For taxpayers who have not earned a credit for tax years beginning prior to 1/1/2007, the credit is computed as:
  - 25 % of the first $ 100,000 of qualified expenses, plus
  - 20 % of the qualified expense in excess of $ 100,000

- For taxpayers who have earned a credit in tax years beginning prior to 1/1/2007, the credit is computed as:
  - The first tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 8 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per tax year
  - The second tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 12 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per tax year
  - The third tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 16 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per tax year
  - The fourth tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 20 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per tax year

- Taxpayers certified as qualified research and development companies by the Department of Commerce may assign/sale up to a lifetime total of $100,000 unused credit. A qualified research and development company:
  - Is a primary sector business
  - Has less than $750,000 in annual gross revenues
  - Has not previously conducted research and development in ND

- Fiscal impact of the increased rate is $2.2 Million in additional credit for taxpayers who are already conducting research in the state

  $ 5.75 Million in credits under the new rates
  2.89 Million in credits under existing law
  $ 2.86 Million Fiscal note (attached)

- The fiscal impact for new businesses cannot be predicted

If research expenditures in ND stay at the levels expended in 2003 and 2004, it is estimated that the fiscal impact for tax years 2007 through 2010 will range from $6.65 Million to $8.18 Million.

Fiscal Note Analysis of R&D Credit Provision

Provisions
1. Change rate from 8% / 4% to 25% / 8% in first year
2. Change rate to 25% /12% in second year
3. Limit credit to $2 M per taxpayer per tax year

	Credit Claimed Under Existing Law			Credit Claimed Under Proposal	
		Tax Form Year		Tax Form Year	
		2004	2003	2004	2003
1		$30,221	$0	$58,331	$0
2		$181,117	$185,883	$376,351	$268,766
3		$28,527	$0	$55,790	$0
4		$165,159	$162,494	$328,477	$221,989
5		$69,004	$87,745	$116,506	$104,745
6		$11,472	$17,256	$30,208	$34,256
7		$0	$0	$0	$0
8		$0	$2,269	$0	$7,091
9		$576,138	$1,035,300	$1,561,414	$1,967,600
10		$34,021	$48,594	$64,032	$65,594
11		$0	$0	$0	$0
12		$50,589	$29,537	$88,884	$46,537
13		$0	$5,905	$0	$18,453
14		$154,607	$0	$296,821	$0
15		$244	$285	$764	$891
16		$17,758	$0	$39,637	$0
Totals		**$1,318,857**	**$1,575,268**	**$3,017,215**	**$2,735,922**
	Count	12	10	% Increase 229%	174%

	2004	2003	Total
Total Credits For Year - Bill	$3,017,215	$2,735,922	$5,753,137
Less: Amount Under Current Law	($1,318,857)	($1,575,268)	($2,894,125)
Impact of Bill	**$1,698,358**	**$1,160,654**	**$2,859,012**

Impact on 2003 and 2004 Together	**$2,859,012**

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. These would only increase the fiscal impact.

Breakdown of Fiscal Impact by Provision and Taxpayer

	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1	$28,110	$28,110	$0
2	$278,117	$195,234	$82,883
3	$27,263	$27,263	$0
4	$222,813	$163,318	$59,495
5	$64,502	$47,502	$17,000
6	$35,736	$18,736	$17,000
7	$0	$0	$0
8	$4,822	$0	$4,822
9	$1,917,576	$985,276	$932,300
10	$47,011	$30,011	$17,000
11	$0	$0	$0
12	$55,295	$38,295	$17,000
13	$12,548	$0	$12,548
14	$142,214	$142,214	$0
	$1,126	$520	$606
	$21,879	$21,879	$0
Totals	**$2,209,947**	**$1,698,358**	**$1,160,654**

Prepared for HB 1018 Conference Committee
April 21, 2007

HB 1018

Section 40 – Credit for Research & Experimental Expenditures

Current Statutory Provisions for the Credit (NDCC 57-38-30.5):

- Available to Corporations and Members in Pass-thru Entities (HB 1412)
- Credit is computed as:
  - 8% of the first $ 1.5 Million of qualified expenses, plus
  - 4% of the qualified expense in excess of $ 1.5 Million
- Credit may not exceed the tax liability
- Unused credit may be carried back 3 years and carried forward 15 years

Provisions Under Engrossed HB 1018:

- Available to Corporations and Individuals (both ND1 & ND2)
- Credit is computed as:
  - 25% of the first $ 100,000 of qualified expenses, plus
  - 20% of the qualified expense in excess of $ 100,000
- Credit may not exceed the tax liability
- Unused credit may be carried back 3 years and carried forward 15 years
- Allows sale of unused credit – lifetime cap of $100,000 in credit may be sold per taxpayer
- Biennial fiscal impact of the increased rate is $8.4 Million in additional credit for taxpayers who are already conducting research in the state

  $ 11.29 Million in credits under the new rates
  2.89 Million in credits under existing law
  $ 8.40 Million Fiscal note (attached)
- The fiscal impact for new businesses cannot be predicted

Goals of HB 1018:

- Attract new businesses to conduct research activity in ND
- Provide a significant incentive to retain those businesses already conducting research activity in ND
- Provide the highest rate in the nation for a research tax credit
- Contain the fiscal impact of the bill to an acceptable amount

April 21, 2007 Proposed Amendment to Engrossed HB 1018:

- For taxpayers who have not earned a credit for tax years beginning prior to 1/1/2007, and who conduct qualified research in ND in any of the first four tax years beginning after 12/31/2006, the credit is computed as:
  - 25 % of the first $ 100,000 of qualified expenses, plus
  - 20 % of the qualified expenses in excess of $ 100,000
- The 25 %/ 20% rates apply for the first ten tax years beginning after 12/31/2006.
- In the 11th tax year beginning after 12/31/2006, and all succeeding tax years that the taxpayer conducts qualified research in ND, the credit is computed as:
  - 25 % of the first $ 100,000 of qualified expenses, plus
  - 8 % of the qualified expense in excess of $ 100,000

- For taxpayers who have not earned a credit for tax years beginning prior to 1/1/2007, and who conduct qualified research in ND starting in a tax year later than the first four tax years beginning after 12/31/2006, the credit is computed as:
  - 25 % of the first $ 100,000 of qualified expenses, plus
  - 8 % of the qualified expense in excess of $ 100,000

- For taxpayers who have earned a credit in tax years beginning prior to 1/1/2007, the credit is computed as:
  - The first tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 7.5 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per taxpayer, per tax year
  - The second tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 11 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per taxpayer, per tax year
  - The third tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 14.5 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per taxpayer, per tax year
  - The fourth through tenth tax years beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 18 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per taxpayer, per tax year
  - The eleventh tax year beginning after 12/31/2006
    - 25 % of the first $ 100,000 of qualified expenses, plus
    - 8 % of the qualified expense in excess of $ 100,000
    - Up to a maximum credit of $ 2 Million per taxpayer, per tax year

- Taxpayers certified as qualified research and development companies by the Department of Commerce may assign/sale up to a lifetime total of $100,000 unused credit. A qualified research and development company:
    - Is a primary sector business
    - Has less than $750,000 in annual gross revenues
    - Has not previously conducted research and development in ND

- Fiscal impact of the increased rate is $2.47 Million in additional credit for taxpayers who are already conducting research in the state

    $ 5.36 Million in credits under the new rates
    2.89 Million in credits under existing law
    $ 2.47 Million Fiscal note (attached)

- The fiscal impact for new businesses cannot be predicted

If research expenditures in ND stay at the levels expended in 2003 and 2004, it is estimated that the fiscal impact for tax years 2007 through 2010 will range from $6.08 Million to $7.48 Million.

Fiscal Note Analysis of R&D Credit Provision

Prepared 4/21/2007

Provisions
1. Change rate from 8% / 4% to 25% / 7.5% in first year
2. Change rate to 25% /11% in second year
3. Limit credit to $2 M per taxpayer per tax year

Credit Claimed Under Existing Law

	Tax Form Year 2004	2003
1	$30,221	$0
2	$181,117	$185,883
3	$28,527	$0
4	$165,159	$162,494
5	$69,004	$87,745
6	$11,472	$17,256
7	$0	$0
8	$0	$2,269
9	$576,138	$1,035,300
10	$34,021	$48,594
11	$0	$0
12	$50,589	$29,537
13	$0	$5,905
14	$154,607	$0
15	$244	$285
16	$17,758	$0
Totals	**$1,318,857**	**$1,575,268**
Count	12	10

Credit Claimed Under Proposal

	Tax Form Year 2004	2003
	$55,553	$0
	$347,072	$253,531
	$53,224	$0
	$303,187	$209,677
	$108,881	$99,761
	$29,774	$33,677
	$0	$0
	$0	$7,091
	$1,433,380	$1,846,188
	$60,779	$63,057
	$0	$0
	$83,560	$45,191
	$0	$18,453
	$274,169	$0
	$764	$891
	$38,417	$0
	$2,788,760	**$2,577,517**
% Increase	211%	164%

	2004	2003	Total
Total Credits For Year - Bill	$2,788,760	$2,577,517	$5,366,277
Less: Amount Under Current Law	($1,318,857)	($1,575,268)	($2,894,125)
Impact of Bill	**$1,469,903**	**$1,002,249**	**$2,472,152**

Impact on 2003 and 2004 Together **$2,472,152**

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. These would only increase the fiscal impact.

Breakdown of Fiscal Impact by Provision and Taxpayer

	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1	$25,332	$25,332	$0
2	$233,603	$165,955	$67,648
3	$24,697	$24,697	$0
4	$185,211	$138,028	$47,183
5	$51,893	$39,877	$12,016
6	$34,723	$18,302	$16,421
7	$0	$0	$0
8	$4,822	$0	$4,822
9	$1,668,130	$857,242	$810,888
10	$41,221	$26,758	$14,463
11	$0	$0	$0
12	$48,625	$32,971	$15,654
13	$12,548	$0	$12,548
	$119,562	$119,562	$0
	$1,126	$520	$606
	$20,659	$20,659	$0
Totals	$2,209,947	**$1,469,903**	**$1,002,249**

HB 1018

Section 40 – Credit for Research & Experimental Expenditures

Current Statutory Provisions for the Credit (NDCC 57-38-30.5):

- Available to Corporations and Members in Pass-thru Entities (HB 1412)
- Credit is computed as:
  - 8% of the first $ 1.5 Million of qualified expenses, plus
  - 4% of the qualified expense in excess of $ 1.5 Million
- Credit may not exceed the tax liability
- Unused credit may be carried back 3 years and carried forward 15 years

Provisions Under Engrossed HB 1018:

- Available to Corporations and Individuals (both ND1 & ND2)
- Credit is computed as:
  - 25% of the first $ 100,000 of qualified expenses, plus
  - 20% of the qualified expense in excess of $ 100,000
- Credit may not exceed the tax liability
- Unused credit may be carried back 3 years and carried forward 15 years
- Allows sale of unused credit – lifetime cap of $100,000 in credit may be sold per taxpayer
- Biennial fiscal impact of the increased rate is $8.4 Million in additional credit for taxpayers who are already conducting research in the state

  $ 11.29 Million in credits under the new rates
  2.89 Million in credits under existing law
  $ 8.40 Million Fiscal note (attached)
- The fiscal impact for new businesses cannot be predicted

Goals of HB 1018:

- Attract new businesses to conduct research activity in ND
- Provide a significant incentive to retain those businesses already conducting research activity in ND
- Provide the highest rate in the nation for a research tax credit
- Contain the fiscal impact of the bill to an acceptable amount

1018 4.19.07 A

Proposed Amendment to Engrossed HB 1018:

- For taxpayers who have earned a credit in tax years beginning prior to 1/1/2007, the credit is computed as:
  - 25% of the first $ 100,000 of qualified expenses, plus
  - 8% of the qualified expense in excess of $ 100,000

  NOTE: The change to the second rate doubles what existing companies conducting research will receive over the current rate. It is this second rate which generates the greatest share of the research credit.

- For taxpayers who have not earned a credit for tax years beginning prior to 1/1/2007, the credit is computed as:
  - Year 1 of ND research activity
    - 25% of the first $ 100,000 of qualified expenses, plus
    - 20 % of the qualified expense in excess of $ 100,000
  - Year 2 of ND research activity
    - 25% of the first $ 100,000 of qualified expenses, plus
    - 20 % of the qualified expense in excess of $ 100,000
  - Year 3 of ND research activity
    - 25% of the first $ 100,000 of qualified expenses, plus
    - 16 % of the qualified expense in excess of $ 100,000
  - Year 4 of ND research activity
    - 25% of the first $ 100,000 of qualified expenses, plus
    - 12 % of the qualified expense in excess of $ 100,000
  - All years after year 4 of ND research activity
    - 25% of the first $ 100,000 of qualified expenses, plus
    - 8 % of the qualified expense in excess of $ 100,000

  NOTE: For new, small start-up entities it is the first rate that will generate the greatest *share of the research credit.*

- No assignment/sale of unused credit.

- Fiscal impact of the increased rate is $2.2 Million in additional credit for taxpayers who are already conducting research in the state

  $ 5.10 Million in credits under the new rates
  2.89 Million in credits under existing law
  $ 2.21 Million Fiscal note (attached)

- The fiscal impact for new businesses cannot be predicted
- This amendment accomplishes the goals for HB 1018 with the least amount of administrative burden for both taxpayers and state agencies (Tax and Commerce Departments).
- This amendment achieves the goal of having the highest rate for all taxpayers conducting research activity.

Fiscal Note Analysis of R&D Credit Provision

Provisions
1. Change rate from 8% / 4% to 25% / 8%

[redacted]

Credit Claimed Under Existing Law

		Tax Form Year 2004	2003
1		$30,221	$0
2		$181,117	$185,883
3		$28,527	$0
4		$165,159	$162,494
5		$69,004	$87,745
6		$11,472	$17,256
7		$0	$0
8		$0	$2,269
9		$576,138	$1,035,300
10		$34,021	$48,594
11		$0	$0
12		$50,589	$29,537
13		$0	$5,905
14		$154,607	$0
15		$244	$285
16		$17,758	$0
Totals		**$1,318,857**	**$1,575,268**
	Count	12	10

[redacted]

Credit Claimed Under Proposal

	Tax Form Year 2004	2003
	$94,440	$0
	$259,234	$268,766
	$89,147	$0
	$227,318	$221,989
	$86,004	$104,745
	$35,850	$34,256
	$0	$0
	$0	$7,091
	$1,049,276	$1,967,600
	$106,317	$65,594
	$0	$0
	$158,092	$46,537
	$0	$18,453
	$206,214	$0
	$764	$891
	$55,494	$0
	$2,368,150	**$2,735,922**
% Increase	180%	174%

	2004	2003	Total
Total Credits For Year - Bill	$2,368,150	$2,735,922	$5,104,072
Less: Amount Under Current Law	($1,318,857)	($1,575,268)	($2,894,125)
Impact of Bill	**$1,049,293**	**$1,160,654**	**$2,209,947**

Impact on 2003 and 2004 Together **$2,209,947**

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. These would only increase the fiscal impact.

[redacted]

Breakdown of Fiscal Impact by Provision and Taxpayer

	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1	$64,219	$64,219	$0
2	$161,000	$78,117	$82,883
3	$60,620	$60,620	$0
4	$121,654	$62,159	$59,495
5	$34,000	$17,000	$17,000
6	$41,378	$24,378	$17,000
7	$0	$0	$0
8	$4,822	$0	$4,822
9	$1,405,438	$473,138	$932,300
10	$89,296	$72,296	$17,000
11	$0	$0	$0
12	$124,503	$107,503	$17,000
13	$12,548	$0	$12,548
[redacted]	$51,607	$51,607	$0
	$1,126	$520	$606
	$37,736	$37,736	$0
Totals	**$2,209,947**	**$1,049,293**	**$1,160,654**

Fiscal Note Analysis of R&D Credit Provision - HB 1027

Provisions
1. Change rate from 8% / 4% to 25% / 20%
2. Allow for assignment of up to $100,000 of unused credit
3. Cap credit at $2,000,000 per taxpayer per year

		Credit Claimed Under Existing Law			Credit Claimed Under HB 1027	
	Taxpayer Name	Tax Form Year 2004	2003		Tax Form Year 2004	2003
1		$30,221	$0		$75,602	$0
2		$181,117	$185,883		$605,635	$629,465
3		$28,527	$0		$71,367	$0
4		$165,159	$162,494		$525,845	$512,522
5		$69,004	$87,745		$172,560	$219,412
6		$11,472	$17,256		$28,730	$43,190
7		$0	$0		$0	$0
8		$0	$2,269		$0	$5,722
9		$576,138	$1,035,300		$2,000,000	$2,000,000
10		$34,021	$48,594		$85,103	$121,535
11		$0	$0		$0	$0
12		$50,589	$29,537		$126,523	$73,892
13		$0	$5,905		$0	$14,812
14		$154,607	$0		$473,085	$0
15		$244	$285		$661	$763
16		$17,758	$0		$44,445	$0
	Totals	**$1,318,857**	**$1,575,268**		**$4,209,556**	**$3,621,313**
	Count	12	10	% Increase	319%	230%

Total Credits For Year - Bill	$4,209,556	$3,621,313
Less: Amount Under Current Law	($1,318,857)	($1,575,268)
Impact of Bill	**$2,890,699**	**$2,046,045**

Impact on 2003 and 2004 Together **$4,936,744**

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. These would only increase the fiscal impact.

Breakdown of Fiscal Impact by Provision and Taxpayer

	Name	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1		$45,381	$45,381	$0
2		$868,100	$424,518	$443,582
3		$42,840	$42,840	$0
4		$710,714	$360,686	$350,028
5		$235,223	$103,556	$131,667
6		$43,192	$17,258	$25,934
7		$0	$0	$0
8		$3,453	$0	$3,453
9		$2,388,562	$1,423,862	$964,700
10		$124,023	$51,082	$72,941
11		$0	$0	$0
12		$120,289	$75,934	$44,355
13		$8,907	$0	$8,907
		$318,478	$318,478	$0
		$895	$417	$478
		$26,687	$26,687	$0
	Totals	**$4,936,744**	**$2,890,699**	**$2,046,045**

Fiscal Note Analysis of R&D Credit Provision - HB 1027

Provisions

1. Change rate from 8% / 4% to 25% / 15%
2. Allow for assignment of up to $100,000 of unused credit

	Taxpayer Name	Credit Claimed Under Existing Law: Tax Form Year 2004	2003	Comparison only 2002	Credit Claimed Under HB 1027: Tax Form Year 2004	2003	Comparison only 2002
1		$30,221	$0	$20,821	$56,764	$0	$52,102
2		$181,117	$185,883	$252,605	$454,289	$472,161	$962,575
3		$28,527	$0	$0	$53,588	$0	$0
4		$165,159	$162,494	$149,556	$394,446	$384,454	$525,479
5		$69,004	$87,745	$77,609	$129,483	$164,622	$104,072
6		$11,472	$17,256	$1,963	$21,610	$32,455	$4,958
7		$0	$0	$62,525	$0	$0	$131,363
8		$0	$2,269	$5,194	$0	$4,354	$13,035
9		$576,138	$1,035,300	$1,467,165	$1,935,618	$3,657,476	$7,036,877
10		$34,021	$48,594	$0	$63,890	$91,213	$0
11		$0	$0	$5,837	$0	$0	$14,643
12		$50,589	$29,537	$46,250	$94,955	$55,482	$115,675
13		$0	$5,905	$8,221	$0	$11,172	$21,678
14		$154,607	$0	$170,798	$354,876	$0	$554,042
15		$244	$285	$0	$558	$634	$0
16		$17,758	$0	$10,171	$33,396	$0	$25,479
	Totals	**$1,318,857**	**$1,575,268**	$2,268,615	**$3,593,473**	**$4,874,023**	$9,650,878
	Count	12	10	13	% Increase	272%	309%	425%

Total Credits For Year - Bill	$3,593,473	$4,874,023
Less: Amount Under Current Law	($1,318,857)	($1,575,268)
Impact of Bill	**$2,274,616**	**$3,298,755**

Impact on 2003 and 2004 Together **$5,573,371**

With a $2 Million cap, the impact would be $3,915,895

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. These would only increase the fiscal impact.

Breakdown of Fiscal Impact by Provision and Taxpayer

	Name	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1		$26,543	$26,543	$0
2		$559,450	$273,172	$286,278
3		$25,061	$25,061	$0
4		$451,247	$229,287	$221,960
5		$137,356	$60,479	$76,877
6		$25,337	$10,138	$15,199
7		$0	$0	$0
8		$2,085	$0	$2,085
9		$3,981,656	$1,359,480	$2,622,176
10		$72,488	$29,869	$42,619
11		$0	$0	$0
12		$70,311	$44,366	$25,945
13		$5,267	$0	$5,267
14		$200,269	$200,269	$0
		$663	$314	$349
		$15,638	$15,638	$0
	Totals	**$5,573,371**	**$2,274,616**	**$3,298,755**

Fiscal Note Analysis of R&D Credit Provision - HB 1027

Provisions
1. Change rate from 8% / 4% to 25% / 12.5%
2. Allow for assignment of up to $100,000 of unused credit

		Credit Claimed Under Existing Law				Credit Claimed Under HB 1027		
	Taxpayer Name	Tax Form Year 2004	2003	Comparison only 2002		2004	2003	Comparison only 2002
1		$30,221	$0	$20,821		$47,345	$0	$52,102
2		$181,117	$185,883	$252,505		$378,616	$393,509	$962,575
3		$28,527	$0	$0		$44,698	$0	$0
4		$165,159	$162,494	$149,556		$328,747	$320,420	$525,479
5		$69,004	$87,745	$77,609		$107,944	$137,227	$194,072
6		$11,472	$17,256	$14,963		$18,050	$27,087	$4,956
7		$0	$0	$52,525		$0	$0	$131,363
8		$0	$2,269	$5,194		$0	$3,670	$13,035
9		$576,138	$1,035,300	$1,467,105		$1,613,056	$3,047,938	$2,035,877
10		$34,021	$48,594	$0		$53,283	$76,053	$0
11		$0	$0	$5,837		$0	$0	$14,643
12		$50,589	$29,537	$46,250		$79,171	$46,276	$115,675
13		$0	$5,905	$8,221		$0	$9,352	$21,578
14		$154,607	$0	$170,798		$295,772	$0	$554,042
15		$244	$285	$0		$507	$570	$0
16		$17,758	$0	$10,170		$27,872	$0	$26,479
	Totals	**$1,318,857**	**$1,575,268**	$2,298,615		**$2,995,061**	**$4,062,102**	$9,650,878
	Count	12	10	13	% Increase	227%	258%	425%

Total Credits For Year - Bill	$2,995,061	$4,062,102
Less: Amount Under Current Law	($1,318,857)	($1,575,268)
Impact of Bill	**$1,676,204**	**$2,486,834**

Impact on 2003 and 2004 Together **$4,163,038**

With a $2 Million cap, the impact would be $3,115,100.

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. These would only increase the fiscal impact.

Breakdown of Fiscal Impact by Provision and Taxpayer

	Name	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1		$17,124	$17,124	$0
2		$405,125	$197,499	$207,626
3		$16,171	$16,171	$0
4		$321,514	$163,588	$157,926
5		$88,422	$38,940	$49,482
6		$16,409	$6,578	$9,831
7		$0	$0	$0
8		$1,401	$0	$1,401
9		$3,049,556	$1,036,918	$2,012,638
10		$46,721	$19,262	$27,459
11		$0	$0	$0
12		$45,321	$28,582	$16,739
13		$3,447	$0	$3,447
14		$141,165	$141,165	$0
		$548	$263	$285
	Totals	$10,114	$10,114	$0
		$4,163,038	**$1,676,204**	**$2,486,834**

Fiscal Note Analysis of R&D Credit Provision - HB 1027

Provisions
1. Change rate from 8% / 4% to 25% / 10%
2. Allow for assignment of up to $100,000 of unused credit

	Taxpayer Name	Credit Claimed Under Existing Law: Tax Form Year 2004	2003	Comparison only 2002	Credit Claimed Under HB 1027: Tax Form Year 2004	2003	Comparison only 2002
1		$30,221	$0	$20,821	$37,926	$0	$52,102
2		$181,117	$185,883	$252,505	$302,943	$314,858	$962,575
3		$28,527	$0	$0	$35,809	$0	$0
4		$165,159	$162,494	$149,556	$263,048	$256,386	$526,479
5		$69,004	$87,745	$71,609	$86,405	$109,831	$194,072
6		$11,472	$17,256	$1,963	$14,490	$21,720	$4,956
7		$0	$0	$52,525	$0	$0	$131,363
8		$0	$2,269	$5,194	$0	$2,986	$13,035
9		$576,138	$1,035,300	$1,467,165	$1,290,495	$2,438,400	$7,035,877
10		$34,021	$48,594	$0	$42,677	$60,892	$0
11		$0	$0	$5,837	$0	$0	$14,043
12		$50,589	$29,537	$46,250	$63,387	$37,071	$115,675
13		$0	$5,905	$8,221	$0	$7,531	$21,978
14		$154,607	$0	$170,798	$236,668	$0	$594,042
15		$244	$285	$0	$456	$506	$0
16		$17,758	$0	$10,174	$22,348	$0	$25,079
	Totals	**$1,318,857**	**$1,575,268**	$2,266,613	**$2,396,652**	**$3,250,181**	$9,650,878
	Count	12	10	13	% Increase 182%	206%	425%

Total Credits For Year - Bill	$2,396,652	$3,250,181
Less: Amount Under Current Law	($1,318,857)	($1,575,268)
Impact of Bill	**$1,077,795**	**$1,674,913**

Impact on 2003 and 2004 Together **$2,752,708**

With a $ 2 Million cap, the impact would be $2,314,308

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. These would only increase the fiscal impact.

Breakdown of Fiscal Impact by Provision and Taxpayer

	Name	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1		$7,705	$7,705	$0
2		$250,801	$121,826	$128,975
3		$7,282	$7,282	$0
4		$191,781	$97,889	$93,892
5		$39,487	$17,401	$22,086
6		$7,482	$3,018	$4,464
7		$0	$0	$0
8		$717	$0	$717
9		$2,117,457	$714,357	$1,403,100
10		$20,954	$8,656	$12,298
11		$0	$0	$0
12		$20,332	$12,798	$7,534
13		$1,626	$0	$1,626
14		$82,061	$82,061	$0
		$433	$212	$221
		$4,590	$4,590	$0
	Totals	**$2,752,708**	**$1,077,795**	**$1,674,913**

Fiscal Note Analysis of R&D Credit Provision - HB 1027

Provisions
1. Change rate from 8% / 4% to 25% / 20%

[redacted]

	Taxpayer Name	Credit Claimed Under Existing Law: Tax Form Year 2004	2003	[redacted]	Credit Claimed Under HB 1027: Tax Form Year 2004	2003
1		$30,221	$0		$75,602	$0
2		$181,117	$185,883		$605,635	$629,465
3		$28,527	$0		$71,367	$0
4		$165,159	$162,494		$525,845	$512,522
5		$69,004	$87,745		$172,560	$219,412
6		$11,472	$17,256		$28,730	$43,190
7		$0	$0		$0	$0
8		$0	$2,269		$0	$5,722
9		$576,138	$1,035,300		$2,580,740	$4,876,551
10		$34,021	$48,594		$85,103	$121,535
11		$0	$0		$0	$0
12		$50,589	$29,537		$126,523	$73,892
13		$0	$5,905		$0	$14,812
14		$154,607	$0		$473,085	$0
15		$244	$285		$661	$763
16		$17,758	$0		$44,445	$0
	Totals	**$1,318,857**	**$1,575,268**		**$4,790,296**	**$6,497,864**
	Count	12	10	% Increase	363%	412%

Total Credits For Year - Bill	$4,790,296	$6,497,864	$11,288,160
Less: Amount Under Current Law	($1,318,857)	($1,575,268)	($2,894,125)
Impact of Bill	**$3,471,439**	**$4,922,596**	**$8,394,035**

Impact on 2003 and 2004 Together **$8,394,035**

Note 1: Where underlined, the computation detail was not available. Assumed minimum increase possible. Full detail would only increase the fiscal impact.
Note 2: The analysis compares current year credit only, without any consideration given to profit or loss situation of taxpayer.
Note 3: It is possible more companies may have a credit but had no tax due in which to offset, so a credit was not actually claimed. However, we estimate these to not be significant. These would only increase the fiscal impact.

[redacted]

Breakdown of Fiscal Impact by Provision and Taxpayer

	Name	Two-Year T/P Totals	2004 Rate Change	2003 Rate Change
1	[redacted]	$45,381	$45,381	$0
2		$868,100	$424,518	$443,582
3		$42,840	$42,840	$0
4		$710,714	$360,686	$350,028
5		$235,223	$103,556	$131,667
6		$43,192	$17,258	$25,934
7		$0	$0	$0
8		$3,453	$0	$3,453
9		$5,845,853	$2,004,602	$3,841,251
10		$124,023	$51,082	$72,941
11		$0	$0	$0
12		$120,289	$75,934	$44,355
13		$8,907	$0	$8,907
14		$318,478	$318,478	$0
15		$895	$417	$478
		$26,687	$26,687	$0
	Totals	**$8,394,035**	**$3,471,439**	**$4,922,596**

Summary of

Interim Economic Development Committee Legislation

(with Section numbers for Second Engrossment of House Bill 1027
http://www.legis.nd.gov/assembly/60-2007/bill-text/HAKV0300.pdf)

70179 Business Incentives

Increases the Seed Capital Investment Tax Credit limit from $2.5 million to $5.0 million. (§ 15)

Repeals the Beginning Entrepreneur Income Tax Deduction. (§ 18)

Establishes a pilot project that the Department of Commerce, with the cooperation of the Tax Department, creates a biennial tax expenditure report. This report will identify one tax expenditure; describe the state revenue losses and benefits; and analyze the losses and benefits. (§ 21)

Establishes a pilot project that the Department of Commerce creates a biennial business incentive expenditure report. This report will identify one business incentive expenditure; describe the annual state revenue losses and benefits; and analyze the losses and benefits. (§ 22)

Provides for a Legislative Council study during the 2007-08 interim relating to wireless service providers. (§ 24)

70180 Centers of Excellence

Creates a requirement that the program must distinguish among Centers designed to address commercialization, workforce, and infrastructure needs. Funding awards to address workforce needs may not exceed 10% of the appropriation in a biennium and funding awards to address infrastructures needs may also not exceed 10% of the appropriation. (§ 1)

Changes the agency responsible to assist the Centers of Excellence Commission to the Department of Commerce. Also specifically gives Commerce a role in preaward reviews and postaward monitoring. (§ 2)

Establishes that the Commission may provide for independent, expert reviews of complete applications to determine whether the proposed Center is viable and whether the proposed Center is likely to have the desired economic impact. (§ 3)

Establishes a timeline of six to ten years for the postaward monitoring and explicitly states that the Center shall agree to provide the Commission with the necessary information to conduct the postaward monitoring. Allows the Commission to use up to 2.5% of Centers of Excellence funding for administrative expenses including contracting for independent, expert reviews. (§ 4)

70182 Innovation

Expands the Research and Development Tax Credit. This tax credit is increased to 25% for the first $100,000 in qualified research expenses and 20% for more than the $100,000. The changes also allow a taxpayer to sell up to $100,000 of the credit to another taxpayer. (§ 14)

Includes a provision that the Department of Commerce's Target Industries Report must include a study of the cluster industries related to the state's target industries. (§ 20)

70186 Agricultural Business Investment Tax Credit

Expands the Agricultural Business Investment Tax Credit to include livestock feeding, handling, milking, or holding operation that uses a byproduct from a biofuels production facility. (§ 16)

70189 Business Climate Initiative

Amends the Business Climate Initiative to include a special focus on young professionals. The Business Climate Initiative is a joint effort between the Department of Commerce and the Legislative Council's interim Economic Development Committee to gather input from business leaders and local economic developers from across the state in order to improve North Dakota's business climate. (§ 17)

70191 Career Specialist Program

Establishes a Career Specialist program within the Division of Workforce Development. The Career Specialist program will be done in consultation with the Department of Career and Technical Education, Job Service, and the Department of Public Instruction to provide a career specialist to each of the Joint Powers Agreements and will focus on promoting career opportunities available in the state in the target industries. (§ 11)

70193 Division of Workforce Development

Expands the duties of the Division of Workforce Development to include development and implementation of the state's talent strategy and a statewide intelligence coordination strategy. (§ 9)

Expands the duties of the Division of Workforce Development to include the administration of a higher education internship program. (§ 11)

70194 Visitor Information Centers and Expansion of KnewView

Adds a provision to statute saying the Division of Tourism may develop and implement a visitor information center assistance program. (§ 7)

Expands the image information program (KnewView) to include the private sector. (§ 10)

70200 Internship Tax Credits

Creates a tax credit for compensation paid to a college intern employed by the taxpayer in the amount of 10% of the stipend or salary paid to the college intern. There is a lifetime cap of $3,000 per employer. (§ 12)

70208 Housing Needs

Adds flexibility to the Mortgage Loan Financing Program to allow loan guarantees and provide assistance in the development of housing. (§ 5)

Legislative Council study of the state's housing needs and how unmet housing needs may affect economic development in the state. (§ 23)

70221 Higher Education

The International Business and Trade Office shall work with the State Board of Higher Education to implement strategies to expand international business expertise of students of higher education. (§ 6)

Requires a report to the Legislative Council on CCBenefits, a software program that assists community colleges to forecast trends in workforce needs. (§ 19)

Prepared by the North Dakota Legislative Council staff for Senator Grindberg
April 2007

CENTERS OF EXCELLENCE - BILL SUMMARIES AND COMPARISONS

The following table summarizes and provides a comparison of the provisions amending North Dakota Century Code (NDCC) Chapter 15-69, the law relating to centers of excellence, as found in House Bill No. 1027, Engrossed House Bill No. 1027, Engrossed House Bill No. 1018 with Senate amendments, and Engrossed Senate Bill No. 2015 with House amendments:

	House Bill No. 1027 [70241.0100]	Engrossed House Bill No. 1027 [70241.0200]	Engrossed House Bill No. 1018 With Senate Amendments [78018.0300]	Engrossed Senate Bill No. 2015 With House Amendments [78039.0300]
NDCC Section 15-69-02	Centers of excellence program must distinguish among center designations for awards designated to address commercialization, workforce, and infrastructure needs. Commission funding awards to address workforce needs may not exceed 10 percent of the funds appropriated for the biennium for funding centers. Commission funding awards to address infrastructure needs may not exceed 10 percent of the funds appropriated for the biennium for funding centers.	NDCC Section 15-69-02 is not amended in this bill.	Centers of excellence program must distinguish among center designations for awards designated to address commercialization and infrastructure needs. Workforce may not be the primary need addressed by a center.	Centers of excellence program must distinguish among center designations for awards designated to address commercialization, workforce, and infrastructure needs. Commission funding awards to address workforce needs may not exceed $2 million per biennium. Commission funding awards to address infrastructure needs may not exceed $2 million per biennium. Buildings that are essential to attracting private investment may not be considered infrastructure. Provides a procedure by which the Budget Section may refer the center award recommendation back to the commission with Budget Section recommended modifications. Board rules regarding intellectual property and the terms of a center's private and public partnership must provide that at least 4 percent of the revenues derived from intellectual property developed by the private sector or public center partner must be deposited in the state general fund.

	House Bill No. 1027 [70241.0100]	Engrossed House Bill No. 1027 [70241.0200]	Engrossed House Bill No. 1018 With Senate Amendments [78018.0300]	Engrossed Senate Bill No. 2015 With House Amendments [78039.0300]
NDCC Section 15-69-03	Department of Commerce shall provide the commission with appropriate staff services as requested by the commission.	Department of Commerce shall provide the commission with appropriate staff services as requested by the commission.	Department of Commerce shall provide the commission with appropriate staff services as requested by the commission.	Department of Commerce shall provide the commission with appropriate staff services as requested by the commission. Modifies the commission's membership, decreasing by one the members appointed by the foundation, decreasing by one the members appointed by the State Board of Higher Education, and providing for two members who are legislators appointed by the Legislative Council.
NDCC Section 15-69-04	The commission shall provide for an independent, expert review of all completed applications. The commission may contract with a third party to conduct this review. The commission shall conduct postaward monitoring of centers. The commission shall require that an applicant conduct due diligence in putting together a viable proposal. Department of Commerce shall assist commission with preaward reviews and postaward monitoring as requested by the commission.	The commission may provide for an independent, expert review of completed applications. The commission may contract with a third party to conduct this review. The commission shall conduct postaward monitoring of centers. The commission shall require that an applicant conduct due diligence in putting together a viable proposal. Department of Commerce shall assist commission with preaward reviews and postaward monitoring as requested by the commission.	The commission may provide for an independent, expert review of completed applications. The commission may contract with a third party to conduct this review. The commission shall conduct postaward monitoring of centers. The commission shall require that an applicant conduct due diligence in putting together a viable proposal. Department of Commerce shall assist commission with preaward reviews and postaward monitoring as requested by the commission.	The commission may provide for an independent, expert review of completed applications. The commission may contract with a third party to conduct this review. The commission shall conduct postaward monitoring of centers. The commission shall require that an applicant conduct due diligence in putting together a viable proposal. Department of Commerce shall assist commission with preaward reviews and postaward monitoring as requested by the commission.
NDCC Section 15-69-05	If a center's primary use of funds is to enhance infrastructure, the commission must have specifically designated the center as addressing infrastructure needs. As a condition for receipt of funds, a center shall agree to provide the commission with information regarding postaward activities. The commission may not direct distribution of funds if the private sector participants cease to participate.	Commission may use funds appropriated for the centers of excellence program to administer the program, not to exceed 2.5 percent of the biennial appropriation. As a condition for receipt of funds, a center shall agree to provide the commission with information regarding postaward activities.	Commission may use funds appropriated for the centers of excellence program to administer the program, not to exceed 2.5 percent of the biennial appropriation. As a condition for receipt of funds, a center shall agree to provide the commission with information regarding postaward activities.	If a center's primary use of funds is to enhance infrastructure, the commission must have specifically designated the center as addressing infrastructure needs. As a condition for receipt of funds, a center shall agree to provide the commission with information regarding postaward activities. The commission may not direct distribution of funds if the private sector participants cease to participate.

Economic Development Association of North Dakota
Legislative Priorities
March 12, 2007

Economic Development Initiatives

Category A

PACE/ Flex PACE – $8 million (HB 1014)
Biofuels PACE – $4.2 million (HB 1014)
Biofuels PACE statutory language & carryover authority – $800,000 (SB 2180)
North Dakota Development Fund – $3 million (HB 1018)
Centers of Excellence program and flexibility
- Changes to program (HB 1027)
- Funding (possibly HB 1018)

Housing finance agency program to address the appraisal gap (SB 2333)
Tourism marketing – restore Governor's budget recommendation of $8.1 million (HB 1018)

Category B

Research & experimental expenditures tax credit (HB 1027)
Seed capital investment tax credit limit increase (HB 1027)
Agricultural commodity processing facility tax credit expansion (HB 1027)
North Dakota Trade Office funding - $1.4 million (HB 1018)
Renaissance Zone expansion (HB 1225)
Angel fund investment tax credit (SB 2224)

Category C

Image Information Program expanded to private sector (HB 1027)
Visitor Information Centers program (HB 1027)
Mortgage Loan Financing Program changes (HB 1027)
Rural airport economic development fund (HB 1006)
Microbusiness income tax credit (HB 1403)

Workforce Initiatives

Category A

Workforce Training enhancement (HB 1019 and SB 2249)
Workforce 20/20 current funding (HB 1016)
Internship program (Operation Intern)
- Statutory Language (HB 1027)
- Funding (HB 1018)

Career promotion/ career specialist program
- Statutory Language (HB 1027)
- Funding (HB 1018)

Category B

North Dakota Promise (SB 2347)
Longitudinal data system (HB 1021)
Web site spidering program – $600,000 (HB 1016)

Category C

Internship employment tax credit (HB 1027)
Workforce recruitment tax credit (was in HB 1027)
Statewide Talent Strategy (HB 1027)
Statewide Intelligence Strategy (HB 1027)

1018 Senate Fiscal Action

New Dollars
$14,000 Faith Based Initiative
$50,000 Innovate ND
$50,000 Workforce Congress
$200,000 APUC
$400,000 Career Programs

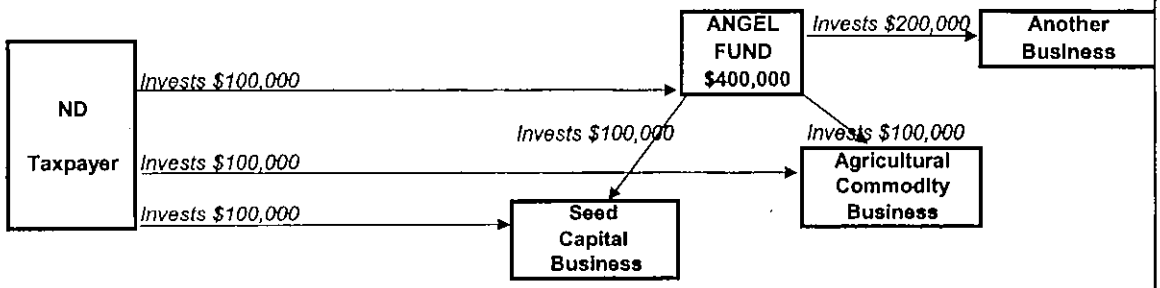
Transfers:
$1,000,000 ND Development Fund (Industrial Commission)
$3,000,000 Tourism (House cut $3.7 million)
$2,023,138 Prairie Public Transfer-OMB
$20,000,000 Centers of Excellence Transfer-OMB

Other:
ND Trade office match requirements
Studies:
- *Commerce Structure
- *Promise Grant
- *Workforce Congress

Investment Tax Credits Under Current Law

Seed Capital Investment Tax Credit (as amended in SB 2224)
Agricultural Business Investment Tax Credit

Assumptions:
The Angel Fund is a passthrough entity.
There are 4 members in the Angel fund, each of whom contribute $100,000 to the fund.
The Angel Fund invests half its funds in a business which does not qualify for investment credits.

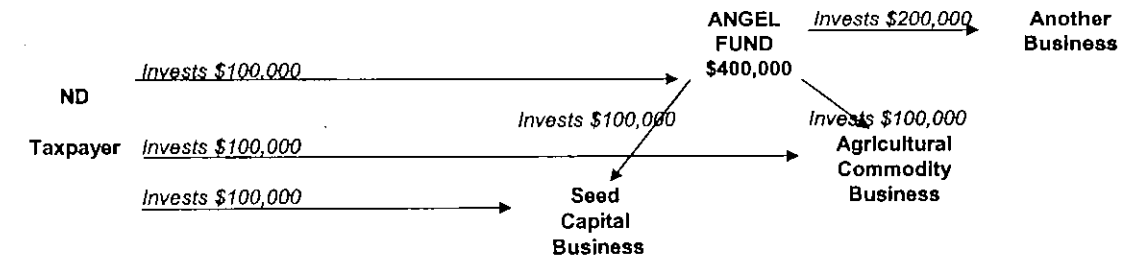


Angel Fund Credits Passed Through to ND Taxpayer:			ND Taxpayer Credits:
Seed Capital Investment Tax Credit ($100,000 X 45%)	$45,000	divided/4 =	$11,250
Agricultural Business Investment Tax Credit ($100,000 X 30%)	$30,000	divided/4 =	$7,500
	$75,000		$18,750
ND Taxpayer Credits for Personal Investments:			
Seed Capital Investment Tax Credit ($100,000 X 45%)			$45,000
Agricultural Business Investment Tax Credit ($100,000 X 30%)			$30,000
			$75,000
Total Credits for ND Taxpayer			$93,750

Investment Tax Credits Under Senator Grindberg's Proposed Amendment to HB 1018

Seed Capital Investment Tax Credit (as amended in SB 2224)
Agricultural Business Investment Tax Credit

Same assumptions.

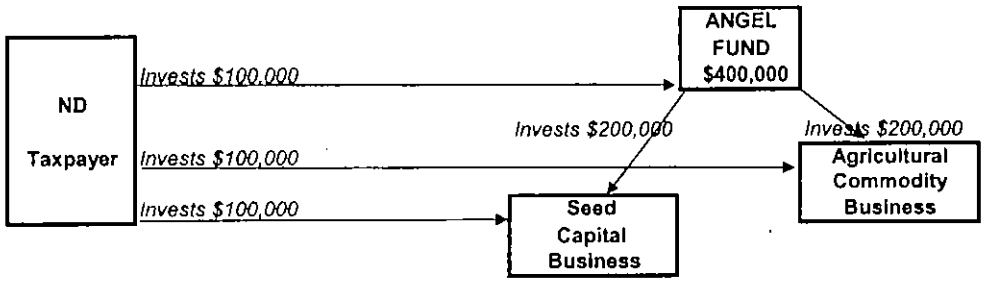


Angel Fund Credits Passed Through to ND Taxpayer:			ND Taxpayer Credits:
Seed Capital Investment Tax Credit ($100,000 X 45%)	$45,000		$0
Agricultural Business Investment Tax Credit ($100,000 X 30%)	$30,000	divided/4 =	$7,500
	$75,000		$7,500
ND Taxpayer Credits for Personal Investments:			
Angel Fund Investment Tax Credit ($100,000 X 45%)			$45,000
Seed Capital Investment Tax Credit ($100,000 X 45%)			$45,000
Agricultural Business Investment Tax Credit ($100,000 X 30%)			$30,000
			$120,000
Total Credits for ND Taxpayer			$127,500

Investment Tax Credits Under Current Law

Seed Capital Investment Tax Credit (as amended in SB 2224)
Agricultural Business Investment Tax Credit

Assumptions:
The Angel Fund is a passthrough entity.
There are 4 members in the Angel fund, each of whom contribute $100,000 to the fund.

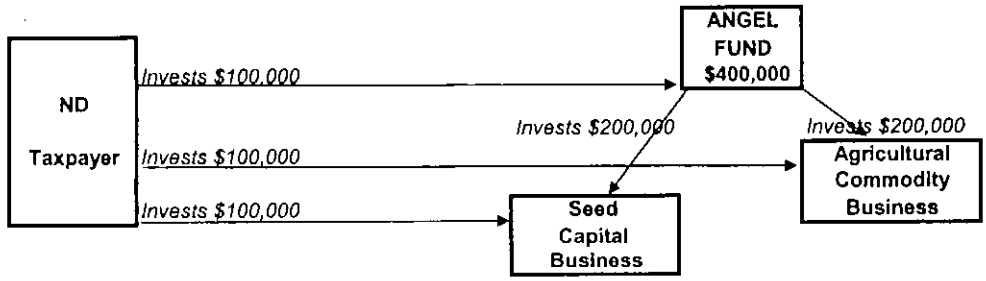


Angel Fund Credits Passed Through to ND Taxpayer:			ND Taxpayer Credits:
Seed Capital Investment Tax Credit ($200,000 X 45%)	$90,000	divided/4 =	$22,500
Agricultural Business Investment Tax Credit ($200,000 X 30%)	$60,000	divided/4 =	$15,000
	$150,000		$37,500
ND Taxpayer Credits for Personal Investments:			
Seed Capital Investment Tax Credit ($100,000 X 45%)			$45,000
Agricultural Business Investment Tax Credit ($100,000 X 30%)			$30,000
			$75,000
Total Credits for ND Taxpayer			$112,500

Investment Tax Credits Under Senator Grindberg's Proposed Amendment to HB 1018

Seed Capital Investment Tax Credit (as amended in SB 2224)
Agricultural Business Investment Tax Credit

Same assumptions.



Angel Fund Credits Passed Through to ND Taxpayer:			ND Taxpayer Credits:
Seed Capital Investment Tax Credit ($200,000 X 45%)	$90,000		$0
Agricultural Business Investment Tax Credit ($200,000 X 30%)	$60,000	divided/4 =	$15,000
	$150,000		$15,000
ND Taxpayer Credits for Personal Investments:			
Angel Fund Investment Tax Credit ($100,000 X 45%)			$45,000
Seed Capital Investment Tax Credit ($100,000 X 45%)			$45,000
Agricultural Business Investment Tax Credit ($100,000 X 30%)			$30,000
			$120,000
Total Credits for ND Taxpayer			$135,000

2007 Legislative Session - New Income Tax Credits, Exemptions and Other Adjustments

Status	Bill No.	New Legislation	Credit/Exemption Amount	Available For Tax Types*	Limitation	Impact Per Fiscal Note
Conf. Committee	HB 1018	Internship Employment	10% Stipend	C, PT, ND1, ND2	$3,000 lifetime	Unknown
		Workforce Recruitment	5% Annual Salary	C, PT, ND1, ND2	None	Unknown
Passed	HB 1403	Microbusiness	20% of New Investment and Employment	C, PT, ND1, ND2	$ 10,000 lifetime Maximum of 200 certified microbusinesses	Unknown NOTE: Potential lifetime total impact - $2M
Passed	SB 2363	Planned Gifts & Endowments by Corporations & Estates (Already available to individuals)	40% of gift amount	C, PT, ND1, ND2	Corporations & Estates-$10,000 per year. Clawback provisions	Unknown
Passed	HB 1091	Contributions to Higher Education Savings Plans Administered by Bank of North Dakota	Exempts contribution from taxable income	ND1, ND2	Up to $5,000 for an individual return & up to $10,000 for a joint return	- $ 100,000
Conf. Committee (Recently amended)	SB 2032	Remove Marriage Penalty	Increases the lowest individual income tax bracket for married filing joint filers to twice the single bracket	ND1	None	-$16.888 M NOTE: This is per SB 2032 House Am. #0650
Passed	HB 1393	Income Tax Exemption for Native Americans	Exempts income earned by individuals who are enrolled members of a federally recognized Indian tribe and reside within a North Dakota reservation, if the income is earned within the boundaries of any North Dakota reservation	ND1, ND2	None	Unknown

* C = corporations
PT = pass through entities (partnerships, sub chapter S, LLC)
ND1 = individual income tax short form
ND2 = individual income tax long form

Prepared 4/17/2007 by Mary Loftsgard, ND Office of State Tax Commissioner

2007 Legislative Session - Expanded Income Tax Credits

Status	Bill No.	Credit	Available For Tax Types*	Expansion	Impact Per Fiscal Note
Conf. Committee	HB 1018	Research Expense	C, PT, ND1, ND2	1) From 8% of $1.5M in expenses & 4% in excess of $1.5M to 25% of $100K and 20% in excess of $100K 2) Allows lifetime sale of $100,000 in unused credit per taxpayer 3) Allows individuals to claim the credit	- $ 8.4 Million
		Seed Capital Investment	C, PT, ND1, ND2	Raises aggregate amount of yearly credit available from $2.5M to $5M	- $ 5.0 Million
		Agricultural Business Investment	C, PT, ND1, ND2	Allows certain livestock operations to qualify as an agricultural processing facility, eligible for investment credit	Unknown
Senate Returned to House	HB 1233	Wind Energy Device	C, PT, ND2	Allows unused credit to be sold to a purchaser of power generated by the device, or to a taxpayer that constructs/expands transmission lines in North Dakota	Unknown NOTE: Estimated at - $32 Million for Langdon ND Project
Passed	HB 1412	Research Expense	C, PT, ND1, ND2	Investors in pass through entities may claim their proportionate share of the credit	Unknown
Passed	HB 1514	Biomass Device	C, PT, ND2	Allows this device to qualify for the credit available to a geothermal, solar, or wind energy device	Unknown
Passed	SB 2224	Seed Capital Investment	C, PT, ND1, ND2	Allows Angel Funds investing in a qualified business to pass through the credit to the Angel fund investors	Unknown
Passed	SB 2298	Wind Energy, Solar & Geothermal Devices	C, PT, ND2	Allows installers to transfer credit to a purchaser of the device after it is installed and operational (i.e., turnkey construction)	Unknown

* C = corporations
PT = pass through entities (partnerships, sub chapter S, LLC)
ND1 = individual income tax short form
ND2 = individual income tax long form

Prepared 4/17/2007 by Mary Loftsgard, ND Office of State Tax Commissioner

2007 TESTIMONY

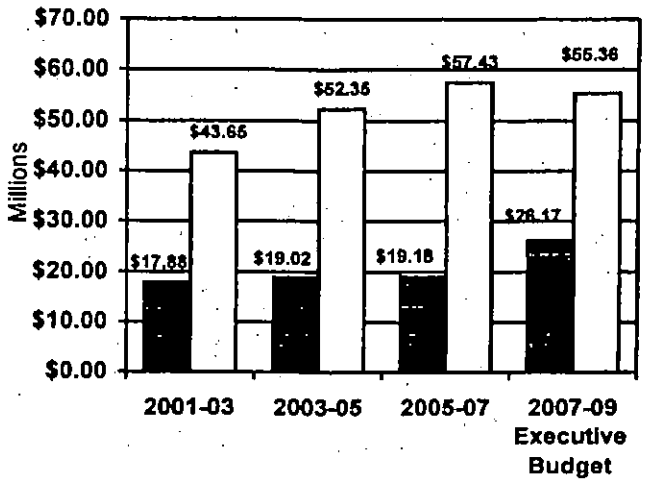
HB 1018

Prepared by the North Dakota Legislative Council staff for House Appropriations
January 9, 2007

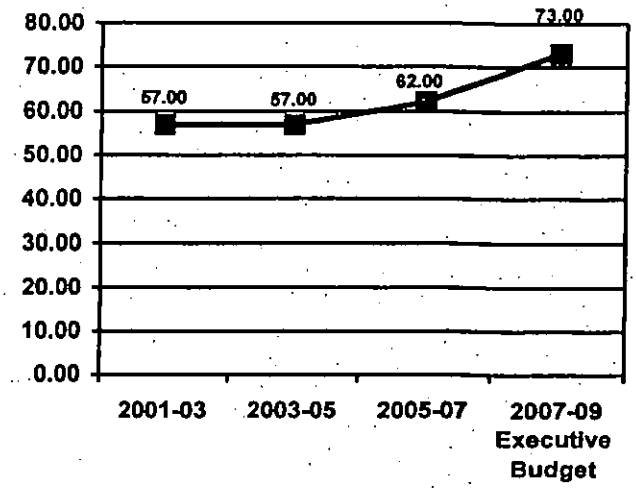
Department 601 - Department of Commerce
House Bill No. 1018

	FTE Positions	General Fund	Other Funds	Total
2007-09 Executive Budget	73.00	$26,169,736	$55,361,293	$81,531,029
2005-07 Legislative Appropriations	62.00	19,180,781	57,434,283	76,615,064
Increase (Decrease)	11.00	$6,988,955	($2,072,990)	$4,915,965

Agency Funding



FTE Positions



Executive Budget Highlights

	General Fund	Other Funds	Total
1. Adds 1 FTE business development specialist in the Division of Economic Development and Finance	$137,758		$137,758
2. Adds 10 FTE positions within the Division of Workforce Development to provide students and parents information about career opportunities in target industries in North Dakota	$1,226,244		$1,226,244
3. Provides funding for credit and noncredit internships for postsecondary students	$400,000		$400,000
4. Adds funding for the manufacturing extension partnership program	$210,899		$210,899
5. Provides for a transfer to the Development Fund **(executive budget identified as one-time funding)**	$3,000,000		$3,000,000
6. Increases funding for the Trade Office from the general fund rather than the Development Fund and Mill and Elevator profits	$1,400,000	($700,000)	$700,000
7. Provides funding for an innovate ND program	$100,000	$150,000	$250,000
8. Removes funding for the Lewis and Clark Bicentennial line item in the Division of Tourism	($3,933,103)		($3,933,103)
9. Increases funding for tourism marketing and promotion	$3,753,948		$3,753,948
10. Reduces funding for economic development initiatives and grants to $336,846	($207,722)		($207,722)
11. Reduces federal funding for community services grants to $40.4 million		($1,450,000)	($1,450,000)

Other Sections in Bill

Section 8 of the bill requires the Department of Commerce to seek to contract with Dakota Manufacturing Extension Partnership, Inc., to implement the Dakota Manufacturing Initiative that includes building a membership association of manufacturers in North Dakota and South Dakota.

Continuing Appropriations

Ethanol production incentive fund - NDCC Section 4-14.1-10 - To provide ethanol production incentives to North Dakota ethanol plants.

Job opportunities web site - NDCC Section 54-60-10 - To provide for costs of operating the web site.

Major Related Legislation

House Bill No. 1027 - This bill makes a number of changes affecting economic development programs, including airport economic development, international business, visitor information centers, innovation and technology, workforce development, and tax credits and exemptions.

House Bill No. 1137 - This bill makes a number of changes affecting economic development programs, including the American Indian Business Development Office, the North Dakota Women's Business Development Office, the Trade Office, the Agricultural Products Utilization Commission, and the Development Fund.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Funding Summary

	Executive Budget	House Version	Senate Changes	Senate Version
Office of Management and Budget				
Centers of excellence			$20,000,000	$20,000,000
Centers of Excellence - Contingency			5,000,000	5,000,000
Prairie Public Broadcasting			2,023,138	2,023,138
Total all funds	$0	$0	$27,023,138	$27,023,138
Less estimated income	0	0	5,000,000	5,000,000
General fund	$0	$0	$22,023,138	$22,023,138
FTE	0.00	0.00	0.00	0.00
Board for Career and Technical Education				
Grants		$70,000		$70,000
Total all funds	$0	$70,000	$0	$70,000
Less estimated income	0	0	0	0
General fund	$0	$70,000	$0	$70,000
FTE	0.00	0.00	0.00	0.00
Department of Commerce				
Salaries and wages	$8,617,235	$8,617,235		$8,617,235
Operating expenses	13,642,636	9,978,688	3,114,000	13,092,688
Capital assets	25,000	25,000		25,000
Grants	48,374,748	48,374,748	400,000	48,774,748
North Dakota Development Fund	3,000,000	3,000,000	1,000,000	4,000,000
Discretionary funds	1,450,127	1,450,127		1,450,127
Economic development initiatives	2,163,090	1,296,846		1,296,846
Agricultural products utilization	2,808,193	2,808,193	200,000	3,008,193
Economic development grants	50,000	50,000		50,000
North Dakota Trade Office	1,400,000	1,400,000		1,400,000
Total all funds	$81,531,029	$77,000,837	$4,714,000	$81,714,837
Less estimated income	55,361,293	55,361,293	0	55,361,293
General fund	$26,169,736	$21,639,544	$4,714,000	$26,353,544
FTE	73.00	64.00	0.00	64.00
Bill Total				
Total all funds	$81,531,029	$77,070,837	$31,737,138	$108,807,975
Less estimated income	55,361,293	55,361,293	5,000,000	60,361,293
General fund	$26,169,736	$21,709,544	$26,737,138	$48,446,682
FTE	73.00	64.00	0.00	64.00

House Bill No. 1018 - Office of Management and Budget - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Centers of excellence			$20,000,000	$20,000,000
Centers of Excellence - Contingency			5,000,000	5,000,000
Prairie Public Broadcasting			2,023,138	2,023,138
Total all funds	$0	$0	$27,023,138	$27,023,138
Less estimated income	0	0	5,000,000	5,000,000
General fund	$0	$0	$22,023,138	$22,023,138
FTE	0.00	0.00	0.00	0.00

Department No. 110 - Office of Management and Budget - Detail of Senate Changes

	Adds Centers of Excellence Funding[1]	Adds Contingent Centers of Excellence Funding[2]	Adds Funding for PBS[3]	Total Senate Changes
Centers of excellence	$20,000,000			$20,000,000
Centers of Excellence - Contingency		5,000,000		5,000,000
Prairie Public Broadcasting			2,023,138	2,023,138
Total all funds	$20,000,000	$5,000,000	$2,023,138	$27,023,138
Less estimated income	0	5,000,000	0	5,000,000
General fund	$20,000,000	$0	$2,023,138	$22,023,138
FTE	0.00	0.00	0.00	0.00

[1] A section is added appropriating funds for centers of excellence for the 2007-09 biennium.

[2] A section is added authorizing the Office of Management and Budget, as directed by the Centers of Excellence Commission and with Emergency Commission and Budget Section approval, to borrow up to $5 million from the Bank of North Dakota for providing additional funding for centers of excellence.

[3] A section is added providing funding for Prairie Public Broadcasting.

House Bill No. 1018 - Board for Career and Technical Education - House Action

	Executive Budget	House Changes	House Version
Grants		$70,000	$70,000
Total all funds	$0	$70,000	$70,000
Less estimated income	0	0	0
General fund	$0	$70,000	$70,000
FTE	0.00	0.00	0.00

Department No. 270 - Board for Career and Technical Education - Detail of House Changes

	Adds Innovation Grants Funding[1]	Total House Changes
Grants	$70,000	$70,000
Total all funds	$70,000	$70,000
Less estimated income	0	0
General fund	$70,000	$70,000
FTE	0.00	0.00

[1] Sections are added requiring the Department of Career and Technical Education to implement an innovation grants program and appropriating $70,000 from the general fund for innovation grants.

House Bill No. 1018 - Board for Career and Technical Education - Senate Action

The Senate did not change the House version.

House Bill No. 1018 - Department of Commerce - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$8,617,235		$8,617,235
Operating expenses	13,642,636	(3,663,948)	9,978,688
Capital assets	25,000		25,000
Grants	48,374,748		48,374,748
North Dakota development fund	3,000,000		3,000,000
Discretionary funds	1,450,127		1,450,127
Economic development initiatives	2,163,090	(866,244)	1,296,846
Agricultural products utilization	2,808,193		2,808,193
Economic development grants	50,000		50,000
North Dakota trade office	1,400,000		1,400,000
Total all funds	$81,531,029	($4,530,192)	$77,000,837
Less estimated income	55,361,293	0	55,361,293
General fund	$26,169,736	($4,530,192)	$21,639,544
FTE	73.00	(9.00)	64.00

Department No. 601 - Department of Commerce - Detail of House Changes

	Removes Career Opportunity Funding[1]	Adds Career Position[2]	Adds Internship Funding[3]	Reduces Tourism Promotion Funding[4]	Adds Funding for Tourism Events[5]	Adds Funding for Reports[6]
Salaries and wages						
Operating expenses				(3,753,948)	10,000	50,000
Capital assets						
Grants						
North Dakota Development Fund						
Discretionary funds						
Economic development initiatives	(1,226,244)	160,000	200,000			
Agricultural products utilization						
Economic development grants						
North Dakota Trade Office						
Total all funds	($1,226,244)	$160,000	$200,000	($3,753,948)	$10,000	$50,000
Less estimated income	0	0	0	0	0	0
General fund	($1,226,244)	$160,000	$200,000	($3,753,948)	$10,000	$50,000
FTE	(10.00)	1.00	0.00	0.00	0.00	0.00

	Adds Funding for Beginning Again Project[7]	Total House Changes
Salaries and wages		
Operating expenses	30,000	(3,663,948)
Capital assets		
Grants		
North Dakota Development Fund		
Discretionary funds		
Economic development initiatives		(866,244)
Agricultural products utilization		
Economic development grants		
North Dakota Trade Office		
Total all funds	$30,000	($4,530,192)
Less estimated income	0	0
General fund	$30,000	($4,530,192)
FTE	0.00	(9.00)

[1] This amendment removes the funding and positions added in the executive budget to provide students and their parents information about North Dakota career opportunities.

[2] Funding is added for 1 FTE position and related operating expenses to administer the career promotion in workforce deficient industries program and the internship program.

[3] Funding for internships for postsecondary students is increased to provide a total of $600,000 from the general fund. A section is added requiring the department to report to the 61st Legislative Assembly on the status of the internship program.

[4] This amendment reduces funding recommended in the executive budget for tourism marketing and promotion.

[5] This amendment adds funding for the Tourism Division to match private funds for tourism-related promotions and events involving officially sanctioned statewide pageant titleholders who are over age 17. The Tourism Division may provide matching funds on a dollar-for-dollar basis of up to $1,000 for each eligible promotion or event as determined by the Tourism Division.

[6] Funding is added for the tax expenditure report and business incentive expenditure report pilot projects.

Funding is added for the department to contract for services relating to the beginning again North Dakota pilot program.

Sections are added that:

- Require the North Dakota Trade Office to raise $1 of matching funds from private or other public sources for each $2 of funds provided by the department.
- Identify the one-time funding included in the budget and provide for a report to the 2009 Legislative Assembly of the agency's use of the one-time funding.
- Provide the department an exemption from the state employee compensation adjustment guidelines included in Senate Bill No. 2189 and require the department to provide 2007-09 biennium salary increases to its employees based on a system considering each employee's performance, merit, and equity. The department is to report to the Human Resource Management Services Division of the Office of Management and Budget by December 31, 2007, on its compensation system.
- Provide for the department to implement a beginning again North Dakota pilot program for the 2007-09 biennium.

Section 8 of the bill relating to the Dakota Manufacturing Initiative is removed.

House Bill No. 1018 - Department of Commerce - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$8,617,235	$8,617,235		$8,617,235
Operating expenses	13,642,636	9,978,688	3,114,000	13,092,688
Capital assets	25,000	25,000		25,000
Grants	48,374,748	48,374,748	400,000	48,774,748
North Dakota Development Fund	3,000,000	3,000,000	1,000,000	4,000,000
Discretionary funds	1,450,127	1,450,127		1,450,127
Economic development initiatives	2,163,090	1,296,846		1,296,846
Agricultural products utilization	2,808,193	2,808,193	200,000	3,008,193
Economic development grants	50,000	50,000		50,000
North Dakota Trade Office	1,400,000	1,400,000		1,400,000
Total all funds	$81,531,029	$77,000,837	$4,714,000	$81,714,837
Less estimated income	55,361,293	55,361,293	0	55,361,293
General fund	$26,169,736	$21,639,544	$4,714,000	$26,353,544
FTE	73.00	64.00	0.00	64.00

Department No. 601 - Department of Commerce - Detail of Senate Changes

	Adds Funding for Innovate ND[1]	Add Funding for APUC[2]	Adds Funding for the Development Fund[3]	Adds Funding for Career Specialists[4]	Adds Funding for Workforce System Initiative[5]	Adds Funding for Tourism Marketing[6]
Salaries and wages						
Operating expenses	50,000				50,000	3,000,000
Capital assets						
Grants				400,000		
North Dakota Development Fund			1,000,000			
North Dakota development fund						
Discretionary funds						
Economic development initiatives						
Agricultural products utilization		200,000				
Economic development grants						
North Dakota trade office						
Total all funds	$50,000	$200,000	$1,000,000	$400,000	$50,000	$3,000,000
Less estimated income	0	0	0	0	0	0
General fund	$50,000	$200,000	$1,000,000	$400,000	$50,000	$3,000,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Adds Funding for Faith-based Initiative[7]	Total Senate Changes
Salaries and wages		
Operating expenses	14,000	3,114,000
Capital assets		
Grants		400,000
North Dakota Development Fund		1,000,000
North Dakota development fund		
Discretionary funds		
Economic development initiatives		
Agricultural products utilization		200,000
Economic development grants		
North Dakota trade office		
Total all funds	$14,000	$4,714,000
Less estimated income	0	0
General fund	$14,000	$4,714,000
FTE	0.00	0.00

[1] Funding for Innovate ND is increased to provide a total of $300,000, of which $150,000 is from the general fund.

[2] Funding for the Agricultural Products Utilization Commission is increased to provide a total of $1,662,115 from the general fund.

[3] The transfer to the development fund is increased to provide a total of $4 million for the 2007-09 biennium.

[4] Funding is added to provide grants for career counseling services for students.

[5] Funding is added for costs relating to the Workforce System Initiative.

[6] This amendment restores $3 million of the $3,753,948 reduced by the House for tourism marketing and promotion.

[7] Funding is added to provide a total of $25,000 for operating expenses of the Office of Faith-Based and Community Initiatives. Funding of $11,000 from the general fund is appropriated to the department in Senate Bill No. 2001.

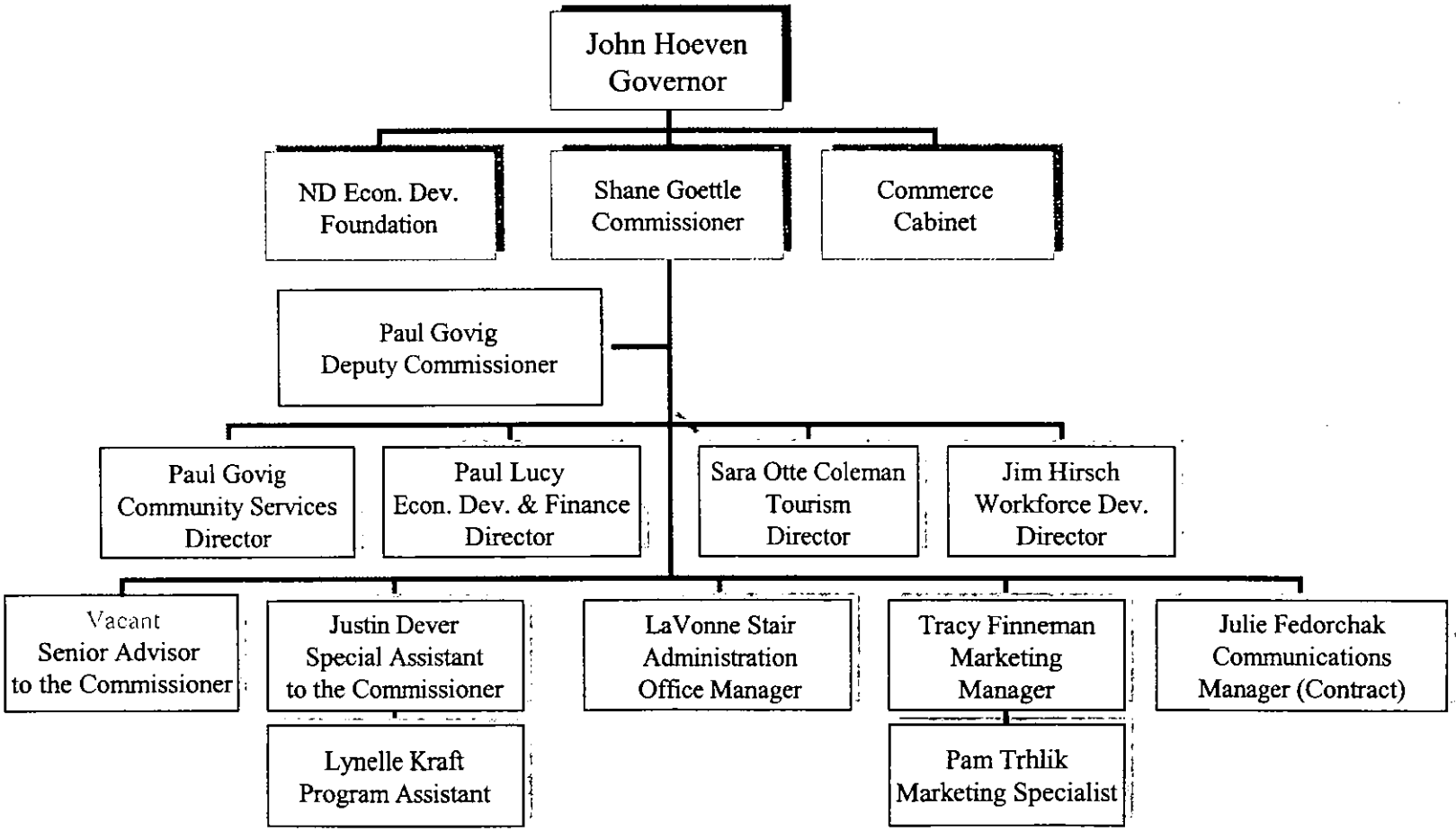
The section added by the House requiring the Trade Office to raise $1 in matching funds for every $2 provided by the state is replaced with a section requiring the department to report to the Budget Section on the status of matching funds raised by the Trade Office.

Sections are added relating to:

- Centers of excellence.
- Housing Finance Agency programs.
- Visitor information centers of the Tourism Division.
- Department of Commerce organizational structure.
- Workforce talent strategy and statewide intelligence coordination strategy.
- Image information program.
- Internships.
- Career specialists of the department.
- Internship employment tax credit.
- Research and experimental expenditures tax credit.
- Research and development tax credit.
- Seed capital investment tax credit.
- Agriculture business investment tax credit.
- Business climate initiative study.
- Beginning entrepreneur tax deductions and exemptions.
- Monitoring CCbenefits, Inc. and reporting to the Legislative Council.
- Definition of business incentive.
- Tax expenditure report pilot project.
- Business incentive expenditure report pilot project.
- Legislative Council studies of housing needs, wireless service providers, higher education promise grants, Workforce System Initiative, and Department of Commerce.

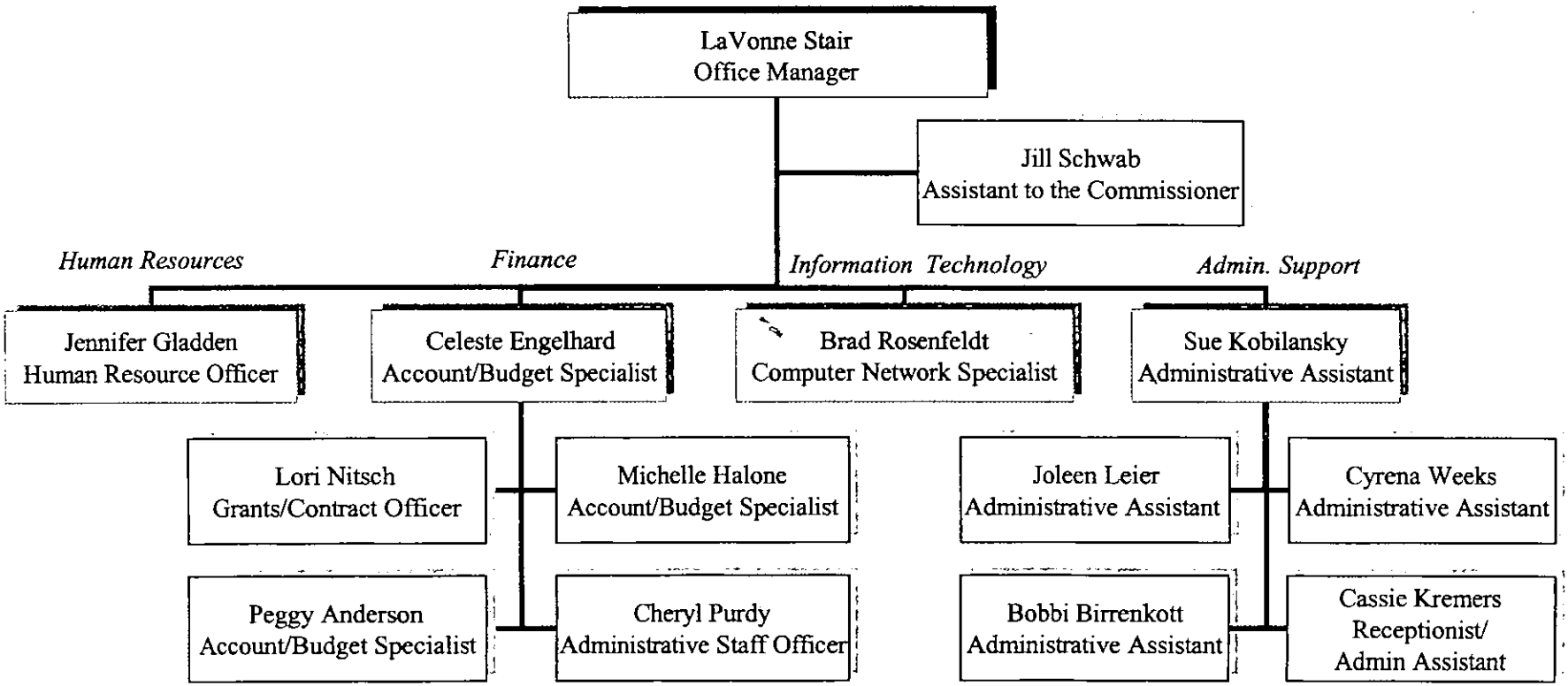
North Dakota
DEPARTMENT OF COMMERCE

Organizational Chart



North Dakota
DEPARTMENT OF COMMERCE

Administration
Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 10, 2007, 8:30 A.M.
HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION
GREAT PLAINS ROOM
REPRESENTATIVE AL CARLSON, CHAIRMAN

SHANE GOETTLE – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, good morning. I am Shane Goettle, Commissioner of the North Dakota Department of Commerce, and I am here before you today in support of HB 1018, the 2007-09 budget for the Department of Commerce.

The Vision of the Department of Commerce is to improve the quality of life for the people of North Dakota. Of course, many other state agencies share that same vision. What makes the Department of Commerce unique, I think, is its mission—which I like to say is about leading the state's efforts to attract, expand, and retain wealth. And by the term "wealth" I mean not only business wealth, but also wealth found in the take-home pay of our workers and their families, wealth found in our state and community infrastructure, wealth found in the education level and skills of our workforce, and wealth found in our vast natural and cultural resources that, coupled with our unique amenities, serves to attract both visitors and workers to this state.

Before I begin this morning, please allow me to introduce the department's division directors:

- Paul Lucy – Director of the Division of Economic Development & Finance
- Jim Hirsch – Director of the Division of Workforce Development
- Paul Govig – Director of the Division of Community Services
- Sara Otte Coleman – Director of the Division of Tourism

These directors will provide testimony on how the divisions are contributing to the mission I have just outlined.

A week ago, you heard Governor Hoeven present his state of the state address. In this address he talked about "driving an agenda for growth." Commerce is at the forefront of this agenda for growth and many of the priorities highlighted by the Governor are included in HB 1018. These include:

- Workforce Initiatives
  - Career specialists associated with each of the nine Joint Powers Agreement alliances who would go to work to link our high school students with opportunities that are emerging on these students' career horizons.
  - Operation Intern to help promote and facilitate more internship opportunities in North Dakota in an effort to retain college students after graduation.
- North Dakota Development Fund one-time funding of $3 million to respond to increased demands.
- North Dakota Trade Office funding of $1.4 million to continue and to expand its work helping North Dakota companies to increase exports and to build export capacity.

HB 1018 also includes other significant changes from the current biennium's budget including:

- An increased investment in the Dakota Manufacturing Extension Partnership to $950,000, which will help fully match available Federal dollars.
- Innovate ND - $100,000 in general fund appropriations & $150,000 in special funds
- Tourism funding - $3,076, 610 switched from lodging tax to general fund to correspond with the sunset of the 1% lodging tax.

More details about these programs and initiatives will be discussed later in our testimony.

Before I invite each of division directors to provide testimony pertaining to the budgets associated with each division, let me highlight our marketing and communications services.

MARKETING AND COMMUNICATIONS SERVICES

In November 2005, we moved the marketing and communications program, which at that time resided in the divison of Economic Development & Finance, to a Commerce-wide function. Enhancing the state's image, building a unified brand (or identity) for North Dakota, and attracting people are issues that our entire Commerce Department works to address on a consistent basis, and we believe these areas are better served with our Marketing and Communications team reporting directly to the Commissioner.

Our Marketing and Communications Team delivers the following programs and services:

- Partners in Marketing
- KnewView Program
- Governor's Choice for Economic Development awards
- Economic Development Roundtables
- New Professionals meetings
- In-state Media Tours
- Outbound Media Tours
- Media Relations (national and international pitches)
- Business Showcase events
- Experience North Dakota events

The budget for marketing and communications team is about $1.2 million and remains essentially the same for 2007-09.

I would like to highlight two of these programs. First the KnewView program. This is the title we have given the image information program; an initiative you gave us to implement last session. KnewView provides State Employees and others with positive information about North Dakota that they can share with the people they come in contact with. This effort was kicked off in March of 2006 and has since held 22 sessions for state employees with approximately 575 state employees participating.

Second, Commerce hosted the first Experience North Dakota event in November, 2006 in St. Paul, Minnesota. Experience North Dakota is a workforce recruitment effort aimed at attracting former North Dakotans, or those with ties to our state through our university system, to fill openings in our state's growing companies. This inaugural event attracted 439 people and had positive feedback from all participating companies and partner organizations. We are planning another event this spring.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
FEBRUARY 22, 2007, 8:00 A.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

SHANE GOETTLE – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, good morning. I am Shane Goettle, Commissioner of the North Dakota Department of Commerce, and I am here before you today in support of HB 1018, the 2007-09 budget for the Department of Commerce.

The Vision of the Department of Commerce is to improve the quality of life for the people of North Dakota. Of course, many other state agencies share that same vision. What makes the Department of Commerce unique is our mission. We lead the state's efforts to attract, expand, and retain wealth. And by the term "wealth" I mean not only business wealth, but also wealth found in the take-home pay of our workers and their families, wealth found in our state and community infrastructure, wealth found in the education level and skills of our workforce, and wealth found in our vast natural and cultural resources that, coupled with our unique amenities, serves to attract both visitors and workers to this state.

Before I begin this morning, please allow me to introduce the department's four division directors:

- Paul Lucy – Director of the Division of Economic Development & Finance
- Sara Otte Coleman – Director of the Division of Tourism
- Jim Hirsch – Director of the Division of Workforce Development
- Paul Govig – Director of the Division of Community Services

These directors will provide testimony on how each of the four divisions are contributing to the mission I have just outlined.

At the beginning of the session, you heard Governor Hoeven present his state of the state address. He talked about "driving an agenda for growth." Commerce is at the forefront of this agenda for growth and many of the priorities highlighted by the Governor are included in HB 1018. These include:

- Workforce Initiatives
  - A North Dakota Career Awareness and Promotion program to link our high school students with opportunities that are emerging on these students' career horizons. This program has changed significantly from the way we first proposed it in the House. The House provided 1 FTE and $160,000 for coordination with the private sector.
  - Operation Intern to help promote and facilitate more internship opportunities in North Dakota in an effort to retain more college students after graduation.
- North Dakota Development Fund one-time funding of $3 million to respond to increased demands.

- North Dakota Trade Office funding of $1.4 million to continue and to expand its work helping North Dakota companies to increase exports and build export capacity.

HB 1018 also includes other significant changes from the current biennium's budget including:

- An increased investment in the Dakota Manufacturing Extension Partnership to $950,000, which will help fully match, on a one-to-one basis, available Federal dollars. This program has played an important part in North Dakota's growth in manufacturing jobs. Our state is one of only three states to grow manufacturing jobs in the last five years.
- Innovate ND - $100,000 in general fund appropriations & $150,000 in special funds.
- Tourism funding – The executive recommendation included $3,076,610 in general funds to replace the 1% lodging tax which is set to sunset. The House removed $3.7 million in Tourism funding, which more than offsets what the 1% lodging tax would provide if SB 2258 would pass. We are asking you to restore the general funds that were included in the Executive Budget for Tourism.

More details about these programs and initiatives will be discussed later in our testimony.

Before I invite each of the division directors to provide testimony pertaining to the budgets associated with each of the four divisions, let me highlight our marketing and communications services.

MARKETING AND COMMUNICATIONS SERVICES

Our marketing and communications services team works with all four Commerce Divisions to support the agency's overall efforts to attract retain and expand wealth in North Dakota. Marketing focuses on enhancing the state's image, building a unified brand (or identity) for North Dakota, and attracting people and businesses to our state.

Marketing and Communications coordinates the Partners in Marketing Grant Program; performs Knew View presentations; manages all in-state and out-of-state media relations including media tours; and organizes special events such as Experience ND, Business Showcases and the Governor's Choice for Economic Development Awards. They write, produce and coordinate all Commerce marketing materials and serve as a liaison with Commerce stakeholders.

The budget for marketing and communications team is about $1.2 million and remains essentially the same for 2007-09.

I would like to highlight two of these programs. First the KnewView program. This is the title we have given the image information program; an initiative you asked us to implement last session. KnewView provides State Employees and others with positive information about North Dakota to increase their ability to share that same information with the people they come in contact with. This effort was kicked off in March of 2006 and has resulted so far in 22 sessions for more than 1000 people, including 625 state employees.

Second, Commerce hosted the first Experience North Dakota event in November 2006 in St. Paul, Minnesota. Experience North Dakota is a workforce recruitment effort aimed at attracting former North Dakotans, or those with ties to our state through our university system, to fill openings in our state's growing companies. This inaugural event attracted 439 people and we had positive feedback from all participating companies and partner organizations. To date, it has resulted in 18 interviews and the hiring of one new employee. We are looking at hosting additional events like this in 2007.

I will now introduce the additional presenters as they provide their specific testimony:

- Paul Lucy – Division of Economic Development and Finance
- Sara Otte Coleman – Division of Tourism
- Jim Hirsch – Division of Workforce Development
- Paul Govig – Division of Community Services

INNOVATION AND TECHNOLOGY PROGRAMS

During the interim, the Department of Commerce, along with the University System, sponsored a joint study of Intellectual Property and Technology Commercialization. This study was conducted by the Research Triangle Institute out of North Carolina. One of the findings of the study was that North Dakota was one of only three states that did not have some type of science and technology office for economic development. The other two states were Montana and South Dakota. In response to this, we are moving forward with a focus on Innovation and Technology with dedicated resources.

We currently have two programs that fit into Innovation and Technology: a program called Innovate ND and the Centers of Excellence program. Innovate ND is an initiative designed to help entrepreneurs turn business ideas into functional business. It was kicked off in November, 2006 and 71 teams, or a total of 112 people, have signed up to participate during the inaugural round. The Governor's recommended budget includes $100,000 in general fund appropriations to support this initiative and another $150,000 in special fund authority. A flyer is included that gives some details about this program.

The Department of Commerce is playing in integral role in the Centers of Excellence program. In this biennium, we provided the staff necessary to administer the program. The State of North Dakota has already invested $20 million in 11 new projects around the state and the Governor has proposed another $20 million for the upcoming biennium. I believe we ought to view the existing $20 million, and the potential additional $20 million, like an investment portfolio. With such a large investment, it is important that measures are put in place to make sure the funds are utilized correctly and that the results are maximized. With that in mind, the Centers of Excellence Commission has asked the Department of Commerce to assist it in monitoring and follow-up of approved Centers. Our hope is that by assisting the Commission in this manner, we will not only monitor, but will also be in a position to find additional linkages between the Centers and the private sector to encourage further economic growth. In order to do this, we have dedicated resources for this purpose. These resources are included in the proposed Innovation and Technology budget.

CONCLUDING REMARKS

Mr. Chairman and members of the committee, the Department of Commerce works to facilitate growth in businesses and jobs; provide resources to strengthen communities; and attract visitors to the state. We should all be proud of what our economy is producing:

- For 2005 North Dakota led the nation in per capita personal income growth. In fact we have moved from 84% of the national average in 2000 to about 91% in 2005. (Bureau of Economic Analysis)
- Since 2000, wages have grown 21% in North Dakota, compared to just 15% growth for the nation as a whole. (Job Service of ND and Bureau of Labor Statistics)
- North Dakota also gained more than 640 new businesses in 2005 alone, and more than 7,100 new jobs. (Job Service of ND)
- North Dakota's exports are increasing at 18 percent per year and have grown to $1.2 billion. (International Trade Administration)

We have made great strides in the past six years and there is still more work to do. Our vision for the future is to provide a better quality of life for everyone who chooses to call North Dakota their home.

With your help we are taking advantage of the opportunities before us to move North Dakota's economy forward and bring more opportunity to our citizens. We are seizing the opportunity to take our economic development efforts to a higher level. Our state is strong and with your help we will continue to make North Dakota an even better place to live, to work, to play, to be in business, and to raise a family.

Thank you for your time and attention this morning and I once again urge your support for HB 1018. I would be happy to respond to your questions.

North Dakota
DEPARTMENT OF COMMERCE

PROGRAMS and SERVICES

The North Dakota Department of Commerce brings together four state entities and 45 programs and services under one umbrella. Commerce works closely with a number of partner programs that extend our reach into local communities throughout the state. These partnerships enable Commerce to provide the programs and services listed below so we can improve the quality of life for the people of North Dakota. For more information call 701-328-5300 or 1-866-4-Dakota (1-866-432-5682).

Grants & Financing Programs

Agriculture Products Utilization Committee (APUC) – Creates wealth and jobs through the development of new and expanded uses of North Dakota's agricultural products through the administration of grant programs in the following categories on a quarterly basis: basic and applied research grants; marketing and utilization grants; farm diversification grants; and an agricultural phototype development grant program.

Community Development Block Grants – Provides financial assistance to eligible units of local government with the primary beneficiaries being very low and low-income individuals. Examples of projects funded are:
Housing – housing rehabilitation;
Public Facilities – water and sewer projects, removal of architectural barriers, fire halls, ambulances, etc; and
Economic Development – loan/grant funds to businesses which create jobs.

Community Services Block Grants – Assists communities to implement locally designed anti-poverty programs for various services, including emergency assistance, money management and housing counseling, self-sufficiency services, case management, and outreach and referral services to low-income households and people within the respective region.

Matching Grants – Creates opportunities for tourism and community partners to expand their marketing or event promotions.

North Dakota Development Fund – Provides flexible gap financing through debt and quality investments for new or expanding North Dakota primary sector businesses.

North Dakota Rural Revolving Loan – Provides gap financing to primary sector businesses, with the exception of production agriculture, located in communities of 8,000 people or less.

Partners in Marketing – Makes available up to $25,000 per biennium through grants to local professional economic development organizations for marketing activities that promote primary sector business attraction, retention or expansion.

Tourism Infrastructure Grants – Funds infrastructure and building needs at new or expanding tourist and recreational facilities. It will allow sites to attract even more visitors to their area and North Dakota.

Community Services

Americans with Disabilities Act – Provides technical assistance to private and public agencies to assist them with various questions on requirements and provisions of the act.

Building Codes – Updates and amends the North Dakota State Building code.

Community Food and Nutrition Program – Supports projects to meet nutrition needs and coordinates private and public food assistance resources for low-income populations through grants from the US Department of Health and Human Services.

Consolidated Plan – Contains a description of the state housing and community development needs and resources, establishes strategies, and prioritizes the use of housing and community development dollars statewide and by planning region.

Emergency Shelter Grants Program – Provides federal financial assistance to facilities and programs within North Dakota which provide temporary shelter to homeless individuals.

HOME Program – Creates partnerships among governmental entities and the private sector to make affordable housing available to low-income individuals.

Manufactured Home Installation Program – Requires new manufactured homes installed in North Dakota to be inspected to assure that they are installed according to the manufacturer's instructions.

Modular Buildings: Third-Party Inspection – Requires manufacturers that produce six or more modular residential structures per year and intend to sell modular structures in North Dakota to have the units inspected.

Office of Renewable Energy and Energy Efficiency – Promotes energy efficiency in both the public and private sector, and facilitates the development and use of renewable energy sources within the state.

Renaissance Zone – Encourages reinvestment and redevelopment to a geographical area of up to 20 contiguous blocks within a continual boundary to attract new businesses and increase housing.

Weatherization Assistance – Increases the energy efficiency of dwellings owned or occupied by low-income individuals to reduce their total residential energy expenditures and improve their health and safety.

Economic Development & Finance

Ambassador Program – Builds a global business network for North Dakota's future.

Business Development – Partners with communities to implement business development strategies targeted towards start-up, expansion and new companies relocating to North Dakota.

Center for Technology & Business – Focuses on providing technology resources and technical support to rural economic development professionals, small businesses, communities and residents.

Data Center – Provides information on publications, searchable databases, and lists of activities and news such as new business startups and expansions that can be found on www.growingnd.com.

Innovate ND – Provides direct assistance to North Dakota people who have business ideas by having private investors review each idea and provide feedbak. Participants will gain access to a venture building process that includes online entrepreneur education, coaching and mentoring from proven business owners.

North Dakota Rural Development Council – Provides outreach to rural communities, developers and small businesses to assure that state, federal and regional programs are made available statewide.

Research – Provides information and market research in support of business development activities including industry background, company background and demographics, as well as managing databases related to companies, communities and available buildings.

Tourism

Advertising & Marketing – Promotes North Dakota and its Legendary brand in the United States and Canada through development and distribution of promotional materials, mixed media and advertising involving print, radio, TV and online. The website is the most powerful promotional tool with more than 390,000 unique visitors annually. Cooperative advertising opportunities are also developed and distributed with state partners.

Culture & Heritage Marketing – Highlights and celebrates the state's regional differences, unique history, ethnic cultures and more in a statewide program, also involving promotion of the Lewis & Clark Trail.

Group Travel – Allows groups to adventure together through North Dakota by providing assistance with planning, expanding or building tours within the state.

International Travel – Promotes the state in the Nordic countries of Norway, Sweden, Denmark, Finland and Iceland, as well as Germany through the North Dakota Tourism Division.

Learning-Based Vacations – Caters to groups or individuals looking to combine fun and learning into their customized North Dakota vacation.

Literature Distribution – Distributes brochures, guides, maps and more through tourism industry partners, at highway rest areas, and via the Web site to potential state visitors.

Outdoor Promotions – Promotes the state's outdoor activities and adventures through representation at sport shows, working with adventure writers and through niche publication advertising.

Public and Media Relations – Provides complete information of what North Dakotan offers to the media and visitors through news releases and familiarization tours. Proactively encourages feature stories of North Dakota and works with writers and photographers on their North Dakota stories.

Workforce Development

AmeriCorps – Engages volunteers in direct service to help communities address critical unmet needs in the areas of education, public safety, health and the environment.

Community Labor Availability Studies – Provides matching funds to communities who participate in Standardized Community Labor Availability Studies which identify core data elements including consistent standards for conducting the surveys and timeframes for keeping them current.

Experience North Dakota – Aims at attracting former North Dakotans and others to fill state job openings while enhancing the state's image.

North Dakota Talent Initiative – Improves the quality and quantity of training and education programs to expand, attract, retain and gain the skills needed to fill available job opportunities.

State Commission on National and Community Service – Provides the opportunity to deliver educational, environmental, public safety and other human needs to make a commitment to service.

Workforce Development Council – Provides activities that increase employment, retention, earning, and occupational skills to improve workforce quality, reduce welfare dependency, and enhance productivity and competitiveness through statewide and local workforce investment systems.

Youth Development Council – Makes recommendations on youth employment and training policy as a permanent standing committee of the North Dakota Workforce Development Council.

Partner Programs

Dakota Manufacturing Extension Partnership (MEP) – Gives North Dakota manufacturers quick, cost-effective solutions to their manufacturing challenges.

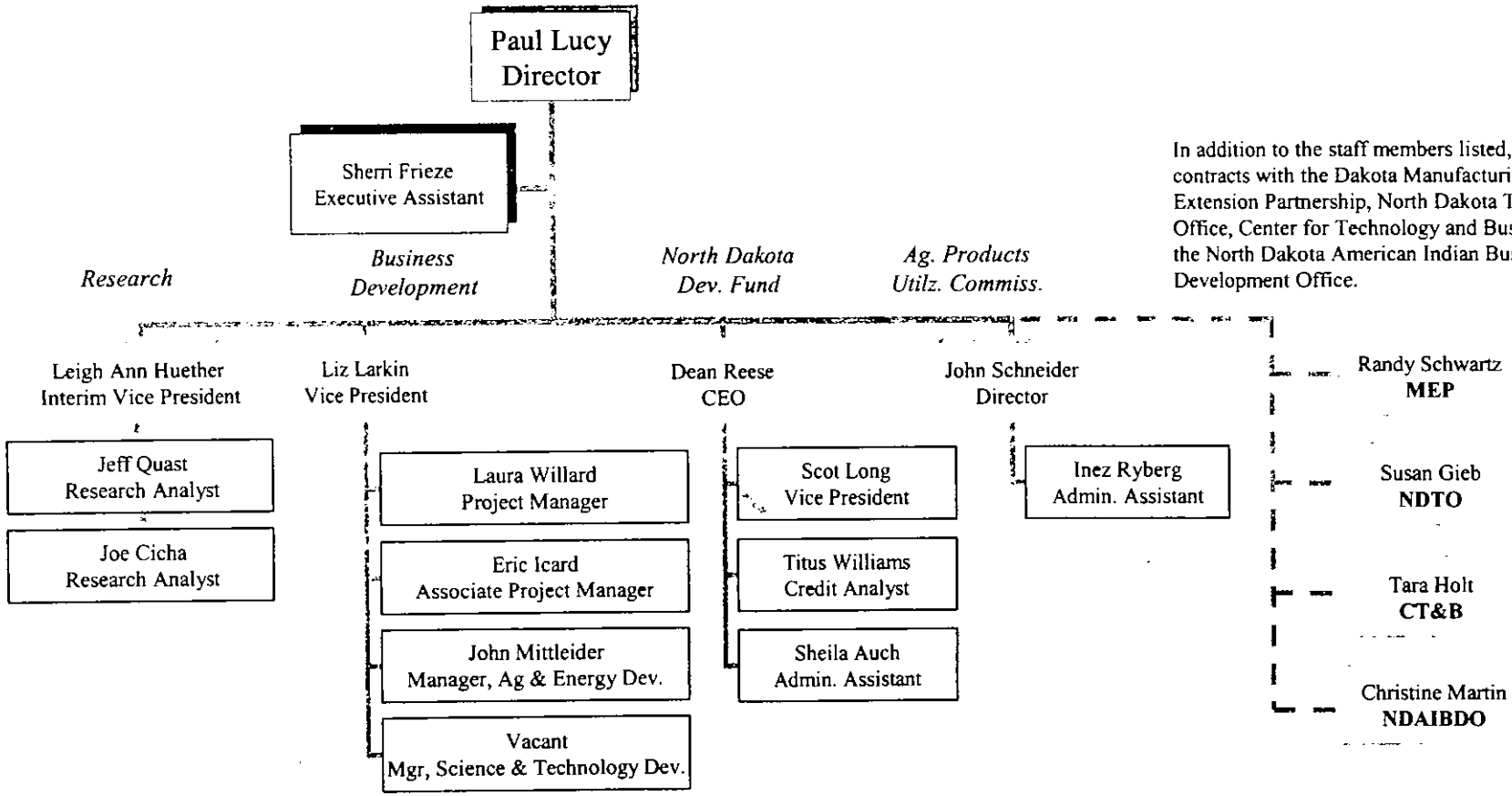
North Dakota Trade Office – Identifies export markets best suited for the products and services of North Dakota companies by conducting international market research and collaborating with the state universities, state and federal government agencies and private export service professionals.

American Indian Business Development Office (NDAIBDO) – Connects American Indian business owners with more avenues to grow their businesses and create new jobs on and off various reservations located throughout North Dakota.

Small Business Development Centers (SBDC) – Provides high-quality business assistance to help individuals start, manage and grow their businesses resulting in job creation, retention and economic wealth.

North Dakota
DEPARTMENT OF COMMERCE

Division of Economic Development & Finance
Organizational Chart



In addition to the staff members listed, ED&F contracts with the Dakota Manufacturing Extension Partnership, North Dakota Trade Office, Center for Technology and Business, and the North Dakota American Indian Business Development Office.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 10, 2007, 8:30 A.M.
HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION
GREAT PLAINS ROOM
REPRESENTATIVE AL CARLSON, CHAIRMAN

PAUL LUCY – DIRECTOR, THE DIVISION OF ECONOMIC DEVELOPMENT & FINANCE

Mr. Chairman, members of the committee. My name is Paul Lucy. I am the Director of the Economic Development and Finance Division of the North Dakota Department of Commerce.

I am new to the ND Department of Commerce (DOC) staff, filling the ED&F Director's position in October, 2006. Prior to joining the DOC, I was truly unaware of the significant role the DOC and the ED&F Division plays in the overall effort to diversify and grow North Dakota's economy. The initiatives, partner programs, research, and staff responsibilities far exceed the responsibilities and impact I had knowledge of, and that which I had assumed. I am a bit ashamed to admit this considering the fact that I have been directly and intimately involved in economic development in North Dakota for the past 17 years.

There is certainly a distinguishable diversity amongst the communities, businesses and workforce across North Dakota. Along with this diversity we have seen an evolution of our State's economy and the elements which influence economic development strategies - elements such as workforce, housing, infrastructure, emerging industries, global economics, new technologies, etc. It is imperative that we recognize this diversity and deliver programs, initiatives, and funding which are cognizant of these influences and which will ultimately develop, enhance and create new opportunities throughout all of North Dakota.

The Economic Development & Finance (ED&F) Division of the North Dakota Department of Commerce (DOC) has submitted a budget that will allow for the continued delivery of such programs and efforts.

North Dakota Development Fund

$3,000,000 in general fund dollars are requested to support the North Dakota Development Fund (Development Fund) for the 2007-2009 biennium.

As I had previously mentioned, there are new influences across North Dakota and around the world that are placing a greater demand upon the Development Fund resources. These include, but are not limited to:

- Significant growth and opportunities in the area of renewable energy.
- Increased global competitiveness in manufacturing across virtually all industry sectors.
- Aggressive programs and initiatives to promote entrepreneurial activity in North Dakota

Because of such influences, increased demands are being put upon the financial resources available through the Development Fund. It is also important to note that since 2001 the Development Fund has not received any general fund appropriations for business investment

purposes or for operating costs. Since 2001 the Development Fund has applied approximately $1,405,612 of investment earnings toward its operating costs, which consequently reduces the amount of dollars to be made available for business investment purposes.

Other specific reasons for the need for funding the Development Fund include:

- Project funding requests have been considerably larger than the former investment cap of $300,000 used by the Development Fund. The funding requests have been in the $500,000 to $1,000,000 range.
- The Development Fund has supported the activities of the Centers for Excellence, which the Fund expended dollars from its own funds in the amount of $500,000 the last biennium and the North Dakota Trade Office in the amount of $500,000 during this biennium. This totals $1,000,000.
- The Development Fund has received more requests this past year to be an equity partner in projects rather than as a lender. Increases in equity investments made by the Fund, reduces cash flow back to the Fund since these types of investments are longer-term than loans. The average payback on equity investments usually take 5 years and with a loan the payback starts to come back to the Fund within 30 to 60 days. Without the injection of capital made by the Development Fund a majority of the projects may not have occurred as the senior lenders require a certain equity position in order for them to be involved.
- The Development Fund is projecting to end the year (June 30, 2006) with a record year of investment funding. The projected amount will be over $9.6 million for the year. This will be the largest investment year for the Fund since its inception in 1991.

The Development Fund has proven to be an extremely valuable piece of the puzzle for creating, expanding and retaining wealth in North Dakota. The Fund has invested over $60,000,000 (since its inception), from $27,000,000 in legislative appropriations. Besides the impact the Development Fund has had on North Dakota's economy by positively impacting the development and expansion of businesses across the State, the Development Fund has performed with a 4.78% average net rate of return (after expenses) since 1999. The Development Fund is well managed and is one of our State's primary economic development finance tools. The request for an additional $3,000,000 in funding will allow the Development Fund to continue as an active funding participant in future investment requests.

Additional details relative to the North Dakota Development Fund's history and statistical review can be found in Appendix A.

North Dakota Trade Office

$1,400,000 in general fund dollars are requested to support the North Dakota Trade Office (Trade Office) for the 2007-2009 biennium.

When the Trade Office was first established, it conducted statewide research to gather direct feedback from North Dakota exporters to determine what services were required of businesses to

aid them in growing foreign trade of their projects. As a result, the Trade Office created a program that provided the assistance businesses need.

The Trade Office has exhibited substantial levels of success in their efforts to support the expansion of trade for North Dakota companies. Since July of 2005, the top five accomplishments of the Trade Office include:

- Aided export revenue increase among 25 founding members by $42,000,000, with corresponding state tax revenue of +$1,800,000 (exporter survey & REMI Model).
- Conducted 5 trade missions with 37 exporter delegates projecting $43,000,000 over the next 12 months.
- Conducted 16 trade seminars with expert speakers covering trade issues and benefits.
- Companies that have worked with the Trade Office for at least one year reported increasing their annual export sales by 35%. As a whole, North Dakota exporters are increasing the value of their annual export sales by 18% while the national average is about 11%.
- Hired 9 student export assistants, 4 of whom graduated to full-time international jobs in North Dakota.

In a very short period of time the Trade Office has proven to be a valuable organization that has a direct impact on enhancing successful foreign market development and growth for North Dakota companies, while at the same time impacting the growth of North Dakota's tax revenue. The request for $1,400,000 will allow the Trade Office to expand their service offerings to more North Dakota businesses. Any funding by the State of North Dakota to the Trade Office will be matched on a 2:1 ratio – for every $2.00 provided through the general fund, there will be a $1.00 match from other non-State sources.

Additional details relative to the North Dakota Trade Office services and statistical review can be found in Appendix B.

Dakota Manufacturing Extension Partnership

$950,000 in general fund dollars are requested to support the Dakota Manufacturing Extension Partnership (Dakota MEP) for the 2007-2009 biennium.

Dakota MEP is part of a unique, national public / private partnership providing assessment, technical assistance and training services to help manufacturers become more competitive, productive and profitable. It is the only national network dedicated to the manufacturing industry.

Manufacturers are leading the diversification and development of North Dakota's economy. The industry added over 6,000 new jobs during the 90's. Manufacturing jobs are now at 26,300 as compared to 23,900 in 2000. Manufacturers contribute 9% of the state's gross product ($2.2 billion). These jobs pay on average $36,377 per year – an amount 23% greater than the average for non-manufacturing jobs.

ND Job Service projects manufacturing employment to grow to 28,000 over the next five years. Through improved productivity, manufacturers are able to increase the value of each job while lessening the need for low wage / low skilled jobs. Dakota MEP would like to see North Dakota manufacturers increase the average output per employee by 20% - thus helping to partially address workforce shortages. The current average revenue per manufacturing employee in ND is $83,969 while the national average is $105,690.

MEP assisted improvements manufacturers make are quantified through the tangible benefits and impacts they report to an independent third party. Below are (1) the average benefits and impacts that each company reports as a result of the assistance provided by Dakota MEP along with (2) the average benefits and impacts reported by all companies in the national MEP system.

Benefits and Impacts	Dakota MEP	National MEP
Sales (New and/or Retained)	$766,000	$976,000
Cost Savings	$511,000	$155,000
Investment in Modernization	$383,000	$203,000
Jobs (New and/or Retained)	9.5	9.3

Net revenue per employee achieved by manufacturers partnering with the MEP is $2,334 while the net revenue per employee achieved by manufacturers not partnering with the MEP is $508. For more information on the Partnership, access the public site at http://www.mep.nist.gov/.

The requested State of North Dakota support is $950,000 for the biennium ($475,000 per year). This amount is needed to match the federal funding available to North Dakota from the national MEP. This baseline budget amount is further matched by manufacturers who pay for many of the services they receive. The requested State of North Dakota support is roughly equivalent to previous levels of support that included both financial support and in-kind contributions.

Agricultural Products Utilization Commission

The funding request for the Agricultural Products Utilization Commission (APUC) is $1,462,115, which is consistent with last biennium's funding with only a modest increase for salaries and wages.

APUC, since its establishment in 1979, has consistently been a very popular program across North Dakota and has been successful in fulfilling its mission of creating new wealth and jobs through the development of new and expanded uses for all North Dakota agricultural products. To achieve this mission the Commission administers seven grant programs encompassing basic and applied research, farm diversification, marketing and utilization, prototype development, technology, technical assistance, and nature based agri-tourism.

To date for the biennium 05-07, APUC has awarded over $1,900,000 to 55 projects. The breakdown into the various program areas are as follows:

- Basic and applied research grants = $249,885
- Marketing and Utilization grants = $1,196,519

- Farm diversification grants = $21,000
- Technology grants = $73,750
- Technical Assistance grants = $20,055
- Nature Based Agri-Tourism grants = $12,380
- And two legislatively mandated programs:
    - E85 tax buy down for $241,445.20
    - Scab research company for $100,000.00

During this biennium APUC also contracted with NDSU to do an impact study on the effectiveness of the program and its contribution to the State's economy from 1995 to 2004. The findings showed that APUC is not only achieving a very high overall return on its investment portfolio but also is supporting a relatively large percentage of successful investments. For example, nine agricultural processing projects supported by APUC during the 1995-2004 period are estimated to contribute more than $157 million annually to the states economy, to support almost 2,300 new jobs, and to result in $2.4 million in added state sales and use and personal income tax revenues annually. Similarly four large processing plants, which received APUC support prior to 1995 contribute more than $580 million to gross sales, support more than 8,500 jobs and add more than $10 million to state tax revenues. In addition APUC support has assisted the launch of a number of smaller enterprises which may provide employment opportunities that would not otherwise exist and have potential for future growth. APUC realizes that they are not the lone investor in these projects, however, several of the projects stated that it is because of the early investment by APUC that the project moved forward at the pace at which it did.

In 2006, APUC conducted a survey of all economic development professionals and regional councils in North Dakota to assist the commission in evaluating how it administers the program. The survey results indicated that 93% of the respondents felt that APUC was doing a good job administering the funds and 96.8% felt that APUC funding was critical to a projects success.

Business Development & Research

As I had previously mentioned, we are seeing an evolution in North Dakota's economic landscape. This requires dedicating resources in areas that will optimize opportunities based upon local, state, national and international influences. The business development efforts of the ED&F must take these influences into account in order to proactively pursue and respond to opportunities for North Dakota.

This effort begins with research. This requires a group of people who possess competencies that are dedicated specifically to conducting research and developing and maintaining the backbone infrastructure for managing and monitoring information. The following list includes some of the primary functions of the research team – functions that are an absolute requirement to supporting a successful business development effort.

- Monitor changes and trends across industry sectors.
    - **Example – Conducting research to identify specific infrastructure, workforce, utility, and other requirements to support data center operations. This information provides a basis for structuring a targeted marketing and**

program development effort that will enhance success in attracting this niche industry function into North Dakota.

- Monitor and identify changing conditions that impact businesses in other states and countries.
    - **Example – Research identified and reported that the State of Illinois has an electrical utility rate freeze for commercial and residential customers that expires year end 2006. They continue to monitor the issue and provide intelligence back to ED&F that will help direct targeted marketing efforts.**
- Develop and update systems that maximize the gathering and dissemination of North Dakota communities, regions, state, and economic development group's information out to the world.
    - **Example – In the final stages of the development process for an on-line available buildings/sites system and community data system that will make individual community data available to site location decision makers on-line. The system will allow for input at the local level.**
- Develop, maintain and manage a system for tracking efforts and results of the ED&F business development group and other ED&F functions.
    - **The research staff has designed and is finalizing the development of the DataMine information management system. This system when development is completed will provide ED&F staff with instant access to individuals, companies, projects, events, and activities information to help the development staff be more effective in their efforts and to provide immediate access to data for tracking results.**
- Oversee the primary sector certification process and the seed capital investment tax credit certification process.
    - **Research staff reviewed 120 applications for primary-sector certification, 6 applications for seed capital investment tax credits, and 2 applications for the agricultural business investment tax credit.**
- Assisted in creating web-based accountability system associated with the 2005 Business Incentives Law.
    - **The system will simplify the reporting process for businesses and maximize access and management of the information reported.**
- Conduct business and project specific research to support business development team activity and local community developers.
    - **Example – Provided the business development team with customized data to support recruitment efforts on 15 companies.**
- Gather and manage information on over existing North Dakota primary sector businesses.
    - **Example – Surveyed 1,035 primary sector North Dakota businesses in 2005 and 1,380 businesses in 2006.**

The business development group within the ED&F Division incorporates a variety of strategies with one primary purpose in mind – initiate and enhance business development opportunities in North Dakota that will benefit the people, communities and State of North Dakota. Some of those strategies and responsibilities include:

- Support existing North Dakota businesses through processes that will simplify and optimize their expansion efforts.

- **Example – Phoenix International, Fargo**
  ED&F worked with Phoenix International and John Deere executives to identify incentive programs they were eligible to receive and assisted them through the application process.

- Identify and promote business linkages between North Dakota companies within the State and with companies from outside North Dakota.
  - **Example – Boeing Corporation and North Dakota companies**
    ED&F staff met with Boeing Corporation executives to promote ongoing relationships the company has with North Dakota manufacturers, and to promote new contract opportunities with other North Dakota companies.
- Bring existing North Dakota companies together with appropriate North Dakota agencies and organizations as well as Department of Commerce partner groups that can help them maximize their business operations and competitiveness in the marketplace.
  - **Example – LM Glasfiber, Grand Forks**
    ED&F is working with LM Glasfiber and the Grand Forks Regional EDC along with the Governor's office to bring together representatives from Job Service North Dakota, Dakota Manufacturing Extension Partnership, and others to assist the company with critical workforce and process management issues necessary to support the company's growth needs.
- Assist entrepreneurs in their business start-up efforts by helping them access North Dakota resources available to them.
  - **Example – Red Trail Energy, Richardton**
    ED&F staff was actively involved in supporting the developers of this ethanol refinery project in identifying available incentive programs, and working with other State agencies and local organizations to coordinate critical issues associated with the project
- Develop and implement strategic marketing and sales programs designed to attract new companies into North Dakota.
  - **Example – Chicago Company, Consultant and Media Event**
    ED&F and DOC staff coordinated a mission to the Chicago area to visit with 3 companies, 7 consultants, and 3 magazine/newspaper reporters to market North Dakota's attributes for new business development.
- Respond to incoming inquiries and leads developed from multiple sources, taking the lead effort in securing a location of new companies into North Dakota.
  - **Example – Champ Industries, Jamestown**
    ED&F staff led the process to convince Champ Industries that North Dakota was the ideal expansion location for their company and then coordinated efforts with communities across the State to help the company identify the best location for their operations and to access available incentive programs.
- Work with other North Dakota agencies, legislators, educational institutions, associations, community leaders, economic development groups, etc to develop and implement strategies within target industry sectors that will result in expanded business and job creation opportunities.
  - **Example – Red River Valley Research Corridor (RRVRC) marketing**
    ED&F provided a financial investment to assist the RRVRC in their efforts to secure Federal grant funding to support a cooperative program designed

to market the resources and capabilities of the RRVRC. This effort also included planning, coordinating and participating in marketing activities (i.e. target market site visits to East Coast companies). This program is ongoing.

As a result of these efforts and others, the business development staff (with the inclusion of many other participants) has played a part in the location and/or announcement of 11 new companies in North Dakota over the past 18 months.

In addition to work the development staff has put in to support the successful projects, the following includes some of the marketing efforts and the ED&F business development staff has been involved during this biennium.

- 75+ active projects.
- 26 companies conducted site visits to North Dakota.
- 28 Requests for Proposals (RFP) on different projects disseminated to local developers.
- Participated in 11 out-of-state target industry marketing events.
- Participated in 5 out-of-state events focused at site selection consultants and corporate real estate executives.
- Conducted 6 out-of-state target industry marketing missions that led to visits with 34 different corporate executives, site selection consultants, corporate real estate executives, and others.
- Participated in and provided sponsorship to 8 in-state marketing and entrepreneurial development events.
- Approximately 200+ companies contacted through DCI contract in target markets.

A business development project which exemplifies a successful project management process that results in a positive impact to North Dakota's economy is Champ Industries. Champ Industries, which is one of the largest metal fabricators in Western Canada, expanded into North Dakota in 2005/2006,

- May 10, 2005 – Champ Industries contacted ED&F staff inquiring as to business location opportunities for them in North Dakota. They were also considering another state.
- May 10, 2005 – ED&F staff sent out a notice of the project opportunity on the ED&F Request for Proposal (RFP) system to local community development representatives.
- May 20, 2005 – 16 proposals received into the ED&F RFP system from communities interested in vying for an opportunity to locate the company in their community.
- June 22 - 24, 2005 – Champ Industries conducted site visits into 8 North Dakota communities.
- July 12 - 13, 2005 – Champ Industries conducted site visit to the final 3 communities.
- August 1, 2005 – Champ Industries chose Jamestown, ND as the location for their United States expansion. At this time the Jamestown development team takes the lead role in the project with ED&F assistance being provided as requested by the company and the community.
- February 3, 2006 – Champ Industries begins their first week in production in Jamestown with 8 employees which has now grown to a workforce of 12 full time positions of CNC operators , laser operators and welders. The company expects to grow to 40 employees within 5 years. Champ Industries has recruited 3 employees from outside of North

Dakota, including their plant manager who was a former North Dakotan looking for an opportunity to move back to the State.

Having successful results, in the area of business development, requires the staff to be professional, responsive and effective. Accentuating these requirements in staff performance, which will ultimately lead to results, can be accomplished by putting a staff in place that has education and experience in specific disciplines that fit the demands of the State's target industry sectors. New ED&F staff additions that will help to fulfill these requirements will be put in place by utilizing existing vacant FTE's and adding one additional FTE, as outlined here:

- Manager of Value-Added Ag & Energy Development. This position has been filled utilizing an existing vacant FTE.
    - Increasing demand for ED&F services in the areas of biofuels, renewable energy, energy enhancement technologies, value-added ag processing, enhanced animal ag production, etc. have brought this position to the forefront of ED&F's business development effort.
- Manager of Science & Technology Development. Beginning a search to fill this position with an existing vacant FTE.
    - As North Dakota continues to establish Centers of Excellence across the State, and research at North Dakota universities and within private business continue to expand, it is imperative that ED&F has staff in place that has the ability to speak the language, per say, as it relates to working with high-tech/science based businesses. To be successful in developing opportunities and creating linkages with knowledge-based businesses, it requires staff with scientific knowledge themselves.
- Project Manager / Developer. This will be the position to be filled with the new FTE in July, 2007.
    - Due to the constant changes in economic influences that impact business development activity, project management requirements become more complex and place an increasing demand on staff resources to coordinate all activity associated with pulling together a successful project. The new position would serve as a support staff to the business development team to optimize information/material development, presentation and overall coordination. This will provide the business development staff to maintain focus managing their entire project portfolio, and not having to divert all attention to a specific project. The position will also provide project management assistance to assure the development and follow through on strategic processes and initiatives within ED&F.

Continued new business development activities will place an emphasis on working more closely with local community developers and leaders, with existing North Dakota companies, and with the educational resources across the state. The business development and research team will be canvassing North Dakota in coming months to become better acquainted with the business development targets the local communities and regions are focused on. They will visit existing North Dakota companies to learn what their needs are and to be better informed of what their capabilities are for promoting linkages with other in-state and out-of-state companies. This will arm the development staff with information to assure ED&F functions and performs in a manner

that coincides with the capabilities and desires of our stakeholders throughout all of North Dakota.

Realizing successful results also requires accountability measures be put in place that define goals and track results. ED&F's contact management and information management system is being enhanced to provide a system that better tracks activities, efforts, and measurable results.

ND Rural Development Council / Center for Technology & Business

Rural North Dakota continues to face many issues that have the capacity to impede sustainability and growth in some communities. Issues like workforce skills and availability, housing availability, childcare availability, etc . The North Dakota Rural Development Council (RDC) and the Center for Technology & Business (CTB) have taken a lead role in addressing and working to resolve these and other issues.

Some of the primary focus and results of the programs include the following:

Rural Development Council

- **Initiated the *Rural* Young Professionals Network to become engaged with the statewide YP Network.** To date seven rural communities have set up community YP groups to include our young rural economic developers. **Results: 18 young professionals from eight communities have signed up to date and the organization continues to grow. Plans are underway for a statewide leadership summit.**
- **At Standing Rock the RDC organized a Native American Arts Group to sell the handmade goods at the Pride of Dakota Holiday Showcase.** Six artists learned how to set up a booth, interact with customers, charge sales tax, and work together as a team. Contact: person is Margaret Carry Moccasin. **Results: 19 artisans from Standing Rock are signed up as part of the organization, and five sold merchandise ($2000 total sales) at the POD Holiday Showcase.**
- **Rural Housing Awareness Outreach is being done to bring housing program options into rural areas.** There are 7 communities participating in housing outreach. **Results: The Rugby Jobs Development Authority has heard from agencies and programs with housing options and they are planning for future developments. The community is working to make housing available at all levels, finding a way to open homes to families and move seniors into more suitable housing options.**
- **Childcare is not readily available in rural areas.** The RDC has coordinated work with Killdeer and Stanley resulting in the creation of new daycare facilities.
- **The RDC helped expand capacity in rural areas where senior citizens didn't have help signing up for Medicare Part D.** Assistance included production of written curriculum and networking to provide computer assistance. Results: more seniors were able to sign up online and maintain residence in rural areas.
- **Developing a Financial Literacy Program that will be rolled out in rural ND in late 2006-7.**

Center for Technology & Business

The Center for Technology and Business has focused on providing technology outreach to rural North Dakota residents. Efforts focus on increasing the rural workforce skills levels, job creation, and community development. 2006 accomplishments include:

- **1,925 statewide students** – classes in Introductory and Intermediate Computers, Excel, Access; adults of all ages participated.
- **Increased Telco Revenues** by creating more rural Internet customers ($7,650,000 cumulative over five years). New computer users sign up for Internet access.
- **154 students entered the rural workforce** by teaching them how to use a computer (8% of all CTB students re-enter the workforce or go to work for the first time).
- **163 jobs retained** through increased workforce intelligence (8.5%). This was done by bringing technology into businesses, non-profits and government entities. (For example, some rural auditors were taught how to use Excel spreadsheets).
- **90 injured workers were re-trained for Vocational Rehabilitation and Workforce Safety Insurance.** All re-entered the workforce in new jobs utilizing technology as a job component. Many had very few soft skills, and most were men who previously worked in blue collar jobs.
- **Increased rural payrolls by more than $1.6 million. Created more than 140 new rural home-based jobs in Wishek, Rugby, Fessenden, and Steele.** The SEI Work@Home Project (now called Verety, LLC), selected North Dakota as the testing grounds for a customer service business that would take remote orders for drive-through restaurants (located throughout the United States). This project allows 85% of the employees to work from home, which keeps more dollars in the community. The remaining employees work from a storefront in the community and function as support for the home-based workers. In one year these jobs generate more than $1,600,000 in wages for rural workers. CTB participated with site visits, community selection, and at-home worker module development. The business is growing into other communities and increasing their workforce as the project brings on more restaurants. **ROI: This project alone returned $50.20 to the rural economy for every dollar invested in the Center for Technology and Business by the Department of Commerce.**

Availability of programs and funding to support outreach by agencies to rural North Dakota continues to be a challenge. Remote communities cannot participate in programs unless an advocate brings the programs out to the communities. Several programs can be represented simultaneously by the Rural Development Council and the Center for Business & Technology with technical hands-on guidance provided to funding and/or completion. These programs also make it a focus to implement initiatives that attract and retain young talent in the rural areas, helping to stimulate a future for our rural communities across North Dakota.

Conclusion

The Economic Development & Finance Division of the Department of Commerce houses a variety of programs and components that reach out to supporting development across multiple industry and demographic sectors in communities throughout North Dakota. All of these

programs and the responsibilities they carry are very important to furthering efforts to expand North Dakota's economy.

I would like to close by noting something I learned back in 1989 when I first became involved in economic development in North Dakota.
Businesses want personal attention that will assist them in enhancing their profitability, and they want it done in a professional manner. Personalize, Profitability, Professionally.
As the Division of ED&F moves forward, this will be on the forefront of our minds to not only be more successful in creating economic growth for the State, but to also serve North Dakota in a way that you and the citizens of the State can see true benefits from and be proud of.

Mr. Chairman and committee members, this concludes my testimony. Thank you.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
FEBRUARY 22, 2007, 8:00 A.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

PAUL LUCY – DIRECTOR, THE DIVISION OF ECONOMIC DEVELOPMENT & FINANCE

Mr. Chairman, members of the committee. My name is Paul Lucy. I am the Director of the Economic Development and Finance (ED&F) Division of the North Dakota Department of Commerce (DOC). I am new to the ND DOC staff, filling the ED&F Director's position in October, 2006.

There is certainly a distinguishable diversity amongst the communities, businesses and workforce across North Dakota. Along with this diversity we have seen an evolution of our State's economy and the elements which influence economic development strategies - elements such as workforce, housing, infrastructure, emerging industries, global economics, new technologies, etc. It is imperative that we recognize this diversity and deliver programs, initiatives, and funding which are cognizant of these influences and which will ultimately develop, enhance and create new opportunities throughout all of North Dakota.

The ED&F Division of the ND DOC has submitted a budget that will allow for the continued delivery of such programs and efforts.

North Dakota Development Fund

$3,000,000 in general fund dollars are requested to support the North Dakota Development Fund (Development Fund) for the 2007-2009 biennium.

As I had previously mentioned, there are new influences across North Dakota and around the world that are placing a greater demand upon the Development Fund resources. These include, but are not limited to:

- Significant growth and opportunities in the area of renewable energy.
- Increased global competitiveness in manufacturing across virtually all industry sectors.
- Aggressive programs and initiative to promote entrepreneurial activity in North Dakota

Because of such influences, increased demands are being put upon the financial resources available through the Development Fund. It is also important to note that since 2001 the Development Fund has not received any general fund appropriations for business investment purposes or for operating costs. Since 2001 the Development Fund has applied approximately $1,405,612 of investment earnings toward its operating costs, which consequently reduces the amount of dollars to be made available for business investment purposes.

Other specific reasons for the need for funding into the Development Fund include:

- Project funding requests have been considerably larger than the former investment cap of $300,000 used by the Development Fund. The funding requests have been in the $500,000 to $1,000,000 range.
- The Development Fund has supported the activities of the Centers for Excellence, which the Fund expended dollars from its own funds in the amount of $500,000 the last biennium and the North Dakota Trade Office in the amount of $500,000 during this biennium. This totals $1,000,000.
- The Development Fund has received more requests this past year to be an equity partner in projects rather than as a lender. Increases in equity investments made by the Fund, reduces cash flow back to the Fund since these types of investments are longer-term than loans. The average payback on equity investments usually take 5 years and with a loan the payback starts to come back to the Fund within 30 to 60 days. Without the injection of capital made by the Development Fund a majority of the projects may not have occurred as the senior lenders require a certain equity position in order for them to be involved.
- The Development Fund is projecting to end the year (June 30, 2007) with a record year of investment funding. The projected amount will be over $9.6 million for the year. This will be the largest investment year for the Fund since its inception in 1991.

The Development Fund has proven to be an extremely valuable piece of the puzzle for creating, expanding and retaining wealth in North Dakota. The Fund has invested over $60,000,000 (since its inception), from $27,000,000 in legislative appropriations. Besides the impact the Development Fund has had on North Dakota's economy, by positively impacting the development and expansion of businesses across the State, the Development Fund has performed with a 4.78% average net rate of return (after expenses) since 1999. The Development Fund is well managed and is one of our State's primary economic development finance tools. The request for an additional $3,000,000 in funding will allow the Development Fund to continue as an active funding participant in future investment requests.

Additional details relative to the North Dakota Development Fund's history and statistical review can be found in Appendix A.

North Dakota Trade Office

$1,400,000 in general fund dollars are requested to support the North Dakota Trade Office (Trade Office) for the 2007-2009 biennium.

When the Trade Office was first established, it conducted statewide research to gather direct feedback from North Dakota exporters to determine what services were required of businesses to aid them in growing foreign trade of their projects. As a result, the Trade Office created a program that provided the assistance businesses need.

The Trade Office has exhibited substantial levels of success in their efforts to support the expansion of trade for North Dakota companies. Since July of 2005, the top five accomplishments of the Trade Office include:

- Aided export revenue increase among 25 founding members by $42,000,000, with corresponding state tax revenue of +$1,800,000 (exporter survey & REMI Model).
- Conducted 5 trade missions with 37 exporter delegates projecting $43,000,000 over the next 12 months. Conducted 16 trade seminars with expert speakers covering trade issues and benefits.
- Companies that have worked with the Trade Office for at least one year reported increasing their annual export sales by 35%. As a whole, North Dakota exporters are increasing the value of their annual export sales by 18% while the national average is about 11%.
- Hired 9 student export assistants, 4 of whom graduated to full-time international jobs in North Dakota.

In a very short period of time the Trade Office has proven to be a valuable organization that has a direct impact on enhancing successful foreign market development and growth for North Dakota companies, while at the same time impacting the growth of North Dakota's tax revenue. The request for $1,400,000 will allow the Trade Office to expand their service offerings to more North Dakota businesses. Any funding by the State of North Dakota to the Trade Office will be matched on a 2:1 ratio – for every $2.00 provided through the general fund, there will be a $1.00 match from other non-State sources.

Additional details relative to the North Dakota Trade Office services and statistical review can be found in Appendix B.

Dakota Manufacturing Extension Partnership

$950,000 in general fund dollars are requested to support the Dakota Manufacturing Extension Partnership (Dakota MEP) for the 2007-2009 biennium.

Dakota MEP is part of a unique, national public / private partnership providing assessment, technical assistance and training services to help manufacturers become more competitive, productive and profitable. It is the only national network dedicated to the manufacturing industry.

Manufacturers are leading the diversification and development of North Dakota's economy. The industry added over 6,000 new jobs during the 90's. Manufacturing jobs are now at 26,300 as compared to 23,900 in 2000. Manufacturers contributes 9% of the state's gross product ($2.2 billion). These jobs pay on average $36,377 per year – an amount 23% greater than the average for non-manufacturing jobs.

ND Job Service projects manufacturing employment to grow to 28,000 over the next five years. Through improved productivity, manufacturers are able to increase the value of each job while lessening the need for low wage / low skilled jobs. Dakota MEP would like to see North Dakota

manufacturers increase the average output per employee by 20% - thus helping to partially address workforce shortages. The current average revenue per manufacturing employee in ND is $83,969 while the national average is $105,690.

MEP assisted improvements manufacturers make are quantified through the tangible benefits and impacts they report to an independent third party. Below are (1) the average benefits and impacts that each company reports as a result of the assistance provided by Dakota MEP along with (2) the average benefits and impacts reported by all companies in the national MEP system.

Benefits and Impacts	Dakota MEP	National MEP
Sales (New and/or Retained)	$766,000	$976,000
Cost Savings	$511,000	$155,000
Investment in Modernization	$383,000	$203,000
Jobs (New and/or Retained)	9.5	9.3

Net revenue per employee achieved by manufacturers partnering with the MEP is $2,334 while the net revenue per employee achieved by manufacturers not partnering with the MEP is $508. For more information on the Partnership, access the public site at http://www.mep.nist.gov/.

The requested State of North Dakota support is $950,000 for the biennium ($475,000 per year). This amount is needed to match the federal funding available to North Dakota from the national MEP. This baseline budget amount is further matched by manufacturers who pay for many of the services they receive. The requested State of North Dakota support is roughly equivalent to previous levels of support that included both financial support and in-kind contributions.

Agricultural Products Utilization Commission

The funding request for the Agricultural Products Utilization Commission (APUC) is $1,462,115, which is consistent with last biennium's funding with only a modest increase for salaries and wages.

APUC, since its established in 1979, has consistently been a very popular program across North Dakota and has been successful in fulfilling its mission of creating new wealth and jobs through the development of new and expanded uses for all North Dakota agricultural products. To achieve this mission the Commission administers seven grant programs encompassing, basic and applied research, farm diversification, marketing and utilization, prototype development, technology, technical assistance, and nature based agri-tourism.

To date for the biennium 05-07, APUC has awarded over $1,900,000 to 55 projects. The breakdown into the various program areas are as follows:

- Basic and applied research grants = $249,885.00
- Marketing and Utilization grants of $1,196,519
- Farm diversification grants = $21,000.00
- Technology grants = $73,750.00
- Technical Assistance grants = $20,055.00

- Nature Based Agri-Tourism grants = $12,380.00
- And two legislatively mandated programs:
  - E85 tax buy down for $241,445.20
  - Scab research company for $100,000.

During this biennium APUC also contracted with NDSU to do an impact study on the effectiveness of the program and it's contribution to the States Economy from 1995 to 2004. The findings showed that APUC is not only achieving a very high overall return on its investment portfolio but also is supporting a relatively large percentage of successful investments. For example, nine agricultural processing projects supported by APUC during the 1995-2004 period are estimated to contribute more then $157 million annually to the states economy, to support almost 2,300 new jobs, and to result in $2.4 million in added state sales and use and personal income tax revenues annually. Similarly four large processing plants, which received APUC support prior to 1995 contribute more than $580 million to gross sales, support more than 8,500 jobs and add more than $10 million to state tax revenues. In addition APUC support has assisted the launch of a number of smaller enterprises which may provide employment opportunities that would not otherwise exist and have potential for future growth. APUC realizes that they are not the lone investor in these projects, however, several of the projects stated that it is because of the early investment by APUC that the project moved forward at the pace at which it did.

In 2006, APUC conducted a survey of all economic development professionals and regional councils in North Dakota to assist the commission in evaluating how it administers the program. The survey results indicated that 93% of the respondents felt that APUC was doing a good job administering the funds and 96.8% felt that APUC funding was critical to a projects success.

Business Development & Research

As I had previously mentioned, we are seeing an evolution in North Dakota's economic landscape. This requires dedicating resources in areas that will optimize opportunities based upon local, state, national and international influences. The business development efforts of the ED&F must take these influences into account in order to proactively pursue and respond to opportunities for North Dakota.

This effort begins with research. This requires a group of people who possess competencies that are dedicated specifically to conducting research and developing and maintaining the backbone infrastructure for managing and monitoring information. The following list includes some of the primary functions of the research team – functions that are an absolute requirement to supporting a successful business development effort.

- Monitor changes and trends across industry sectors.
- Monitor and identify changing conditions that impact businesses in other states and countries.
- Develop and update systems that maximize the gathering and dissemination of North Dakota communities, regions, state, and economic development group's information out to the world.

- Develop, maintain and manage a system for tracking efforts and results of the ED&F business development group and other ED&F functions.
- Oversee the primary sector certification process and the seed capital investment tax credit certification process.
- Assisted in creating web-based accountability system associated with the 2005 Business Incentives Law.
- Conduct business and project specific research to support business development team activity and local community developers.
- Gather and manage information on over 1,350 existing North Dakota primary sector businesses.

The business development group within the ED&F Division incorporates a variety of strategies with one primary purpose in mind – initiate and enhance business development opportunities in North Dakota that will benefit the people, communities and State of North Dakota. Some of those strategies and responsibilities include:

- Support existing North Dakota businesses through processes that will simplify and optimize their expansion efforts.
- Identify and promote business linkages between North Dakota companies within the State and with companies from outside North Dakota.
- Bring existing North Dakota companies together with appropriate North Dakota agencies and organizations as well as Department of Commerce partner groups that can help them maximize their business operations and competitiveness in the marketplace.
- Assist entrepreneurs in their business start-up efforts by helping them access North Dakota resources available to them.
- Develop and implement strategic marketing and sales programs designed to attract new companies into North Dakota.
- Respond to incoming inquiries and leads developed from multiple sources, taking the lead effort in securing a location of new companies into North Dakota.
- Work with other North Dakota agencies, legislators, educational institutions, associations, community leaders, economic development groups, etc to develop and implement strategies within target industry sectors that will result in expanded business and job creation opportunities.

As a result of these efforts and others, the business development staff (with the inclusion of many other participants) have played a part in the location and/or announcement of 11 new companies in North Dakota over the past 18 months.

In addition to the work the development staff has put in to support the successful projects, the following includes some of the marketing efforts and the ED&F business development staff have been involved during this biennium.

- 75+ active projects.
- 27 companies conducted site visits to North Dakota.
- 28 Requests for Proposals (RFP) on different projects disseminated to local developers.
- Participated in 12 out-of-state target industry marketing events.

- Participated in 6 out-of-state events focused at site selection consultants and corporate real estate executives.
- Conducted 7 out-of-state target industry marketing missions that led to visits with 40 different corporate executives, site selection consultants, corporate real estate executives, and others.
- Participated in and provided sponsorship to 9 in-state marketing and entrepreneurial development events.
- Approximately 300+ companies contacted through DCI contract in target markets.

Having successful results, in the area of business development, requires the staff to be professional, responsive and effective. Accentuating these requirements in staff performance, which will ultimately lead to results, can be accomplished by putting a staff in place that has education and experience in specific disciplines that fit the demands of the State's target industry sectors. New ED&F staff additions that will help to fulfill these requirements will be put in place by utilizing existing vacant FTE's and adding one additional FTE, as outlined here:

- Manager of Value-Added Ag & Energy Development. This position has been filled utilizing an existing vacant FTE.
    - Increasing demand for ED&F services in the areas of biofuels, renewable energy, energy enhancement technologies, value-added ag processing, enhanced animal ag production, etc. have brought this position to the forefront of ED&F's business development effort.
- Manager of Science & Technology Development. Presently searching to fill this position with an existing vacant FTE.
    - As North Dakota continues to establish Centers of Excellence across the State, and research at North Dakota universities and within private business continue to expand, it is imperative that ED&F has staff in place that has the ability to speak the language, per say, as it relates to working with high-tech/science based businesses. To be successful in developing opportunities and creating linkages with knowledge-based businesses, it requires staff with scientific knowledge themselves.
- Manager of Special Projects. Presently searching to fill this position with an existing vacant FTE.
    - Due to the constant changes in influences that impact business development activity, project management requirements become more complex and place an increasing demand on staff resources to coordinate all activity associated with pulling together a successful project. The new position would serve as a support staff to the business development team to optimize information/material development, presentation and overall coordination. This will provide the business development staff to maintain focus managing their entire project portfolio, and not having to divert all attention to a specific project. The position will also provide project management assistance to assure the development and follow through on strategic processes and initiatives within ED&F.
- Business Development Manager (Energy). This will be the position to be filled with the new FTE in July, 2007.
    - With North Dakota seeing increasing activity in the areas of biofuels, energy (coal & oil), and renewable energy, ED&F's business development staff is seeing

significant increases in project management activity. An additional FTE within the business development staff is needed to deal with the increasing number of projects, of which those within the energy industry are becoming increasingly complex. The new FTE will focus on energy related business development activity, thereby providing the Manager of Value-Added Ag & Energy Development to focus more time to value-added ag and animal ag project development activities.

Continued new business development activities will place an emphasis on working more closely with local community developers and leaders, with existing North Dakota companies, and with the educational resources across the state. The business development and research team will be canvassing North Dakota in coming months to become better acquainted with the business development targets the local communities and regions are focused on. They will visit existing North Dakota companies to learn what their needs are and to be better informed of what their capabilities are for promoting linkages with other in-state and out-of-state companies. This will arm the development staff with information to assure ED&F functions and performs in a manner that coincides with the capabilities and desires of our stakeholders throughout all of North Dakota.

Realizing successful results also requires accountability measures be put in place that define goals and track results. ED&F's contact management and information management system is being enhanced to provide a system that better tracks activities, efforts, and measurable results.

ND Rural Development Council / Center for Technology & Business

Rural North Dakota continues to face many issues that have the capacity to impede sustainability and growth in some communities. Issues like workforce skills and availability, housing availability, childcare availability, etc . The North Dakota Rural Development Council (RDC) and the Center for Technology & Business (CTB) have taken a lead role in addressing and working to resolve these and other issues.

Some of the primary focus and results of the programs include the following:

Rural Development Council

- **Initiated the *Rural* Young Professionals Network to become engaged with the statewide YP Network.** To date seven rural communities have set up community YP groups to include our young rural economic developers. **Results: 18 young professionals from eight communities have signed up to date and the organization continues to grow. Plans are underway for a statewide leadership summit.**
- **At Standing Rock the RDC organized a Native American Arts Group to sell the handmade goods at the Pride of Dakota Holiday Showcase.** Six artists learned how to set up a booth, interact with customers, charge sales tax, and work together as a team. Contact: person is Margaret Carry Moccasin. **Results: 19 artisans from Standing Rock are signed up as part of the organization, and five sold merchandise ($2000 total sales) at the POD Holiday Showcase.**

- **Rural Housing Awareness Outreach is being done to bring housing program options into rural areas.** There are 7 communities participating in housing outreach. **Results: The Rugby Jobs Development Authority has heard from agencies and programs with housing options and they are planning for future developments. The community is working to make housing available at all levels, finding a way to open homes to families and move seniors into more suitable housing options.**
- **Childcare is not readily available in rural areas.** The RDC has coordinated work with Killdeer and Stanley resulting in the creation of new daycare facilities.
- **The RDC helped expand capacity in rural areas where senior citizens didn't have help signing up for Medicare Part D.** Assistance included production of written curriculum and networking to provide computer assistance. Results: more seniors were able to sign up online and maintain residence in rural areas.
- **Developing a Financial Literacy Program that will be rolled out in rural ND in late 2006-7.**

Center for Technology & Business

The Center for Technology and Business has focused on providing technology outreach to rural North Dakota residents. Efforts focus on increasing the rural workforce skills levels, job creation, and community development. 2006 accomplishments include:

- **1,925 statewide students** – classes in Introductory and Intermediate Computers, Excel, Access; adults of all ages participated.
- **Increased Telco Revenues** by creating more rural Internet customers ($7,650,000 cumulative over five years). New computer users sign up for Internet access.
- **154 students entered the rural workforce** by teaching them how to use a computer (8% of all CTB students re-enter the workforce or go to work for the first time).
- **163 jobs retained** through increased workforce intelligence (8.5%). This was done by bringing technology into businesses, non-profits and government entities. (For example, some rural auditors were taught how to use Excel spreadsheets).
- **90 injured workers were re-trained for Vocational Rehabilitation and Workforce Safety Insurance.** All re-entered the workforce in new jobs utilizing technology as a job component. Many had very few soft skills, and most were men who previously worked in blue collar jobs.
- **Increased rural payrolls by more than $1.6 million. Created more than 140 new rural home-based jobs in Wishek, Rugby, Fessenden, and Steele.** The SEI Work@Home Project (now called Verety, LLC), selected North Dakota as the testing grounds for a customer service business that would take remote orders for drive-through restaurants (located throughout the United States). This project allows 85% of the employees to work from home, which keeps more dollars in the community. The remaining employees work from a storefront in the community and function as support for the home-based workers. In one year these jobs generate more than $1,600,000 in wages for rural workers. CTB participated with site visits, community selection, and at-home worker module development. The business is growing into other communities and increasing their workforce as the project brings on more restaurants. **ROI: This project alone returned $50.20 to the rural economy for every dollar invested in the Center for Technology and Business by the Department of Commerce.**

ND Economic Development Foundation Strategic Plan Benchmark Update – January 9, 2007

Top	Target
Bottom	Latest Available

	2000	2001	2002	2003	2004	2005	2006
GOAL 1: Develop a Unified Front for Economic Development Based on Collaboration and Accountability							
% of local Economic Development organizations participating in state marketing strategy *(numbers reflect biennium totals)*			--	30%	40%	50%	54%
				85%		78%	66% (btd)
Site Selection Magazine ranking on ND's Department of Commerce *(See Footnotes for explanation)*							
				N/A	N/A	N/A	
GOAL 2: Strengthen Linkages Between the State's Higher Education System and Economic Development Organizations & Private Businesses							
Academic R&D Expenditures as a percent of Gross State Product			0.4%	0.4%	0.4%	0.4%	0.4%
	0.38%	0.46%	0.53%	0.62%	0.67%		
Industry R&D Expenditures as a percent of Gross State Product			0.2%	0.4%	0.5%	0.7%	0.9%
	0.47%	1.87%*	0.77%	1.00%			
GOAL 3: Create Quality Jobs that Retain North Dakota's Current Workforce and Attract New Skilled Labor							
Net Job Growth			1,800	1,400	1,700	2,700	4,300
	3,900	1,950	150	2,800	5,250	7,100	
New Private Sector Businesses			174	77	105	162	257
	22	-94	98	365	625	639	
Average Annual Wage			$26,252	$27,389	$28,688	$30,167	$31,847
	$24,683	$25,707	$26,550	$27,629	$28,987	$29,955	
Per Capita Personal Income	$25,106	$25,879	$26,427	$28,651	$29,021	$31,230	
Net Migration			2,088	662	1,302	2,768	4,410
		-6,196	-4,078	-2,366	1,428	-3,498	-1,277
Population Change		-4,844	-2,700	-1,029	3,228	-1,243	1,262

*NSF changed survey methodology

ND Economic Development Foundation Strategic Plan Benchmark Update – January 9, 2007

	2000	2001	2002	2003	2004	2005	2006
GOAL 4: Create a Strong Marketing Image on the State's Numerous Strengths, Including Workforce, Education and Quality of Place							
Positive National/Out of State Media Exposure (favorable mentions)			--	10	20	30	40
	2	7	5	12	33	26	23
Number of ND DOC Web Site Hits Per Month			10,920	11,466	12,039	12,641	13,273
	N/A	16,539	18,470	24,974	30,027	8,826*	12,819
**ITD changed method for counting hits*							
Number of Leads Generated by the ND DOC *(numbers reflect biennium totals)*			140	160	175	190	205
		40		99		96	46 (btd)
GOAL 5: Accelerate Job Growth in Sustainable, Diversified Industry Clusters to Provide Opportunities for the State's Economy							
Net Job Growth in Manufacturing			300	200	200	300	600
	1,100	150	-350	-150	1,050	1,250	
Net Job Growth in Business Services			400	200	300	500	900
	550	-250	1,150	800	650	950	
Net Job Growth in Leisure and Hospitality	300	50	450	100	800	500	
Net Job Growth in Healthcare Services	450	550	650	950	550	800	
New Private Sector Businesses in Manufacturing			5	3	3	5	10
	9	-18	-8	9	26	18	
New Private Sector Businesses in Business Services			19	9	14	24	42
	75	81	78	77	174	143	
Number of Utility Patents per 100,000			17.9	19.5	21.2	22.9	24.5
	13.2	15.1	11.4	8.6	8.3	11.5	
GOAL 6: Strengthen ND's Business Climate to Increase Global Competitiveness							
Gross Domestic Product by State (Annual Growth Rate)			2.3%	3.6%	3.5%	3.4%	3.3%
	5.3%	4.4%	7.3%	9.2%	4.6%	7.5%	
Venture Capital Investments (thousands)			$700	$2,734	$5,658	$8,773	$12,078
	$6,054	$1,017	$0	$14,500	$2,000	$0	
Merchandise Export Value (per capita - based on 2000 census = 642,200)			$1,306	$1,329	$1,368	$1,440	$1,528
	$975	$1,255	$1,338	$1,330	$1,569	$1,846	

ND Economic Development Foundation Strategic Plan Benchmark Update – January 9, 2007

Footnotes

GOAL 1: Develop a Unified Front for Economic Development Based on Collaboration and Accountability

Share of local Economic Development organizations participating in statewide marketing strategy

- During the 2001-03 biennium, 48 developers out of 56 development organizations, or 85%, had partnered.
- During the 2003-05 biennium, 51 developers out of 65 development organizations, or 78%, had partnered.
- As of 12/31/06, 41 developers out of 62 development organizations, or 66%, had partnered.
- As of 12/31/06, $194,819.02 has been approved out of $250,000 allocated for the 2005-07 biennium.

Site Selection Magazine ranking on ND's Department of Commerce

- Site Selection Magazine's 2005 Competitiveness Award only lists top ten states – ND not listed and is dominated by larger states.
- In addition, we have identified several other rankings that recognize North Dakota's competitive advantages and performance. They include:

Date		Ranking Organization	ND Rank
8/11/2005	Milken Institute Cost of Doing Business Index	Milken Institute	#2 lowest costs
5/4/2006	Best places for business and careers	Forbes	Fargo #3, Bismarck #4, Grand Forks #28 for Best Smaller Metros
May 2006	Best Cities for doing Business	Inc. Magazine	Bismarck ranked 51, Fargo 102, & Grand Forks 118 out of 393 total cities
8/15/2006	2006 Mayor's Challenge™	Expansion Management	Fargo & Grand Forks listed as 5-star Business Opportunity Metros; Bismarck listed as 4-star
8/16/2006	Best States for Business	Forbes	#13 overall, #3 in Business Costs
October 2006	Worker's Compensation Premium Rates	Oregon Department of Consumer & Business Services	#1 lowest premium rate
12/19/2006	State Competitiveness Report 2006	Beacon Hill Institute at Suffolk University	#5 overall, #1 in infrastructure

GOAL 2: Strengthen Linkages Between the State's Higher Education System and Economic Development Organizations & Private Businesses

Academic R&D Expenditures as a percent of Gross State Product

- Source: National Science Foundation (*http://www.nsf.gov/statistics/nsf06323/tables.htm*)

Year	Academic R&D	Gross State Product	% of GSP
2000	$ 67,406,000	$ 17,752,000,000	0.38%
2001	$ 84,574,000	$ 18,527,000,000	0.46%
2002	$ 106,078,000	$ 19,880,000,000	0.53%
2003	$ 133,615,000	$ 21,703,000,000	0.62%
2004	$ 151,710,000	$ 22,692,000,000	0.67%

- ND ranked fourth for fiscal year 2004 in per capita Academic R&D Expenditures
- ND had the largest percentage growth in Academic R&D Expenditures from 2000 to 2004

Industry Research & Development Expenditures as a percent of Gross State Product

- Source: National Science Foundation (http://www.nsf.gov/statistics/nsf06314/tables/nd.pdf)

Year	Industry R&D	Gross State Product	% of GSP
2000	$ 83,000,000	$ 17,752,000,000	0.47%
2001*	$ 347,000,000	$ 18,527,000,000	1.87%
2002	$ 154,000,000	$ 19,880,000,000	0.77%
2003	$ 216,000,000	$ 21,703,000,000	1.00%

* Beginning in 2001, the sampling and estimation methodologies used to produce state estimates were modified from previous years to yield better accuracy and precision and to reduce erroneous fluctuations in year-to-year estimates due to small sample sizes of R&D performers by state. The new sampling methodology selects known R&D performers with a higher probability than nonperformers and selects with certainty the largest 50 companies in each state based on payroll thus providing more coverage of R&D performers.

GOAL 3: Create Quality Jobs that Retain North Dakota's Current Workforce and Attract New Skilled Labor

Net Job Growth

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment(http://www.state.nd.us/jsnd/warehouse/CES.asp)

Year	2000	2001	2002	2003	2004	2005
Employment	327,700	329,650	329,800	332,600	337,850	344,950
Yearly Change	3,900	1,950	150	2,800	5,250	7,100

New Private Sector Businesses per 100,000

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings) (http://www.state.nd.us/jsnd/bin/lmidata.pl/industry)
- While Angelou Economics included the "per 100,000," it is unclear how they applied this measure given the targets they also provided. Therefore, the numbers are provided straightforwardly without any application of the "per 100,000."
- Due to methodology changes instituted in 2005, worksite data are now reported as a unique count of worksites in business at any time during the calendar year, rather than a four-quarter annual average; this change in methodology conforms to the way quarterly data are collected, processed, and reported. These numbers reflect the methodology change applied to previous years, but the website does not.

Year	2000	2001	2002	2003	2004	2005
Total Private Ownership	22,994	22,900	22,998	23,363	23,988	24,627
Yearly Change	22	-94	98	365	625	639

Average Annual Wage

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings) (http://www.state.nd.us/jsnd/bin/lmidata.pl/industry)
  - Data includes private and government

Per Capita Personal Income

- Source: U.S. Bureau of Economic Analysis (http://www.bea.gov/bea/regional/statelocal.htm)
- This measure includes income for self-employed, agriculture and other businesses not required to submit unemployment reports, and thus not counted in Average Annual Wage.

Net Migration & Population Change

- Source: U.S. Census Population Estimates (http://www.census.gov/popest/datasets.html)

Components of Population Change in North Dakota

Year	Population Estimate (July)	Change from Prior Year	Births	Deaths	Natural Increase	International In-Population	Movement to other States	Net Migration
2000	641,193							
2001	636,349	-4,844	7,691	5,959	1,732	759	-6,955	-6,196
2002	633,649	-2,700	7,681	5,996	1,685	440	-4,518	-4,078
2003	632,620	-1,029	7,862	5,996	1,866	-287	-2,079	-2,366
2004	635,848	3,228	8,081	5,851	2,230	1048	380	1,428
2005	634,605	-1,243	8,300	5,681	2,619	602	-4,100	-3,498
2006	635,867	1,262	8,380	5,886	2,494	836	-2,113	-1,277

GOAL 4: Create a Strong Marketing Image on the State's Numerous Strengths, Including Workforce, Education and Quality of Place

Positive National/Out of State Media Exposure (favorable mentions)

- Advertising equivalency* from positive national stories (Economic Development & Finance only):
  - 2003 - $ 112,319
  - 2004 - $ 596,646
  - 2005 - $ 503,321
  - 2006 - $ 466,225
  - Total - $1,678,511

  **determined by multiplying the size of article by the advertising rate for the publication*
- Dept. of Commerce has hosted 32 business and industry journalists from 2003 through September 2006.
- Example of a news story includes the Wall Street Journal's front page story titled "Energy Boom Lifts Small –Town Hope on Northern Plains" appearing on December 1, 2006.

Number of ND DOC Web Site Hits Per Month

- While website "hits" are listed as the benchmark, unique visitors is a much more useful measure.
  - Where 1 page with 3 files or graphics that load can count as 3 hits, a "unique visitor" is 1 individual who enters your site and is only counted once until they are inactive on for 30 minutes.
- Currently, the www.ndcommerce.com website contains the Workforce Development and Community Services division and is a portal to Economic Development & Finance and Tourism divisional websites.

Average Monthly Web Site Hits

		2000	2001	2002	2003	2004	2005	2006	
Commerce Portal	ndcommerce.com	N/A	16,539	18,470	24,974	30,027	8,826	14,992	*
ED&F	growingnd.com	129,521	285,261	364,881	389,756	434,578	358,188	44,547	*
Ambassadors	luvnd.com					5,615	11,896	29,706	
Tourism	ndtourism.com				2,423,817	4,019,543	262,219	421,555	*

*ITD changed their method for counting hits, making historical comparisons impossible.

Average Monthly Unique Visitors

		2000	2001	2002	2003	2004	2005	2006	
Commerce Portal	ndcommerce.com			3,405	3,421	4,181	1,413	1,984	*
ED&F	growingnd.com			4,746	4,455	5,327	5,259	1,956	*
Ambassadors	luvnd.com					260	810	1,217	
Tourism	ndtourism.com				15,794	25,450	28,059	32,739	*

*ITD changed their method for counting unique visitors, making historical comparisons impossible.

Number of Leads Generated by the ND DOC

- Numbers represent the 1999-2001, 2001-2003 and 2003-2005 biennium totals. Plus 2005-2007 biennium-to-date as of December 31, 2006.
- Lead, in this case, is identified as a real project where either a Request for Proposal or site visit was made by a company representative.

	1999-2001	2001-2003	2003-2005	2005-2007
Lead referrals to local economic developers and communities	40	99	96	46 (btd)

2001-2003 Out-of-State Company Expansion Announcements* in North Dakota

*note: out-of-state company expansion announcements = expansion where company headquarters or decision-making is made outside our borders.

1. Buhler – Fargo
2. CBF Group – Fargo
3. Cirrus Design – Grand Forks
4. Imation – Wahpeton
5. Infinity Windows – Fargo
6. M&K Welding – Beulah
7. Northwest Airlines – Minot
8. Pemstar – Dunseith
9. Pepsi Americas – Fargo
10. Remington Hybrid Seed – Mapleton
11. Ritescreen – Fargo
12. SEI – Grand Forks
13. Specialty Export Productions – Hatton
14. Sysco Food Services – Fargo
15. Unisys Shared Service Center – Bismarck
16. Western Polymer – Grand Forks

2003-2005 Out-of-State Company Expansion Announcements* in North Dakota

*note: out-of-state company expansion announcements = expansion where company headquarters or decision-making is made outside our borders.

1. Alien Technologies – Fargo
2. American Express – Dickinson
3. AWM Staffing – Hazen
4. Bobcat – Bismarck
5. Cirrus Design – Grand Forks
6. Eagle Creek Software – Valley City
7. eTelecare Global Solutions – Minot
8. Goodrich Corporation – Jamestown
9. Great River Energy – Underwood
10. Grizella Corp – Hebron
11. Hensley Aircraft – Devils Lake
12. Holland America – Williston
13. IDA Corporation – Fargo
14. La Rinascente – Hope
15. Marvin Window and Doors – Grafton and Fargo
16. Minot Milling – Minot
17. NavTeq – Fargo
18. Northland Products – Finley
19. ProAudio Partners – Hannaford
20. SEI – Grand Forks, Fargo
21. Specialty Export Productions –Watford City Region
22. Tarnell USA – Walhalla
23. Unisys Shared Service Center – Bismarck
24. UpStream – Fargo

2005-2007 Out-of-State Company Expansion Announcements* in North Dakota

*note: out-of-state company expansion announcements = expansion where company headquarters or decision-making is made outside our borders.

1. Champ Industries – Jamestown
2. FPL Energy Operating Services – Edgeley
3. Archer Daniels Midland Company – Velva
4. Bobcat – Fargo
5. PPM Energy – Rugby
6. Verety – Wishek
7. LM Glasfiber – Grand Forks
8. US BioHankinson – Hankinson
9. Trail King Industries, Inc. – West Fargo
10. Enviro Shield Products – Williston
11. ADI Manufacturing – Mayville
12. Nova CTI – Belcourt
13. Blue Flint Ethanol – Underwood

- During 2006, the Department of Commerce began research and subsequent planning for its first out-of-state workforce recruitment event. The event, called Experience North Dakota, was held in St. Paul, MN, on Nov. 18. The results were overwhelmingly positive and plans are now underway for another Experience North Dakota event in Denver in May 2007. Preliminary results from the St. Paul event include:

1. 439 total guests in attendance
2. 28 North Dakota exhibits
3. About 260 job seekers
4. 14 new Ambassadors signed up

Commerce is also tracking the number of follow up interviews conducted and the number of people hired. In addition, those North Dakota leaders who completed evaluations of the event unanimously said they would consider joining the Department of Commerce for similar events.

GOAL 5: Accelerate Job Growth in Sustainable, Diversified Industry Clusters to Provide Opportunities for the State's Economy

Net Job Growth in Manufacturing

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment(*http://www.state.nd.us/jsnd/warehouse/CES.asp*)

Year	2000	2001	2002	2003	2004	2005
Manufacturing Employment	23,900	24,050	23,700	23,550	24,600	25,850
Yearly Change	1,100	150	-350	-150	1,050	1,250

- Expansion Announcements since July 1, 2003

Alien Technology Corp.	Fargo	Around 300 employees; opening in 2006
Hebron Brick	Hebron	$15 million expansion
Sioux Manufacturing	Fort Totten	20 employees
La Rinascente Pasta	Hope	15-20 employees
Cavendish Farms	Jamestown	$2 million equipment expansion
Soaring Eagle Outerwear	Minot	30 employees
Northland Products	Finley	6-15 employees
Minot Milling	Minot	8 employees + $7.9 million expansion
Goodrich Corporation	Jamestown	100-150 employees + $4 million expansion
Fargo Assembly	Fargo, Lisbon, Edgeley, Ellendale, Michigan, Lehr	60 added in Fargo and 40 among other ND plants
Missouri River Ag	Williston	13-40 employees
Steffes Corporation	Dickinson	45 already hired in 2004
Summers Manufacturing	Devils Lake	38,000 sf addition with 13-20 new staff
Mid-America Aviation Inc.	West Fargo	20 new employees with new contract
Metro-Trak	Cooperstown	10 employees
Tamel USA	Walhalla	6-16 employees
Marvin Windows and Doors	Grafton, Fargo	40-80 new employee expansion
Cardinal Glass	Fargo	25-50 employee expansion; 100,000 sf
LM Glasfiber	Grand Forks	100 employee expansion
Red Trail Energy	Richardton	36 employees + $80 million facility
Great River Energy	Underwood	30 employees + $65 million facility
PrimeBoard Inc. (Masonite)	Wahpeton	7-22 employees
Northwood Mills	Northwood	9-17 employees + $7 million facility
Bobcat Company	Bismarck	100 employees + $9.5 million facility
Killdeer Mountain Mfg.	Killdeer	45 employees
Champ Industries	Jamestown	40 employees
Turtle Mountain Mfg.	Belcourt	15-50 employees
Trail King Industries	West Fargo	150 employees
Killdeer Mountain Mfg.	Dickinson	100 employees
LM Glasfiber	Grand Forks	200 employee expansion
Spiritwood Energy LLC	Spiritwood	40 employees + $157 million facility
JLG Industries	Oakes	20 employees expansion

Net Job Growth in Business Services

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment(http://www.state.nd.us/jsnd/warehouse/CES.asp)
- Due to the conversion to the North American Industrial Classification System (NAICS), we made some educated inclusions of sectors formerly under the Business Services Standard Industrial Classification (SIC) that this originally measured.

Year	2000	2001	2002	2003	2004	2005
Finance and Insurance	13,600	13,700	14,850	15,200	15,400	15,600
Professional & Technical Services	9,400	9,050	9,050	9,500	9,950	10,700
Total Business Services Employment	23,000	22,750	23,900	24,700	25,350	26,300
Yearly Change	550	-250	1,150	800	650	950

- Expansion Announcements since July 1, 2003

Navteq	Fargo	60 employee expansion
Grizella Corp	Hebron	3-14 eventual employees
eTelecare Global Solutions	Minot	100 employees
ING Minot Service Center	Minot	75 employees
American Express	Dickinson	5 expansions with 170 new employees
SEI	Grand Forks	60 & 30 employee expansions
AWM Staffing	Hazen	4 to start with more after a year
I C System Inc.	Fargo	100 employees and add 5,000 sf
Laducer & Associates	Belcourt	Opened with 40, 150 by 2005
Noridian Administrative Services	Fargo	$7.1 million addition and 44 staff
Upstream	Fargo	20 employee expansion
Upstream (2nd expansion)	Fargo	170 employee expansion
Midwest Telemark Int'l	Fessenden	24-30 employees
Amazon.com	Grand Forks	100-200 employee expansion
Eagle Creek Software	Valley City	20-100 employees
Holland America	Williston	34 + 15 employees

Net Job Growth in Leisure and Hospitality

- Most tourism businesses are found in this sector.
- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment(http://www.state.nd.us/jsnd/warehouse/CES.asp)

Year	2000	2001	2002	2003	2004	2005
Leisure & Hospitality Employment	29,350	29,400	29,850	29,950	30,750	31,250
Yearly Change	300	50	450	100	800	500

Net Job Growth in Healthcare Services

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment(http://www.state.nd.us/jsnd/warehouse/CES.asp)

Year	2000	2001	2002	2003	2004	2005
Healthcare and Social Assistance	42,400	42,950	43,600	44,550	45,100	45,900
Yearly Change	450	550	650	950	550	800

New Private Sector Businesses in Manufacturing

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings) (http://www.state.nd.us/jsnd/bin/lmidata.pl/industry)
- Data has been revised from previous reports due to a change in methodology.

Year	2000	2001	2002	2003	2004	2005
Manufacturing	855	837	829	838	864	882
Yearly Change	9	-18	-8	9	26	18

New Private Sector Businesses in Business Services

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings) (http://www.state.nd.us/jsnd/bin/lmidata.pl/industry)
- Due to the recent conversion to the North American Industrial Classification System (NAICS), we made some educated inclusions of sectors formerly under the Business Services Standard Industrial Classification (SIC) that this originally measured.
- Data has been revised from previous reports due to a change in methodology.

Year	2000	2001	2002	2003	2004	2005
Finance and Insurance	1,595	1,652	1,642	1,673	1,777	1,792
Professional & Technical Services	1,645	1,669	1,757	1,803	1,873	2,001
Total Business Services	3,240	3,321	3,399	3,476	3,650	3,793
Yearly Change	75	81	78	77	174	143

Number of Utility Patents per 100,000

- Source U.S. Patent and Trademark Office (http://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm)
- It is assumed that the "per 100,000" by Angelou is relative to population. 6.42 was used for the per 100,000 conversion (642,000 - 2000 Census)

Year	2000	2001	2002	2003	2004	2005
Utility Patents	85	97	73	55	53	74
Per 100,000	13.2	15.1	11.4	8.6	8.3	11.5

GOAL 6: Strengthen ND's Business Climate to Increase Global Competitiveness

Gross Domestic Product by State (Annual Growth Rate)

- The Bureau of Economic Analysis renamed Gross State Product (GSP) on October 26, 2006 to Gross Domestic Product (GDP) by state.

Year	ND GDP (Millions of current dollars)	Annual $ Change (Millions)	Annual % Change	Notes
2000	$ 17,752	$ 899	5.3%	
2001	$ 18,527	$ 775	4.4%	
2002	$ 19,880	$ 1,353	7.3%	
2003	$ 21,703	$ 1,823	9.2%	4th largest percentage growth over 2002 among states in U.S.
2004	$ 22,692	$ 989	4.6%	
2005	$ 24,397	$ 1,705	7.5%	7th largest percentage growth since 2000 among states in U.S.

2005 North Dakota Industry Detail (latest available)	**2005**	**% of total**
Total Gross Domestic Product by State (millions of current dollars)	$ 24,397	100%

Agriculture, forestry, fishing, and hunting	$	1,472	6%
Mining	$	812	3%
Utilities	$	661	3%
Construction	$	1,144	5%
Manufacturing	$	2,205	9%
Wholesale trade	$	1,982	8%
Retail trade	$	1,795	7%
Transportation and warehousing, excluding Postal Service	$	992	4%
Information	$	925	4%
Finance and insurance	$	1,463	6%
Real estate, rental, and leasing	$	2,143	9%
Professional and technical services	$	827	3%
Management of companies and enterprises	$	199	1%
Administrative and waste services	$	412	2%
Educational services	$	107	0%
Health care and social assistance	$	2,194	9%
Arts, entertainment, and recreation	$	123	1%
Accommodation and food services	$	600	2%
Other services, except government	$	591	2%
Government	$	3,751	15%

Source: Bureau of Economic Analysis, U.S. Department of Commerce (*http://www.bea.gov/bea/regional/gsp.htm*)

Venture Capital Investments

Venture Capital Investments in North Dakota Companies

Year - Qtr	Investment Amount	# of Deals
2000 - 3	$ 6,054,000	1
2001 - 2	$ 1,017,000	1
2003 - 1	$ 7,000,000	1
2003 - 4	$ 7,500,000	1
2004 - 1	$ 2,000,000	1

Source: The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Financial (*http://www.pwcmoneytree.com*)

Merchandise Export Value (per capita)

U.S. Merchandise Exports by State

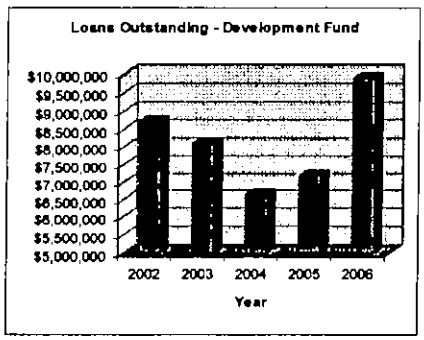
Year	ND Merchandise Exports	Annual Percent Change	2000 Population	Merchandise Export Value Per Capita
2000	$ 625,917,000	-10.48%	642,200	$ 975
2001	$ 806,110,000	28.79%	642,200	$ 1,255
2002	$ 859,383,000	6.61%	642,200	$ 1,338
2003	$ 854,072,000	-0.62%	642,200	$ 1,330
2004	$ 1,007,927,000	18.01%	642,200	$ 1,569
2005	$ 1,185,397,000	17.61%	642,200	$ 1,846

Sources: *Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce* (http://tse.export.gov/)

North Dakota Development Fund

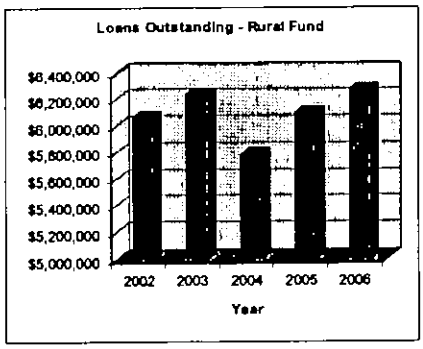
Executive Summary

Loans Outstanding – Development Fund



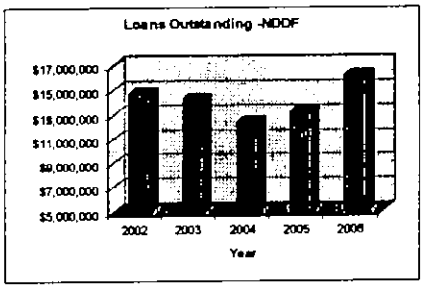
- 2002 - $8,733,013
- 2003 - $8,126,522
- 2004 - $6,667,791
- 2005 - $7,192,102
- 2006 - $9,884,293

Loans Outstanding – Rural Fund



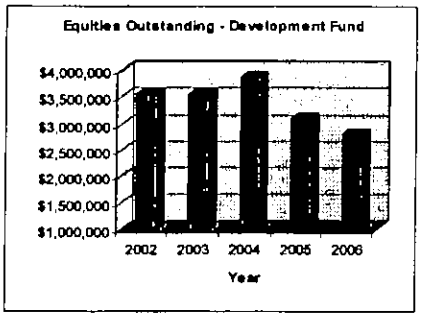
- 2002 - $6,064,218
- 2003 - $6,237,219
- 2004 - $5,787,039
- 2005 - $6,092,531
- 2006 - $6,280,026

Loans Outstanding - NDDF



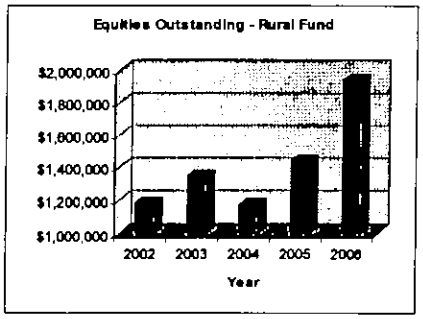
- 2002 - $14,797,231
- 2003 - $14,363,741
- 2004 - $12,454,830
- 2005 - $13,284,633
- 2006 - $16,164,319

Equities Outstanding – Development Fund



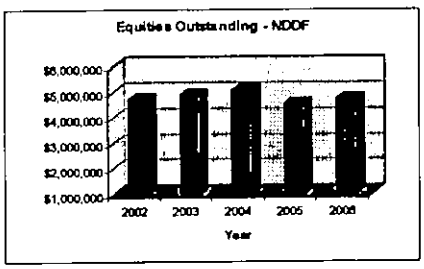
- 2002 - $3,555,749
- 2003 - $3,562,256
- 2004 - $3,888,648
- 2005 - $3,118,312
- 2006 - $2,812,616

Equities Outstanding – Rural Fund



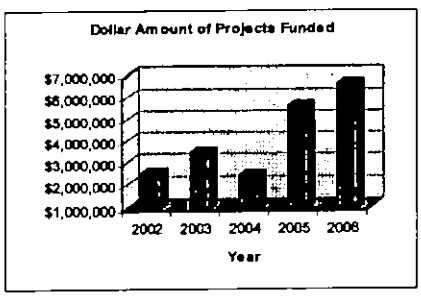
- 2002 - $1,185,500
- 2003 - $1,350,429
- 2004 - $1,176,750
- 2005 - $1,443,943
- 2006 - $1,934,963

Equities Outstanding - NDDF



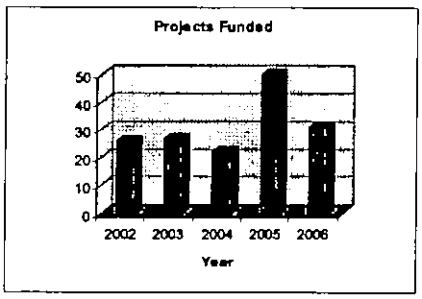
- 2002 - $4,741,249
- 2003 - $4,912,685
- 2004 - $5,065,398
- 2005 - $4,562,255
- 2006 - $4,747,309

Projects



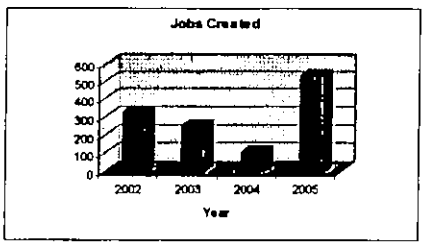
- 2002 - $2,559,235
- 2003 - $3,457,338
- 2004 - $2,449,267
- 2005 - $5,646,342
- 2006 - $6,632,726

Projects



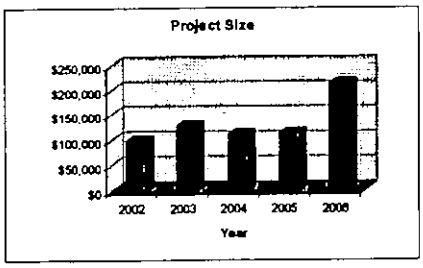
- 2002 - 26
- 2003 - 27
- 2004 - 22
- 2005 - 50
- 2006 - 31

Projects



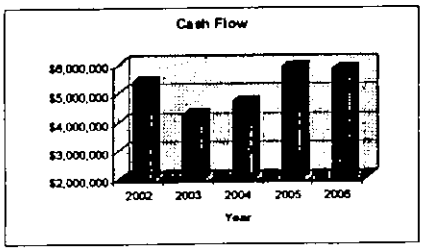
- 2002 - 327
- 2003 - 256
- 2004 - 107
- 2005 - 535

Projects



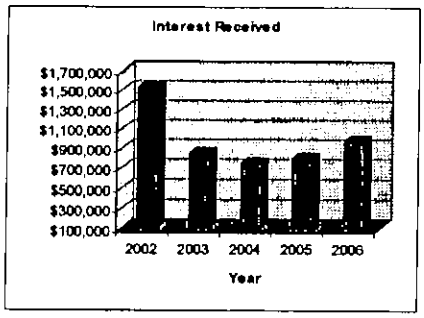
- 2002 - $98,432
- 2003 - $128,050
- 2004 - $111,330
- 2005 - $112,927
- 2006 - $213,959

Cash Flow



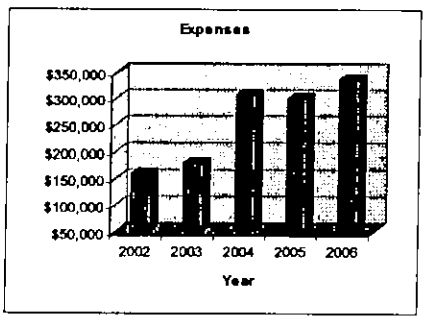
- 2002 - $5,400,000
- 2003 - $4,300,000
- 2004 - $4,700,000
- 2005 - $5,900,000
- 2006 - $5,822,000

Cash Flow



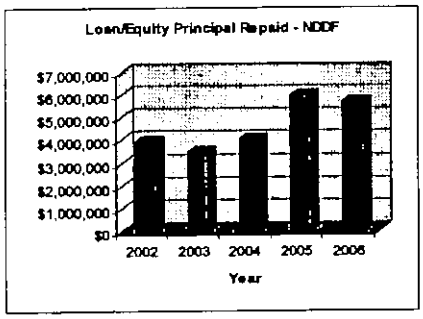
- 2002 - $1,537,835
- 2003 - $857,895
- 2004 - $747,888
- 2005 - $801,472
- 2006 - $984,209

Cash Flow



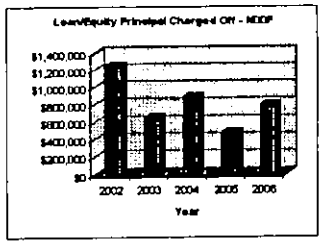
- 2002 - $159,570
- 2003 - $179,161
- 2004 - $307,199
- 2005 - $300,495
- 2006 - $335,593

Loan/Equity Principal Repaid



- 2002 - $3,963,341
- 2003 - $3,520,322
- 2004 - $4,102,164
- 2005 - $6,008,081
- 2006 - $5,745,422

Loan/Equity Charged Off



- 2002 - $1,250,105
- 2003 - $649,409
- 2004 - $884,763
- 2005 - $471,879
- 2006 - $792,985

NDDF Facts

- The investment portfolio return for the Development Fund in 2005-2006 was 3.45% - prior to expenses.
- The investment portfolio return for the Rural Fund in 2005-2006 was 4.41%.
- The overall investment return was 3.865%
- The combined loss rate for the Funds was 18.39%, since inception.
- The combined portfolio mix is 75% loans and 25% equities
- With NDDF dollars, $3.53 was leveraged from other sources in 2006.
- Current past due rate is 10.94% or $2,172,828 based on the current portfolio of $19,854,665

NDDF Facts Continued

- The NDDF has invested $61,386,700 into 283 companies since its inception in 1991
- The NDDF has invested $21,000,000 into rural communities
- The NDDF has received $27,373,796 in appropriations
- The NDDF has generated 2.24 times in additional funds from investments over the original appropriated amount

North Dakota Development Fund Economic Impact for the State of North Dakota
September 6, 2006

Year 2002-2003

-Invested: 26 "Primary Sector" projects including 26 different businesses, of which, 17 were located in rural communities.
-Total investment: $3,447,032
-Of the 26 "Primary Sector" businesses funded, 19 (73%) continue to operate today.
-7 of the projects were ag. processing facilities, which utilize agricultural commodities.

-Investments contributed to the projected creation of 302 jobs. Current jobs at the 19 "Primary Sector" businesses funded (job survey): 613

-Development Fund contributed to the start-up of 13 businesses, which 8 were located in rural communities. 9 of the 13 (70%) continue to operate today. Current jobs at the 9 businesses: 117

-The Development Fund dollars invested leveraged $20,509,840 from other funding sources resulting in a $5.95 to 1 ratio-for every Development Fund dollar invested, $5.95 was invested from other sources.

-The Development Fund manages the collection of the Technology Transfer, Inc. assets as per legislative intent. The Fund collected $12,385 in 2003. Collection to date totals: $361,767.

Year 2003-2004

-Invested: 22 "Primary Sector" projects including 22 different "Primary Sector" businesses, of which, 15 were located in rural communities.
-Total investment: $2,199,267
-Of the 22 businesses funded, 20 (91%) continue to operate today.
-8 of the projects were ag. processing facilities, which utilize agricultural commodities.

-Investments contributed to the projected creation of 128 jobs. Current jobs at the 20 "Primary Sector" businesses funded (job survey): 662

-Development Fund contributed to the start-up of 10 businesses, which 8 were located in rural communities. 8 of the 10 (80%) continue to operate today. Current jobs at the 8 businesses: 95

-The Development Fund dollars invested leveraged $17,572,903 from other funding sources resulting in a $7.18 to 1 ratio-for every Development Fund dollar invested, $7.18 was invested from other sources.

-The Development Fund manages the collection of the Technology Transfer, Inc. assets as per legislative intent. The Fund collected $29,008 in 2004. Collection to date totals: $390,775.

-The Development Fund paid $500,000 to help fund the Centers of Excellence at the University of North Dakota and North Dakota State University.

-The Development Fund paid all expenses incurred by the Fund in 2004 in the amount of $319,159.

Year 2004-2005

-Invested: 50 "Primary Sector" projects including 42 different "Primary Sector" businesses, of which, 30 of the projects were located in rural communities.
-Total investment: $5,125,384
-Of the 42 businesses funded, 37 (88%) continue to operate today
-13 of the projects were ag. processing facilities, which utilize agricultural commodities.

-Investments made contributed to the projected creation of 462 jobs. Current jobs at the 37 "Primary Sector" businesses funded (job survey): 834

-Development Fund contributed to the start-up of 20 businesses, which 12 were located in rural communities. 17 of the 20 (85%) continue to operate today. Current jobs at the 17 businesses: 87

-The Development Fund dollars invested leveraged $20,111,493 from other funding sources resulting in a $3.53 to 1 ratio-for every Development Fund dollar invested, $3.53 was invested from other sources.

-The Development Fund has invested $55 million in 356 "Primary Sector" businesses since inception. The Fund has received $27 million from legislative appropriations since start-up. Of the $55 million invested, $20.5 million has been invested in rural communities. The Fund has become a revolving loan fund.

-The Development Fund continues to be self-funding. The Fund paid all expenses incurred during 2006, which totaled $300,495. The Fund has not received an appropriation from the legislature, since 2001.

-The Development Fund manages the collection of the Technology Transfer, Inc. assets as per legislative intent. The Fund collected $12,385 in 2005. The Development Fund has collected to date $403,316.

Year 2005-2006

-Invested: 32 "Primary Sector" projects, which include 29 different "Primary Sector" businesses, of which, 12 were located in rural communities.
-Total investment: $6,632,726
-Of the 27 "Primary Sector" businesses funded, 27 (100%) continue to operate today.
-5 of the projects were ag. processing facilities, which utilize agricultural commodities.

-Investments made contributed to the projected creation of 497 jobs. Current jobs at the 27 "Primary Sector" businesses funded (job survey received to date): 1,123

-Development Fund contributed to the start-up of 13 businesses, of which, 7 were located in rural communities. 13 (100%) of the 13 businesses continue to operate today. Current jobs at the 13 businesses: 75

-The Development Fund dollars invested leveraged $106,327,372 from other funding sources resulting in a $16.03 to 1 ratio-for every Development Fund dollar invested, $16.03 was invested from other sources.

-The Development Fund paid $500,000 to the North Dakota Trade Office to cover its operating expenses.

-The Development Fund to date has invested over $60 million in 383 different "Primary Sector" businesses located all around the state of North Dakota.

-The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2006, totaling $335,593.

-The Development Fund manages the collection of the Technology Transfer, Inc. assets as per legislative intent. The Fund collected $9,075 in 2006. The Fund has collected to date $412,391.

Summary:

Since 2002:

-Invested: 130 projects (32/year) in 119 different "Primary Sector" businesses.

-Total Investments: $17,404,409 ($4,351,102/year)

-Invested in Start-up businesses: 56 (14/year): 31 of the start-up businesses were located in rural communities.
Currently operating: 47/56 (84%)
Current jobs at the 47 businesses: 287

-Ag. related projects: 33

-Leverage of dollars: $164,521,608-Other funding sources
17,404,409-Development Fund
For every Development Fund dollar invested, the Fund leveraged $9.45 from other funding sources.

-Development Fund paid $1MM back to the General Fund for the Centers of Excellence at the University of North Dakota, North Dakota State University and payment to the North Dakota Trade Office.

-Development Fund became self-funding in 2003. The Fund, since 2003, has paid $955,274 in operating expenses from investment revenues generated.

Other:

-Development Fund has invested over $60MM, since inception, from $27MM in legislative appropriations, in 383 different "Primary Sector" businesses.

-Development Fund has collected $412,391 from Technology Transfer, Inc. assets as per legislative intent.

PROJECTED ND DEVELOPMENT FUND CASH AVAILABILITY
January 22, 2007 to June 30, 2009

Development Fund:	$	5,908,802.18
Rural Fund:		3,268,578.95
Development Fund (TTI collection):		440,527.96
Total Cash available (All Funds) prior to Appropriations, Unfunded Commitments, Pending Applications, Investment, Repayment and Expenses:	$	9,617,909.09

Development Fund:

Fund Balance:	$	5,908,802.18
Remaining Appropriation:		-
Estimated Investment Repayment ($125,000 per month x 29 months):		3,625,000.00
Less: Current Unfunded Projects and Applications:		(3,368,193.00) *
Cash Available before Expenses:		6,165,609.18
Less: Expenses (29 mos.):		(966,667.00)
Projected Cash Available for New Projects in the Development Fund:	**$**	**5,198,942.18**

*** Development Fund Outstanding Commitments To Be Funded:**

1. Frost Fire	$	10,208.00
2. Canad Inn		1,000,000.00
3. A&L Mfg.		726.00
4. UND Research Park		750,000.00
5. Buffalo City Wood Products		32,259.00
6.SnoBear		25,000.00
7. Upstream		450,000.00
8. Infinity		500,000.00
9. Integrity		500,000.00
10. Psychiatry Network, Inc.		100,000.00
Total	$	3,368,193.00

Rural Revolving Loan Fund:

Fund Balance:	$	3,268,578.95
Remaining Appropriation		-
Estimated Investment Repayment ($100,000 per month x 29 months):		2,900,000.00
Less: Current Unfunded Projects and Applications:		(1,635,300.75) **
Cash Available before Expenses:	$	4,533,278.20
Less: Expenses (1 yr.):		-
Projected Cash Available for New Projects in the Rural Revolving Loan Fund:	**$**	**4,533,278.20**

**** Rural Revolving Loan Fund Outstanding Commitments To Be Funded:**

1. Roosevelt Custer	$	178,183.00
2. EarthKind/Crane Creek		48,072.58
3. Hensley Aircraft		75,000.00
4. West Dakota Feed & Seed		169,547.14
5. Gates Mfg.		200,000.00
6. Dakota Micro		50,000.00
7. Northwood Mills		500,000.00
8. SEO Precision		20,000.00
9. Tublicks		2,450.76
10. Tarnel		228,535.00
11. Kringstad		113,512.27
12. AquaGanIx		50,000.00
Total:	$	1,635,300.75

Total cash available prior to requests presented to the NDDF Board:	**$**	**9,732,220.38**
Cash available after all commitment and new requests to date (including TTI):	**$**	**7,959,415.34** ***
Projected funding requests over next 29 months(Average: $4,703,244 per year)	**$**	**(11,758,110.00)**
The Dev. Fund Investments made in 2005 & 2006 averaged $5,878,692		
Cash Available June 30, 2009:	**$**	**(3,798,694.66)**
*****New Funding Requests To Date**	**$**	**2,213,333.00**

	Current Cash Available (1/22/07):	
Cash outstanding:	$	9,617,909.09
Less: Commitments and New Funding Requests:		(7,216,826.75)
Current Cash Available:	**$**	**2,401,082.34**

Both funds are separated and the funds are not commingled. All repayment of funds received from the investments made in the Development Fund and the Rural Revolving Loan Fund are put back in their respective fund to be used for future funding of projects.

NORTH DAKOTA DEVELOPMENT FUND, INC.
BALANCE SHEETS
JUNE 30, 2006 AND 2005

ASSETS	2006	2005
CURRENT ASSETS		
Cash and cash equivalents	$ 2,513,475	$ 1,490,986
Interest receivable on deposits and loans	142,582	147,987
Investments	7,347,970	11,725,000
Current portion of loans receivable	3,986,396	3,165,473
Total current assets	13,990,423	16,529,446
NONCURRENT ASSETS		
Equity investments, net	1,014,952	859,898
Loans receivable, net of current portion	5,867,228	3,992,604
Equipment, net	9,476	15,460
Total noncurrent assets	6,891,656	4,867,962
Total assets	$ 20,882,079	$ 21,397,408
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to related party	$ 300,000	$ -
Accrued expenses	19,633	18,426
Total current liabilities	319,633	18,426
NET ASSETS		
Invested in capital assets	9,476	15,460
Unrestricted	20,552,970	21,363,522
Total net assets	20,562,446	21,378,982
Total liabilities and net assets	$ 20,882,079	$ 21,397,408

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING REVENUES		
Interest income on loans	$ 640,603	$ 582,541
Dividend income	5,108	2,000
Other	47,956	39,616
	693,667	624,157
OPERATING EXPENSES		
General and administrative	335,593	300,495
Depreciation expense	5,984	6,765
Bad debt expense	1,007,124	375,116
	1,348,701	682,376
OPERATING LOSS	(655,034)	(58,219)
NONOPERATING REVENUE (EXPENSE)		
Interest income on deposits and investments	338,498	216,931
Payments from the Department of Commerce discretionary fund	-	500,000
Payments to ND Trade Office	(500,000)	-
	(161,502)	716,931
CHANGE IN NET ASSETS	(816,536)	658,712
NET ASSETS, BEGINNING OF YEAR	21,378,982	20,720,270
NET ASSETS, END OF YEAR	$ 20,562,446	$ 21,378,982

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING ACTIVITIES		
Other receipts	$ 357,650	$ 52,000
Payments to suppliers	(334,386)	(297,223)
Net cash provided by (used for) operating activities	23,264	(245,223)
NONCAPITAL FINANCING ACTIVITIES		
Payments to ND Trade Office	(500,000)	-
Payments from the Department of Commerce	-	500,000
Net cash (used for) provided by noncapital financing activities	(500,000)	500,000
CAPITAL AND RELATED FINANCING ACTIVITY		
Purchase of equipment	-	(17,954)
INVESTING ACTIVITIES		
Interest received on cash and cash equivalents	988,796	775,707
Purchase of equity investments	(955,796)	(508,443)
Proceeds from the sale of equity investments	195,742	961,586
Purchase of investments	(7,347,970)	(11,725,000)
Sale of investments	11,725,000	11,550,000
Disbursements of business loans	(7,896,173)	(6,310,565)
Principal payments received on business loans	4,789,626	5,046,495
Net cash provided by (used for) investing activities	1,499,225	(210,220)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,022,489	26,603
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,490,986	1,464,383
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,513,475	$ 1,490,986

(continued on next page)

STATEMENT OF CASH FLOWS – page 2

	2006	2005
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (655,034)	$ (58,219)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	5,984	6,765
Allowance for doubtful loan receivables	411,000	-
Allowance for realized loss on investments	605,000	387,500
Reclassification of interest and dividend income	(644,893)	(584,541)
Changes in assets and liabilities		
Due to related party	300,000	-
Accrued expenses	1,207	3,272
Net cash provided by (used for) operating activities	$ 23,264	$ (245,223)
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
Equity investments written off	$ 575,000	$ 50,000
Loans receivable written off	217,985	421,879

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
BALANCE SHEETS
JUNE 30, 2005 AND 2004

ASSETS	2005	2004
CURRENT ASSETS		
Cash and cash equivalents - Note 2	**$ 1,490,986**	$ 1,464,383
Interest receivable on deposits and loans	**147,987**	122,222
Investments	**11,725,000**	11,550,000
Current portion of loans receivable	**3,165,473**	2,289,072
Total current assets	**16,529,446**	15,425,677
NONCURRENT ASSETS		
Equity investments, net - Notes 4 and 5	**859,898**	1,700,541
Loans receivable, net of current portion - Notes 6 and 7	**3,992,604**	3,604,935
Equipment, net - Note 8	**15,460**	4,271
Total noncurrent assets	**4,867,962**	5,309,747
Total assets	**$ 21,397,408**	$ 20,735,424
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	**$ 18,426**	$ 15,154
NET ASSETS		
Invested in capital assets	**15,460**	4,271
Unrestricted	**21,363,522**	20,715,999
Total net assets	**21,378,982**	20,720,270
	$ 21,397,408	$ 20,735,424

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING REVENUES		
Interest income on loans	$ 582,541	$ 630,389
Dividend income	2,000	8,000
Other	39,616	31,414
	624,157	669,803
OPERATING EXPENSES		
General and administrative	300,495	307,199
Depreciation expense	6,765	11,960
Bad debt expense	375,116	491,885
	682,376	811,044
OPERATING LOSS	(58,219)	(141,241)
NONOPERATING REVENUE (EXPENSE)		
Interest income on deposits and investments	216,931	109,499
Payments from the Department of Commerce discretionary fund	500,000	-
Payments from the State of North Dakota	-	1,550,000
Payments to state universities	-	(2,050,000)
	716,931	(390,501)
CHANGE IN NET ASSETS	658,712	(531,742)
NET ASSETS, BEGINNING OF YEAR	20,720,270	21,252,012
NET ASSETS, END OF YEAR	$ 21,378,982	$ 20,720,270

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING ACTIVITIES		
Other receipts	$ 52,000	$ 39,529
Payments to suppliers	(297,223)	(292,045)
Net cash used for operating activities	(245,223)	(252,516)
NONCAPITAL FINANCING ACTIVITIES		
Payments to state institutions	-	(2,050,000)
Payments from the Department of Commerce	500,000	-
Payments from the State of North Dakota	-	1,550,000
Net cash provided by (used for) noncapital financing activities	500,000	(500,000)
CAPITAL AND RELATED FINANCING ACTIVITY		
Purchase of equipment	(17,954)	-
INVESTING ACTIVITIES		
Interest received on cash and cash equivalents	775,707	715,614
Purchase of equity investments	(508,443)	(595,142)
Proceeds from the sale of equity investments	961,586	42,429
Purchase of investments	(11,725,000)	(11,550,000)
Sale of investments	11,550,000	-
Disbursements of business loans	(6,310,565)	(2,643,699)
Principal payments received on business loans	5,046,495	4,059,735
Net cash used for investing activities	(210,220)	(9,971,063)
NET CHANGE IN CASH AND CASH EQUIVALENTS	26,603	(10,723,579)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,464,383	12,187,962
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,490,986	$ 1,464,383

(continued on next page)

	2005	2004
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	**$ (58,219)**	$ (141,241)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	**6,765**	11,960
Allowance for doubtful loan receivables	**-**	50,000
Allowance for realized loss on investments	**387,500**	450,000
Reclassification of interest and dividend income	**(584,541)**	(638,389)
Changes in assets and liabilities		
Accrued expenses	**3,272**	15,154
Net cash provided by operating activities	**$ (245,223)**	$ (252,516)
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
Equity investments written off	**$ 50,000**	$ 400,000
Loans receivable written off	**421,879**	484,763

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
BALANCE SHEETS
JUNE 30, 2003, AND 2002

ASSETS	2003	2002
CURRENT ASSETS		
Cash and cash equivalents - Note 2	$ 12,187,962	$ 10,620,339
Interest receivable on deposits and loans	89,948	155,702
Current portion of loans receivable	2,597,137	2,287,188
Total current assets	14,875,047	13,063,229
NONCURRENT ASSETS		
Equity investments, net - Notes 3 and 4	1,597,828	1,650,749
Loans receivable, net of current portion - Notes 5 and 6	4,762,906	5,967,282
Equipment, net - Note 7	16,231	24,773
Total noncurrent assets	6,376,965	7,642,804
Total assets	$ 21,252,012	$ 20,706,033
NET ASSETS		
Invested in capital assets	$ 16,231	$ 24,773
Unrestricted	21,235,781	20,681,260
Total net assets	21,252,012	20,706,033
	$ 21,252,012	$ 20,706,033

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003, AND 2002

	2003	2002
OPERATING REVENUES		
Interest income on loans	$ 829,215	$ 925,134
Dividend income	2,000	464,674
Other	23,819	7,531
	855,034	1,397,339
OPERATING EXPENSES		
General and administrative	179,161	159,570
Bad debt expense	1,331,574	2,106,598
	1,510,735	2,266,168
OPERATING LOSS	(655,701)	(868,829)
NONOPERATING REVENUE		
Interest income on deposits	26,680	148,027
Payments from the State of North Dakota	1,175,000	1,175,000
	1,201,680	1,323,027
CHANGE IN NET ASSETS	545,979	454,198
NET ASSETS, BEGINNING OF YEAR	20,706,033	20,251,835
NET ASSETS, END OF YEAR	$ 21,252,012	$ 20,706,033

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003, AND 2002

	2003	2002
OPERATING ACTIVITIES		
Other receipts	$ 23,819	$ -
Payments to suppliers	(160,286)	(144,472)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(136,467)	(144,472)
NONCAPITAL FINANCING ACTIVITIES		
Payments from the State of North Dakota	1,175,000	1,175,000
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	-	(30,753)
INVESTING ACTIVITIES		
Interest received on cash and cash equivalents	923,649	1,732,970
Purchase of equity investments	(902,539)	(275,000)
Proceeds on sale of equity investments	149,571	102,750
Disbursements of business loans	(3,012,342)	(2,515,056)
Principal received on business loans	3,370,751	3,860,591
Net cash provided by investing activities	529,090	2,906,255
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,567,623	3,906,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,620,339	6,714,309
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,187,962	$ 10,620,339

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RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2003	2002
Operating loss	$ (655,701)	$ (868,829)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	8,542	15,098
Allowance for doubtful loan receivables	536,018	1,264,795
Allowance for realized loss on investments	805,889	850,001
Reclassification of interest and dividend income	(831,215)	(1,348,085)
Changes in assets and liabilities		
Deferred revenue	-	(57,452)
Net cash provided by operating activities	$ (136,467)	$ (144,472)
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
Equity investments written off	$ 581,532	$ 935,000
Loans receivable written off	67,877	315,105
Loan receivable exchanged for equity investments	-	300,000

NORTH DAKOTA DEVELOPMENT FUND, INC.
BALANCE SHEETS
JUNE 30, 2001, AND 2000

	2001	2000
ASSETS		
Cash and cash equivalents - Note 2	$ 6,714,309	$ 7,496,641
Non-equity investments - Note 2	-	400,000
Interest receivable on deposits and loans	392,560	343,629
Equity investments, net - Notes 3 and 4	2,028,500	2,476,850
Loans receivable, net - Notes 5 and 6	11,164,799	10,212,194
Equipment, net - Note 7	9,119	24,513
	$ 20,309,287	$ 20,953,827
LIABILITIES AND FUND EQUITY		
DEFERRED REVENUE	$ 57,452	$ 34,353
CONTRIBUTED CAPITAL	1,284,820	1,284,820
RETAINED EARNINGS:		
Reserved - Note 8	2,519,480	4,363,603
Unreserved	16,447,535	15,271,051
	20,251,835	20,919,474
Total liabilities and equity	$ 20,309,287	$ 20,953,827

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS AND CONTRIBUTED CAPITAL
YEARS ENDED JUNE 30, 2001, AND 2000

	2001	2000
OPERATING REVENUES		
Interest income on loans	$ 890,123	$ 816,860
Dividend income	-	39,181
Recovery on uncollectible accounts	238	6,614
Other	1,661	442
	892,022	863,097
OPERATING EXPENSES		
General and administrative	189,978	142,355
Permanent impairment of asset	-	135,000
Bad debt expense	2,092,097	1,824,445
	2,282,075	2,101,800
OPERATING LOSS	(1,390,053)	(1,238,703)
NONOPERATING REVENUE		
Interest income on deposits	338,291	351,402
NET LOSS BEFORE OPERATING TRANSFERS	(1,051,762)	(887,301)
OPERATING TRANSFERS IN		
Transfer from general fund	384,123	375,000
NET LOSS	(667,639)	(512,301)
RETAINED EARNINGS, BEGINNING OF YEAR	19,634,654	20,146,955
RETAINED EARNINGS, END OF YEAR	$ 18,967,015	$ 19,634,654
CONTRIBUTED CAPITAL, BEGINNING OF YEAR	$ 1,284,820	$ -
ADD: TRANSFER OF TECHNOLOGY TRANSFER, INC.	-	1,284,820
CONTRIBUTED CAPITAL, END OF YEAR	$ 1,284,820	$ 1,284,820

See Notes to Financial Statements

NORTH DAKOTA DEVELOPMENT FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2001, AND 2000

	2001	2000
OPERATING ACTIVITIES		
Operating loss	$ (1,390,053)	$ (1,238,703)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	15,394	14,137
Permanent impairment of asset	-	135,000
Allowance for doubtful loan receivables	1,354,747	1,714,195
Allowance for realized loss on investments	737,350	110,250
Interest income on loans	(890,123)	(816,860)
Dividend income	-	(39,181)
Changes in assets and liabilities		
Accounts payable	-	(6,380)
Deferred revenue	23,099	29,390
Net cash used in operating activities	(149,586)	(98,152)
NONCAPITAL FINANCING ACTIVITIES		
Transfers in - general fund	384,123	375,000
Net cash provided by noncapital financing activities	384,123	375,000
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contribution	-	145,174
Net cash provided by capital and related financing activities	-	145,174
INVESTING ACTIVITIES		
Purchase of certificates of deposit	-	(400,000)
Proceeds from certificates of deposit	400,000	2,250,000
Purchase of equity investments	(480,000)	(525,000)
Proceeds on sale of equity investments	191,000	462,400
Disbursements of business loans	(6,237,275)	(5,210,461)
Principal received on business loans	3,929,923	3,199,617
Interest received	1,179,483	1,074,830
Dividends received	-	39,181
Net cash (used in) provided by investing activities	(1,016,869)	890,567

(continued on next page)

STATEMENTS OF CASH FLOWS- page 2

	2001	2000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(782,332)**	1,312,589
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,496,641**	6,184,052
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 6,714,309**	$ 7,496,641
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
Equity investments written off	**$ 350,000**	$ 554,750
Loans receivable written off	**372,012**	543,175
Capital contribution	**-**	1,139,646

See Notes to Financial Statements

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA
EDND
PO BOX 2639 • 2000 SCHAFER STREET • BISMARCK, NORTH DAKOTA 58502

Testimony of Carol Goodman
Economic Development Association of North Dakota
House Bill 1018
January 10, 2007

Chairman Carlson and members of the Government Operations Division of the House Appropriations Committee:

My name is Carol Goodman. I am president of EDND, the Economic Development Association of North Dakota (EDND). EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations. One such organization that we partner with is the North Dakota Department of Commerce. We are asking that you to support HB 1018 and thus, North Dakota's economic growth.

In 2001, EDND supported the creation of the North Dakota Department of Commerce, which has helped streamline the delivery of economic development programs and improve partnerships with developers across the state.

During the past few years, North Dakota has experienced much economic growth. A significant amount of this growth has been and will continue to be a result of programs funded within the Department of Commerce's budget.

EDND supports the structure and resources of the Department of commerce, including the effort of the North Dakota Trade Office. EDND also supports DOC initiatives to attract and retain people, in addition to attracting business and addressing underemployment training needs. A few key programs include:

Trade Office
The North Dakota Trade Office has been working with North Dakota businesses to expand exports to high-demand foreign markets. As a partner with the Department of Commerce, increased funding will only help the Trade Office further aid in the exportation of North Dakota products.

Business Attraction/Talent Development
Workforce development and training remains a top priority for economic development initiatives. The talent initiatives in this bill would help us to better educate our students about the opportunities available after graduation and institutionalize an internship program within the Department of Commerce.

Development Fund
Another program that we strongly support is the Development Fund. The gap financing provided through this program helps new and growing businesses. This program has helped many primary-sector businesses and we believe the $3 million requested in HB 1018 will help EDND and the Department of Commerce in their efforts to develop North Dakota's economy. The Development Fund also administers the Regional Rural Revolving Loan Fund. This fund has given rural businesses opportunities and advantages not otherwise available to them.

MEP/SBDC Programs
EDND supports maintaining funding for the Manufacturers Extension Partnership (MEP) and Small Business Development Center (SBDC) programs, which assess the needs of North Dakota businesses and deliver opportunities to support productivity.

Marketing North Dakota
Marketing North Dakota as a vacation destination is also an important economic development tool. Therefore, we also support the increased funding for tourism marketing.

I've highlighted a few programs within the Department of Commerce. We also support several other Department of Commerce programs that are outlined in the attached EDND legislative agenda.

The Department of Commerce plays a significant role in North Dakota's economic development. We urge you to support House Bill 1018.

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA
EDND
PO BOX 2639 • 2000 SCHAFER STREET • BISMARCK, NORTH DAKOTA 58502

Testimony of Gaylon Baker
Economic Development Association of North Dakota
House Bill 1018
February 22, 2007

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Gaylon Baker. I am a board member of EDND, the Economic Development Association of North Dakota (EDND). EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations. One such organization that we partner with is the North Dakota Department of Commerce. We are asking that you to support HB 1018 and thus, North Dakota's economic growth.

In 2001, EDND supported the creation of the North Dakota Department of Commerce, which has helped streamline the delivery of economic development programs and improve partnerships with developers across the state.

During the past few years, North Dakota has experienced much economic growth. A significant amount of this growth has been and will continue to be a result of programs funded within the Department of Commerce's budget.

EDND supports the structure and resources of the Department of commerce, including the effort of the North Dakota Trade Office. EDND also supports DOC initiatives to attract and retain people, in addition to attracting business and addressing underemployment training needs. A few key programs include:

Trade Office

The North Dakota Trade Office has been working with North Dakota businesses to expand exports to high-demand foreign markets. As a partner with the Department of Commerce, increased funding will only help the Trade Office further aid in the exportation of North Dakota products. North Dakota businesses need to expand their customer base in order to grow.

Business Attraction/Talent Development

Workforce development and training remains a top priority for economic development initiatives. The talent initiatives in this bill would help us to better educate our students about the opportunities available after graduation and institutionalize an internship program within the Department of Commerce.

Development Fund

Another program that we strongly support is the Development Fund. The gap financing provided through this program helps new and growing businesses. This program has helped many primary-sector businesses and we believe the $3 million requested in HB 1018 will help EDND and the Department of Commerce in their efforts to develop North

Dakota's economy. The Development Fund also administers the Regional Rural Revolving Loan Fund. This fund has given rural businesses opportunities and advantages not otherwise available to them.

SBDC Programs

EDND supports maintaining funding for the Small Business Development Center (SBDC) program, which assess the needs of North Dakota businesses and deliver opportunities to support productivity. Small Business Development Centers are funded as a discretionary item in the Department of Commerce budget.

Marketing North Dakota

Marketing North Dakota as a vacation destination is also an important economic development tool. Therefore, we also support the increased funding for tourism marketing.

I've highlighted a few programs within the Department of Commerce. We also support several other Department of Commerce programs that are outlined in the attached EDND legislative agenda.

The Department of Commerce plays a significant role in North Dakota's economic development. We urge you to support House Bill 1018.

Economic Development Association of North Dakota

ECONOMIC DEVELOPMENT ASSOCIATION
EDND
OF NORTH DAKOTA

"2020 Vision and Beyond"

Purpose

It is the mission of the Economic Development Association of North Dakota to increase economic opportunities for residents of the state by supporting;

- primary sector growth.
- professionalism among economic development practitioners.
- cooperation among development organizations.

The Association will support the membership in furthering primary sector economic growth in the state of North Dakota.

EDND is the voice of the state's economic development community. It provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. EDND is a highly regarded source of information on economic development issues and connects legislators with professionals across the state.

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2007 Legislative Agenda

Goal #1 – To Promote Continued Creation Of New Capital Wealth In North Dakota

Goal #2 – To Increase North Dakota's Per Capita Income

To achieve these goals, a clear definition of economic development must be understood. Economic development can be defined as a program, group of policies or activity that seeks to improve the economic well-being and quality of life for a community by creating and/or retaining jobs that facilitate growth and provide a stable tax base. (As defined by the International Economic Development Council, or IEDC)

North Dakota is well-positioned to take advantage of current national economic trends and global events to continue and expand our efforts to create future economic opportunities. North Dakota's current financial strength, portfolio of economic development incentives, high-quality human capital, technology infrastructure and availability of natural resources are all in place to leverage those opportunities.

The Economic Development Association of North Dakota supports the development of the following targeted industries:

- Energy/Bio-materials/Agriculture – Energy partnering with agriculture
- Information Technology – Infrastructure and transmission
- Manufacturing – Retention, expansion and advancement of existing businesses
- Tourism – Destination-based tourism development

SUPPORT FOR THE NORTH DAKOTA DEPARTMENT OF COMMERCE

The Economic Development Association of North Dakota supports the structure and resources of the North Dakota Department of Commerce, including the efforts of the North Dakota Trade Office. EDND also supports DOC initiatives to attract and retain people in addition to attracting business and addressing under-employment training needs.

AGRICULTURE SUPPORT & DEVELOPMENT

Agriculture remains one of our most vital industries. Efforts must be made at the state level to continue to support existing programs and to continue the development of new programs that have the capacity to support the shift in our state from a commodity producing state to a value-added agriculture producing state. North Dakota must also take advantage of the opportunity to co-develop the industries of agriculture and energy in ways that include:

- Continue support of Ag Products Utilization Commission at its current level of funding or greater.
- Support animal agriculture development.

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. EDND supports maintaining the following existing programs with the identified resources that result in new wealth.

- ND PACE & Flex PACE – Support funding at $8 million.
- Bio-fuels PACE – Support additional funding at $5 million.
- Ag PACE – Leave the program as is presently structured and funded.
- North Dakota Development Fund – Support keeping the program (including the regional rural development portion of the fund) in place, and support funding at $3 million as recommended in the Governor's budget.
- Community Development Block Grant Program – Leave the program as it is presently structured. We support an increased allocation for regional councils.
- Renaissance Zones and Renaissance Fund Organizations – Recommend continuing existing program.
- Corporate Income Tax Exemptions – Recommend extending corporate income tax exemption from five years to ten. Recommend allowing an income tax exemption if a business receives a property tax exemption under tax increment financing.
- Property Tax – Support existing tax exemptions.
- Sales & Use Tax Exemptions on Manufacturing, Processing and IT Equipment – Support expanded application.
- Seed Capital Tax Credits – Support an increase in these credits.
- Research & Development Tax Credit – Support an expanded tax credit.
- Centers of Excellence – Support centers of excellence throughout the North Dakota University System with the end-goal of providing statewide business opportunities.
- New Venture Capital Fund – Recommend continued support of this program.
- Regional Councils – Support continued or expanded funding.
- SBDCs – Support continued or expanded funding.
- Job Development Authorities – Support an amendment to expand the powers and duties of JDAs.
- Support development of programs that are not tied only to new jobs created and/or primary sector business in recognition of the diverse needs of communities based on differences in size, location and definition of vital services.

ECONOMIC DEVELOPMENT MARKETING, PUBLIC RELATIONS AND EDUCATION

To realize earlier stated goals, the state of North Dakota must support start-up of new companies, retain and expand existing companies and recruit outside companies through a well-defined strategy that would:

- Support business attraction marketing programs.
- Maintain the Manufacturers Extension Partnership and Small Business Development Center programs to assess the needs of North Dakota businesses and deliver opportunities to support productivity.
- Continue support for educational programs, certification and funding targeted at promoting professionalism and skills development for in-state economic development professionals.
- Support community leadership development programs.

ENERGY

EDND seeks to maximize the creation of jobs and importation of new wealth through the following:

- Support the promotion and implementation of clean coal energy conversion technology.
- Support research and publications that stimulate the market for renewable fuels, energy and related products and projects.
- Support improved methods and financial structures for moving North Dakota energy products to market.
- Maintain reasonable regulation and taxation policies applicable to oil and gas production.

HIGHER EDUCATION

EDND seeks to advance higher education's role as a cornerstone of economic development, as follows:

- Continue direction to the North Dakota University System to strengthen and/or develop program offerings that are flexible, responsive and relevant to statewide economic development targeted industries and emerging industries.
- Support funding for programs and facilities targeted for public/private research contracts, commercialization of new technologies and entrepreneurship as a tool for economic development.
- Support higher education budgeting flexibility.

TRANSPORTATION SUPPORT & DEVELOPMENT

EDND recognizes the importance of all forms of transportation associated with economic development and supports the further development of transportation infrastructure, which encourages business development and commercial and tourism ventures that promote growth for the state of North Dakota.

WORKFORCE DEVELOPMENT

EDND recognizes that workforce development is economic development. The state is realizing growth in new jobs being created and total statewide employment. This has begun to create a shortage of workers. To support continued growth, the state of North Dakota must continue to support workforce development, training and recruitment programs. Existing programs have been extremely successful and need to be continued and funded at higher levels.

- Workforce 20/20 – Keep current funding level and request additional funding for expanded training of "soft skilled" workers [supervisory & management staff] as defined by primary sector businesses.
- New Jobs Training Program – Maintain the program as presently designed.
- Workforce Training Initiative – Continue supporting the Workforce Training Initiative passed by the 1999 legislative session.
- Workforce Development Division Labor Recruitment Program – Continue to support funding for a web-based employment recruitment portal which provides access to all web-based job opportunities in North Dakota and provide a budget to support the marketing for these career opportunities.
- Labor Studies – Continue funding level of $150,000 per biennium to assist communities and regions in their efforts to provide current data regarding available workers.
- Support a new program to help address short-term training needs of the underemployed workforce.

TRIBAL ECONOMIC DEVELOPMENT

EDND supports the promotion of state and local tribal economic development programs.

"Through EDND's work with legislators and other partners, we have created a more unified economic development community in North Dakota. We have increased our dialogue with the legislative assembly and look forward to advancing North Dakota together."

Gene Veeder
EDND Past President

Legislative Accomplishments

- Recently helped in the allocation of $50 million from the United States Treasury and $30,000 in donations from North and South Dakota governors' offices toward the implementation of the New Market Tax Credit for business investments in North and South Dakota's distressed and low-income communities. The program was created in 2005 to help attract investment capital to financially distressed communities, encourage economic growth and create jobs for those in these low-income areas.

- Supported the passage of the Essential Function Bond Program (EFBP) in 2005. Since then, this program has helped over 40 rural communities in the state in building much needed housing in their communities.

- Provided input into the economic development accountability law passed by the 2005 Legislature.

- Supported legislation in 2005 that provides economic development professional courses for North Dakota developers. The National Development Council conducts the training and awards the certifications. Forty-seven developers attended the first session in September 2006, and the next course will be held in April 2007.

- Supported the allocation of $15 million to enhance venture capital funding in 2003. EDND also supported the expansion of the venture capital provisions passed in 2005.

- Continue to support increased funding for North Dakota Small Business Development Centers (ND SBDC) in each legislative session. The centers have experienced an increase in clients. ND SBDC helps and counsels individuals in starting, managing and growing a business at no cost, thereby aiding in North Dakota's economic development. From July 2004 to September 2006, 214 new businesses were created and 2,367 jobs were created and retained.

- Supports the passage of appropriations and funding for the Centers of Excellence each biennium.

- Supported the maintenance and funding of workforce training and development programs in 2005, including New Jobs Training Program and Workforce 20/20. From 2003-2005, 1,152 participants were trained through the New Jobs Training Program and 1,938 participants trained in the Workforce 20/20 Program.

- Helped in the creation of the Renaissance Zone Program in 2003. Communities may offer tax exemptions and credits to encourage revitalization and redevelopment of up to 20 contiguous blocks in the city to attract economic development and growth. Thirty-four communities have set up and approved for Renaissance Zone designations.

- Supported the passage of the expansion of the Seed Capital Investment Program that provides tax credits to encourage people to invest in North Dakota businesses in 2003.

- Helped pass legislation for the creation of the North Dakota Department of Commerce in 2001, which has helped streamline the delivery of economic development programs and improve partnerships with developers across the state.

- Continue to raise awareness and support efforts to recognize tourism as a primary sector industry.

Coming to North Dakota!

THE NATIONAL DEVELOPMENT COUNCIL™

Economic Development Finance Professional Certification Program™

Sponsored by:

ED 101 - Economic Development Finance
September 25-29, 2006
Seven Seas Inn & Conference Center• Mandan, ND

ED 201 – Business Credit Analysis
April 23-27, 2007 Doublewood Inn • Bismarck, ND

THE NATIONAL Development Council

The National Development Council is the nation's leading not-for-profit corporation specializing in economic and housing development finance. Organized in 1969, NDC professionals work with local government and nonprofit officials to create job opportunities and generate investment in distressed communities. NDC delivers a unique combination of economic and housing development services to client communities—including technical assistance, training and financing. The results are new jobs, increased tax base, business expansions, greater productivity, affordable housing, and dollars for investment into additional community development projects.

NDC's finance experts stimulate development by designing and implementing innovative programs that link public and private financing. NDC has assisted more than 300 cities, counties, states and non-profit organizations to structure and secure financing for hundreds of business expansion, real estate development, community facility, and affordable housing projects.

NDC professionals care about the public purposes of job creation, affordable housing development, and small business growth. As a 501(c)(3) not-for-profit corporation, NDC's motivation is public benefit—not individual profit or corporate gain. NDC's staff is a talented group of former bankers, developers, entrepreneurs, community and economic development directors, and government agency lenders. The diverse mix of backgrounds gives NDC a special understanding of both the private and public sectors and their financing sources. NDC maintains offices in 18 cities including New York City, Denver, San Francisco, Seattle, Raleigh, and Toledo.

NATIONAL DEVELOPMENT COUNCIL TRAINING

NDC pioneered in the creation of training courses designed uniquely for economic and housing development practitioners. The training is especially geared to developing knowledge and skills essential to making projects happen. Courses focus on the analysis of actual deals structured by NDC's finance experts. Instructors are members of NDC's professional staff of economic and housing development finance specialists. Course participants benefit from the real world experience NDC's instructors bring into the classroom.

More than 50,000 economic and housing development practitioners have chosen NDC's courses to build their professional capacity. NDC's Economic Development Finance Professional (EDFP) certification program is endorsed by the International Economic Development Council as the primary professional credential for economic development finance professionals. Many employers base promotions and hiring decisions on an individual's successful completion of NDC's EDFP and Housing Development Finance Professional (HDFP) certification programs.

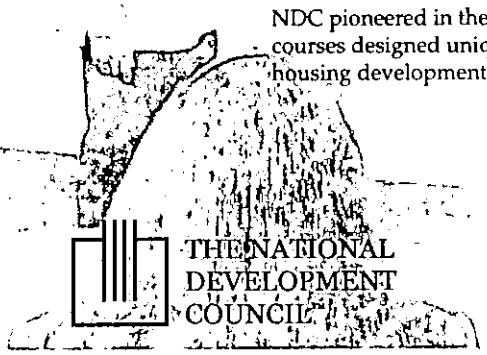
EDFP

ECONOMIC DEVELOPMENT FINANCE PROFESSIONAL CERTIFICATION PROGRAM

NDC's Economic Development Finance Professional™ (EDFP) certification program is a rigorous, four-course training series that explores the skills essential for the successful practice of economic development – business credit and real estate finance analysis techniques, loan packaging procedures, negotiating and problem solving skills, and deal structuring techniques. Participants in NDC's EDFP certification program build the capacity to translate development opportunities into results for their communities.

The EDFP certification program consists of the four courses described on page 3 of this brochure. Each course is five days in length.

Certification candidates must complete all four courses and pass the examination administered on the final day of each class. Individuals may attend the courses at their own pace but may not enroll in any course until they have met all prerequisites.



THE NATIONAL DEVELOPMENT COUNCIL

ECONOMIC DEVELOPMENT FINANCE PROFESSIONAL CERTIFICATION PROGRAM

ED 101 – Offered Sept. 25-29, 2006

ECONOMIC DEVELOPMENT FINANCE explores the financial skills required for the successful practice of economic development within the context of an overall economic development finance system. The session provides a conceptual framework for the role of economic development finance in the larger economy and involves participants in analyzing and structuring financing for operating businesses. Specific topics include:

Economic Development Finance Overview
- financing gaps in the private capital markets
- underwriting practices of private sector lenders
- plugging the gaps with economic development financing incentives
- implementing financing programs through an economic development system Business Credit Analysis
- financial statement spreading and analysis
- quality indicators and ratio analysis
- calculating debt capacity

Fixed Asset Financing
- measuring repayment ability
- structuring incentive financing

Real Estate Financing
- developer's pro forma income and expense statement
- measuring return on investment
- calculating the financing gap

Economic Development Finance Programs
- SBA 504 and 7(a)
- HUD CDBG and 108
- New Markets Tax Credits
- revolving loan funds and interim financing
- loan packaging procedures

Prerequisite: None

Location: Seven Seas, Mandan, ND

ED 201 – Offered April 23-27, 2007

BUSINESS CREDIT ANALYSIS builds upon the skills taught in ED 101 and explores advanced financial techniques to analyze the credit-worthiness of various types of operating businesses. Credit analysis procedures used by commercial lenders are tailored to address the unique needs of the economic development lender as gap financier. Participants analyze financial statements of numerous real companies – service, retail manufacturing – and structure fixed asset and permanent working capital (PWC) financing. Specific topics include:

Credit Analysis Process
- evaluating a company's strengths and weaknesses
- refining quality indicator and ratio analysis
- assessing operating trends
- measuring a company's ability to digest growth

Permanent Working Capital Analysis
- determining a company's operating cycle
- measuring PWC needs
- financing a company's growth

Cash Flow Analysis
- analyzing cash flow management
- determining debt capacity
- matching sources and uses of funds
- identifying fast growth syndrome

Projections and Deal Structuring
- balance sheet and profit and loss statement projections
- evaluating financing options
- break even analysis
- structuring fixed asset and PWC financing
- restructuring financing packages

Prerequisite: ED 101

Location: Doublewood Inn, Bismarck, ND

ED 202*

REAL ESTATE FINANCE presents a step-by-step overview of the real estate development process from the perspectives of lenders and investors. Economic development projects are analyzed using the rates of return required by lenders, developers and investors to quantify the need for and amount of public financing required to make a deal happen. Students learn how to generate equity for real estate projects and lower the amount of public investment needed. Specific topics include:

Real Estate Financing Process
- calculating project costs
- projecting the developer's pro forma
- determining debt capacity
- measuring equity attracted
- quantifying the financing gap
- closing the gap

Return on Investment
- cash-on-cash rate of return
- after-tax cash flow rate
- present value analysis
- internal rate of return

Appraisals
- the capitalization rate
- three approaches to value
- reconciling value

Impact of Taxes on Real Estate Ownership
- depreciation
- leverage
- tax credits
- taxable gains and losses

Prerequisite: None

ED 300*

THE ART OF DEAL STRUCTURING, the final course in the EDFP certification program, integrates the business credit and real estate finance skills learned in previous sessions with the creative demands of deal structuring. The course introduces a problem solving process to use in overcoming the myriad economic, financial, political, or social obstacles to successfully structure a deal. The emphasis of the course is on casework, rather than lecture, with the cases involving complex financial issues such as workout situations, business buyouts and tax credits in real estate deals. Specific topics include:

Problem Solving
- elements of the problem solving process
- devising a negotiation strategy
- creating "win-win" solutions

Deal Structuring
- valuing tax credits
- mixed-use developments

Workouts and Buyouts
- developing a workout plan
- business valuation methods
- structuring a buyout

Syndications
- equity attraction
- allocation of benefits
- limited partnership model

Prerequisite: ED 101, ED 201, and ED 202

**Visit www.nationaldevelopmentcouncil.org for training schedule and locations for ED 202 & ED 300.*

Registration Information

TUITION/PAYMENT POLICY

ED 101 – $1,000.00
(Includes all course materials and lunch during the training)

Scholarships are available to North Dakota economic developers. For more information, contact Carissa at 800-382-1405 or ednd@ednd.org.

All registrations received prior to July 15, 2006 that meet the scholarship criteria may be eligible for tuition scholarships up to 100% of the cost of tuition.

The final registration deadline is August 31, 2006. Registrations will be accepted on a first-come first-serve basis.

Registrants will be billed for their registration following the award of scholarships.

Refunds will only be made when the NDC cancels a class or if a participant withdraws his or her registration before Sept. 11, 2006.

HOTEL ACCOMMODATIONS

Participants are responsible for their hotel expenses. A block of rooms has been secured at the Seven Seas at a rate of $50 for a single and $55 for a double. The room block is available until August 28, 2006. After this date, reservations will be taken on a space available basis and higher rates may apply. Contact the hotel directly at 800-597-7327 to make reservations and ask for the economic development training block.

TRAVEL/COURSE SCHEDULE

Participants are responsible for their own travel expenses. Classes begin at 9:00 a.m. Teams of students are assigned homework each evening which takes about three hours to complete. Plan your schedule accordingly. Certification course examinations are administered on the last day of class and students are required to complete and return examinations before leaving. When making travel arrangements, please keep in mind that most participants finish the exam by 3:00 p.m.

PRESESSION ASSIGNMENT

A presession assignment will be sent to all confirmed registrants before each course. The assignment must be completed prior to the first day of class. Individuals who confirm their registration 14 days or less before the first day of a course must pay express delivery charges for shipping their presentation assignment.

GENERAL INFORMATION

The attire is casual. Course participants should bring their completed presession assignment, paper for taking notes, pens, pencils and a calculator. NDC instructors use Hewlett-Packard menu driven financial calculators.

THE NATIONAL DEVELOPMENT COUNCIL™

Board of Directors

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Stark Development Corporation
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Email: gaylon@starkdev.com

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Cavalier County Job Development Authority
901 3rd Street Suite 5
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JUDY SAUTER, SECRETARY/TREASURER
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PO Box 2615
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GENE VEEDER, PAST PRESIDENT
McKenzie County JDA
PO Box 699
Watford City, ND 58854
Phone: 701-444-2804
Fax: 701-444-3916
Email: gveeder@co.mckenzie.nd.us

Membership

ORGANIZATION	FIRST NAME	LAST NAME	CITY	PHONE	EMAIL
Adams County Development Corp.	Robert	Kudrna	Hettinger	701-567-2531	adamscdc@ndsupernet.com
APUC	John	Schneider	Bismarck	701-328-5350	jfschneider@nd.gov
Bank of North Dakota	Robert	Humann	Bismarck	701-328-5674	bhumann@nd.gov
Beulah Job Development Authority	John	Phillips	Beulah	701-873-2110	jpbeulah@westriv.com
Bismarck State College	Carla	Braun Hixson	Bismarck	701-224-5580	carla.braun.hixson@bsc.nodak.edu
Bismarck-Mandan Development Assoc.	Judy	Sauter	Bismarck	701-222-5530	jsauter@bmda.org
Bismarck-Mandan Development Assoc.	Russell	Staiger	Bismarck	701-222-5530	rstaiger@bmda.org
Bottineau County Economic Development Corp.	Diane	Olson	Bottineau	701-228-3922	edc@utma.com
Bowman County Development Corp.	Cal	Klewin	Bowman	701-523-5880	bowcodev@ndsupernet.com
Burke County JDA	Pat	Tinjum	Bowbells	701-377-5627	burkejda@nd.gov
Burlington Northern and Santa Fe Railway Company	John	Karl	Seattle	206-625-6171	
Carrington Job Development Authority	Nikki	Mertz	Carrington	701-652-3919	cedc@daktel.com
Cavalier County Job Development Authority	Carol	Goodman	Langdon	701-256-3475	goodman@utma.com
Center for Technology & Business	Denise	Spanjer	Bismarck	701-223-0707	spanjer@trainingnd.com
Center JDA	Sharon	Rud	Center	701-794-3169	evrud@westriv.com
[illegible] Ashley	Sherrece	Zimmerman	Ashley	701-288-3278	swzimmerman@drtel.net
[illegible] Binford	Kristi	Halvorson	Binford	701-676-2805	kristi_halvorson@hotmail.com
City of Enderlin	Tamra	Kriedeman	Enderlin	701-820-0121	ecaa@mlgc.com
City of Finley	Laurie	Tuite	Finley	701-524-1561	finleycity@invisimax.com
City of Grafton	Brian	Lunski	Grafton	701-352-1561	blunski@graftongov.com
City of Hannaford	Susan	Goplen	Hannaford	701-769-2218	sjgoplen@yahoo.com
City of Walhalla	Kathy	Stremick	Walhalla	701-549-2707	walhalla@utma.com
City of West Fargo	Dorinda	Anderson	West Fargo	701-433-5350	dorinda.anderson@westfargo.org
Cooperstown Community Development Authority	Becky	Meldinger	Cooperstown	701-797-3712	cooperedc@invismax.com
Devils Lake Region Partnership	Carol	Goodman	Langdon	701-256-3475	goodman@utma.com
Divide County JDA	David	Olson	Crosby	701-965-6006	dsolson@nd.gov
Division of Community Services	Paul	Govig	Bismarck	701-328-4499	pgovig@nd.gov
Drayton Economic Development	Ardis	Olson	Drayton	701-454-6433	ardis@polarcomm.com
Dunn County Jobs Development Authority	Carroll	Gjovik	Killdeer	701-764-6092	dunnjda@ndsupernet.com
Ellendale Job Development Authority	Patricia	Bowen	Ellendale	701-349-2916	ellenjda@drtel.net
Forward Devils Lake Corp.	Denise	Hendrickson	Devils Lake	701-662-4933	forwarddl@gondtc.com
Garrison Area Improvement Association	Judith	Iverson	Garrison	701-463-2631	judeiverson@hotmail.com
Grand Forks Office of Urban Development	Greg	Hoover	Grand Forks	701-787-9436	ghoover@grandforksgov.com
Grand Forks Region Economic Development Corp.	Klaus	Thiessen	Grand Forks	701-746-2720	klaust@grandforks.org
Grant/Hettinger County JDA	Jacob	Bratvold	Mott	701-824-4205	jbratvold@nd.gov
Greater Fargo Moorhead Economic [illegible]elopment Corp.	Brian	Walters	Fargo	701-237-6132	brian@fedc.com
[illegible]-Steele Empowerment Zone	Warren	Enyart	Finley	701-524-2240	warren@griggs-steeleez.org
[illegible]arvey Jobs Development Authority	Kim	Moen	Harvey	701-324-2000	kim@harveynd.com
Hazen Community Development, Inc.	Duke	Rosendahl	Hazen	701-748-6886	hcd@westriv.com

Membership

ORGANIZATION	FIRST NAME	LAST NAME	CITY	PHONE	EMAIL
Jamestown/Stutsman County Development Corporation	Connie	Ova	Jamestown	701-252-6861	connie@growingjamestown.com
Job Service North Dakota	Maren	Daley	Bismarck	701-328-2836	mdaley@nd.gov
Kenmare Community Development Corp.	Sarah	Effertz	Kenmare	701-217-0048	saraheffertz@hotmail.com
Lewis & Clark Regional Dev. Council	Paul	Rechlin	Bismarck	701-255-4591	lcrdc@lewisandclarkrdc.org
Linton Industrial Development Corp.	Sharon	Jangula	Linton	701-254-4267	lidcbek@bektel.com
McKenzie County JDA	Gene	Veeder	Watford City	701-444-2804	gveeder@co.mckenzie.nd.us
Minot Area Development Corporation	Jerry	Chavez	Minot	701-852-1075	jchavez@minotusa.com
Montana Dakota Utilities Co.	Mike	Fladeland	Bismarck	701-222-7879	mike.fladeland@mdu.com
Montana-Dakota Utilities Co.	Kevin	Magstadt	Bismarck	701-222-7772	kevin.magstadt@mdu.com
N.D. Association of Rural Electric Cooperatives	Lori	Capouch	Mandan	701-663-6501	lcapouch@ndarec.com
N.D. Development Fund	Dean	Reese	Bismarck	701-328-5334	dreese@nd.gov
N.D. Workforce Development Council	James	Hirsch	Bismarck	701-328-5345	jhirsch@nd.gov
NDSU Extension Service	Kathleen	Tweeten	Bismarck	701-328-9719	ktweeten@ndsuext.nodak.edu
NDSU Research & Technology Park, Inc.	Tony	Grindberg	Fargo	701-231-7450	tony.grindberg@ndsu.nodak.edu
North Central Planning Council	Richard	Anderson	Devils Lake	701-662-8131	rickncpc@gondtc.com
North Dakota Chamber of Commerce	Dave	MacIver	Bismarck	701-222-0929	dave@ndchamber.com
North Dakota Department of Commerce	Shane	Goettle	Bismarck	701-328-5300	sgoettle@nd.gov
Northern Plains Electric Cooperative	JoAnn	Rodenbiker	Cando	701-968-3314	joannr@nplains.com
Prairie West Development Foundation	Debra	Walworth	Beach	701-872-3121	prairiewest@midstate.net
Red River Regional Council	Dawn	Keeley	Grafton	701-352-3550	dkeeley@nd.gov
Richland County Jobs Development Authority	Tracey	Anderson	Fargo	701-235-1197	tracey@lakeagassiz.com
Rolla Jobs Development Authority	George	Youngerman	Rolla	701-477-9130	rollajda@utma.com
Roosevelt-Custer Regional Council	Ken	Davis	Dickinson	701-483-1241	davis@rooseveltcuster.com
Rugby Area Job Authority	Pat	Bye	Rugby	701-776-7655	pkbye@hotmail.com
Rugby County JDA	Gary	Satern	Rugby	701-776-7655	rugbyjda@stellarnet.com
Souris Basin Planning Council	Greg	Hagen	Minot	701-839-6641	greg@sourisbasin.org
Stanley Area Economic Development Corporation	Cori	Otto	Stanley	701-628-2058	cori@stanleynd.com
Stark Development Corporation	Gaylon	Baker	Dickinson	701-225-5997	gaylon@starkdev.com
Tioga Economic Development Corp.			Tioga	701-664-3838	tiogaedc@nccray.com
Traill County Economic Development Corp.	Rick	Forsgren	Mayville	701-788-4746	tcedc@polarcomm.com
Turtle Mountain Band of Chippewa	Lyman	Bercier	Belcourt	701-477-0470	lymanb@utma.com
United Tribes Technical College-University Center	Barbara	Schmitt	Bismarck	701-255-3285 ext 436	bschmitt@uttc.edu
USDA Rural Development	Clare	Carlson	Bismarck	701-530-2037	clare.carlson@nd.usda.gov
Valley City-Barnes County Dev. Corp.	Jennifer	Feist	Valley City	701-845-1891	vdg@hellovalley.com
Wahpeton Economic Development	Jane	Priebe	Wahpeton	701-642-8559	janep@wahpeton.com
Walsh County Job Development Authority	Julie	Campbell	Grafton	701-352-2171	jkcampbe@nd.gov
Washburn Area Economic Development Assoc., Inc.	Rachel	Retterath	Washburn	701-462-3801	rachelr@westriv.com
Williston Area Development Foundation	Thomas	Rolfstad	Williston	701-577-8110	tomr@ci.williston.nd.us
Wishek Job Development Authority	Tom	Lovik	Wishek	701-452-2371	tlbek@bektel.com
Xcel Energy	Mark	Nisbet	Fargo	701-241-8607	mark.nisbet@xcelenergy.com

North Dakota Trade Office Information

Introduction

North Dakota's manufacturing and services sectors continue to diversify while world demand for our goods and services continues to grow. Many of the state's manufacturers, processors and service providers realize that significant opportunities lie outside U.S. borders and in 2003, they asked for help to expand into the global marketplace.

A year later, with public and private funding in place the North Dakota Trade Office was created. The non-profit partnership is dedicated to expanding export sales through advocacy, education and expertise.

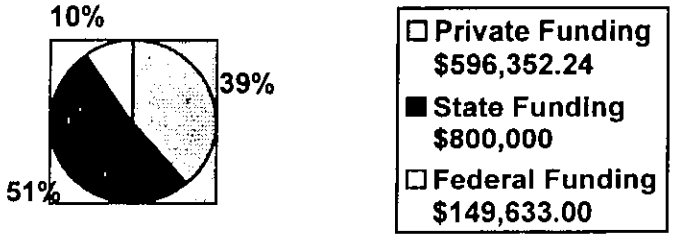
In the pages that follow, you'll see that the investment in the North Dakota Trade Office is more than paying for itself. You'll see that our trade missions and other services are resulting in significant sales and job growth. (About one of every six manufacturing workers in North Dakota depends on exports for their jobs.) You will see that the state's export sales are growing at about twice the national average. And you will read the words of some exporters who overcame challenges in the international marketplace and are now reaping the rewards. You will also see that when North Dakota's businesses thrive it sends a measurable ripple effect throughout the state's economy. That's why North Dakotans are taking stock in international trade.

North Dakota Trade Office Funding

In 2005, the North Dakota Legislature provided $700,000 in matching funds to establish and operate the North Dakota Trade Office during the 2005-07 biennium. The North Dakota University System provided an additional $100,000 to fund a Trade Office student internship program.

State exporters and international business services agreed to provide $350,000 in matching funds. The private sector has responded to the Trade Office's mission and initiatives with tremendous support. Since 2003, the Trade Office has generated about $596,000 in private funding and nearly $150,000 in federal grants.

North Dakota Trade Office Funding
FY 2005-07



Investment Results

Through trade missions and a host of other international trade services, the North Dakota Trade Office has played a vital role in helping North Dakota companies expand their sales markets throughout the world. The results of an independent economic impact study shows that these trade missions and other Trade Office services have generated economic benefits that reach far beyond export companies.

North Dakota Economic Impact

Benefits	Results
Increased Exports	$41.82 million
Direct Employment	212 jobs
Indirect Employment	144 jobs
Gross State Product	$18.7 million
State Tax Revenue	$1.8 million

Sources:

- North Dakota Trade Office exporter survey
- Regional Economic Models, Inc. economic impact study

Other Measurables

To help companies succeed in the global marketplace, the Trade Office and its network of 45 export service providers – international shippers, bankers and other professionals - offer assistance along every step of the export process. The Trade Office's accomplishments include:

- Since July 2005, the Trade Office has coordinated five trade missions, representing 37 companies, three universities and two farm associations. Through trade missions and other services the North Dakota Trade Office has assisted companies in increasing their export sales by nearly $42 million.
- Companies that have worked with the Trade Office for at least one year report increasing the value of their export sales by 35 percent. As a whole, North Dakota businesses are increasing the value of their annual export sales by 18 percent while the national average is about 11 percent.
- The Trade Office has conducted 16 "Trade Talk" seminars, bringing together company officials and experts in international trade, global market opportunities, export financing, tax credits and other trade issues.
- Identified 400 North Dakota companies that export products or services throughout the world.
- Conducted market-entry research for 44 North Dakota companies.
- Promoted Trade Office members through state, regional, national and international news publications and broadcasters. In 2006, the Trade Office recorded 229 reports in which Trade Office members were promoted in foreign trade show catalogs, foreign television and newspapers, news outlets throughout North Dakota and regional news organizations.
- Employed and trained nine graduate students who served as export assistants, three of whom have since landed international trade-related jobs.
- Provided export training and certification for 34 people and exporting companies.
- Completed a transportation study designed to help North Dakota businesses identify shipping companies and freight forwarders best suited to meet their needs.
- Providing trade mission delegates with on-going post trade mission assistance to follow through on export sales and other business ventures.

Trade Office Performance

In May, 2006, the Trade Office surveyed 25 exporters - companies that have worked with the Trade Office for at least one year - to gauge the value of its services. **Ninety percent of respondents reported expanding their sales to a new country since joining the Trade Office**. Here's a look at other survey results:

North Dakota Trade Office Customer Satisfaction	
Exceeds Expectations	46%
Met Expectations	54%
Service Utilization	72%
Service Significant/ Essential to Business	75%
Exporter Renewal Rate*	90%
IBR Renewal Rate*	90%

North Dakota Trade Office Goals

- Augment Trade Office staff to provide export related expertise specific to various industries.
- Assist North Dakota exporters so that they continue to exceed the national average in export sales growth during the biennium.
- Conduct nine trade missions and reverse trade missions in 2007/09.
- Coordinate and manage 27 trade education events in 2007/09.
- Conduct a world-class Global Conference in March 2009.
- Assist 90 percent of new Trade Office members in expanding to a new country during the biennium.
- Maintain strong customer satisfaction rating in which exporters report that the Trade Office "meets or exceeds expectations."
- Increase Trade Office membership by 20 exporters and 5-to-8 International Business Resource providers during the 2007/09 biennium.
- Monitor trade-related issues and provide education and advocacy to North Dakota exporters, emerging exporters and the general public.
- Hire12 export assistants during the 2007/09 biennium and provide them with quality international export training for eventual placement as managers within international export companies.

North Dakota Trade Statistics

North Dakota exported to 127 foreign destinations in 2005. The value of North Dakota's 2005 exports represent an 18 percent increase from 2004. The state's 2006 exports are continuing strong growth with a 29 percent increase through September compared to the same period last year.

Exports to the World in thousands ($USD)
Top 10 Markets

numbers are in thousands ($ USD)

Partner	2000	2001	2002	2003	2004	2005	2005 thru Sept	2006 thru Sept
World Total	625,917	806,110	859,383	854,072	1,007,927	1,185,397	888,826	1,150,511
Canada	333,385	393,812	439,630	475,560	480,208	537,647	404,180	557,055
Belgium	72,004	155,467	157,793	100,711	100,761	109,042	82,194	125,842
Australia	24,264	25,125	46,489	47,047	76,522	76,255	61,334	58,069
Mexico	23,856	38,064	39,059	32,216	47,086	50,848	38,669	40,420
Italy	20,308	29,663	26,659	21,498	40,977	45,283	28,547	35,551
Russian Federation	1,038	1,988	3,065	14,932	10,232	31,240	22,778	17,459
United Kingdom	12,040	21,419	19,871	13,548	22,021	25,169	16,371	14,903
Kazakhstan	22	0	0	2,077	16,065	25,032	18,453	28,922
Spain	12,278	17,209	15,814	17,612	24,235	24,839	17,668	19,859
Japan	15,163	18,697	19,477	14,824	18,335	24,466	17,365	16,979

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

North Dakota Export Product Profile

In dollar terms, North Dakota's leading manufactured export growth category is machinery manufactures. Export shipments of these products during the 2001-2005 period grew $247 million, from $401 million in 2001 to $648 million in 2005. Still, machinery exports through September 2006 outpaced those of the same period in 2005 by 36 percent. Other manufactured export categories that registered large-dollar annual growth were computers and electronic products (up $42 million), and processed foods (up $37 million).

Top 10 Exported manufactured products

Produc	Value ($)	Percent
Machinery Manufactures	647,810,654	54.6 %
Crop Production	134,083,373	11.3 %
Processed Foods	123,509,568	10.4 %
Transportation Equipment	69,425,509	5.9 %
All Others	210,567,481	17.8 %
Grand Total	1,185,396,585	100 %

numbers are in thousands ($ USD)

Item	2000	2001	2002	2003	2004	2005	2005 thru Sept	2006 thru Sept
Total	625,917	806,110	859,383	854,072	1,007,927	1,185,397	888,826	1,150,511
333 Machinery Manufactures	242,664	401,308	424,849	404,714	498,661	647,811	477,093	646,728
111 Crop Production (value-added)	87,881	128,583	174,527	172,464	139,685	134,083	98,453	116,831
311 Processed Foods	79,644	86,666	105,644	106,430	133,305	123,510	91,565	98,273
336 Transportation Equipment	84,175	75,337	56,874	53,425	78,792	69,426	54,912	89,199
334 Computers & Electronic Prod.	8,788	11,514	9,928	13,655	28,999	53,274	42,760	15,464
325 Chemical Manufactures	29,257	25,234	18,090	17,033	17,574	32,227	25,134	44,034
211 Oil & Gas Extraction	10,960	10,364	9,966	19,520	31,652	23,296	17,412	35,037
326 Plastic & Rubber Products	8,436	8,904	10,314	13,231	15,146	20,212	14,837	17,647
324 Petroleum & Coal Products	153	253	740	588	930	13,522	13,149	393
332 Fabricated Metal Products	5,583	9,383	5,287	3,925	5,889	12,054	9,038	29,082

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

What Trade Office Exporters are Saying

Mid-America Aviation, West Fargo

During a June 2006 trade mission to Taiwan, Tom Kenville, president of West Fargo-based Mid-America Aviation Inc., negotiated a contract to rebuild gear boxes for Taiwan's military helicopters. The deal will earn Mid-America between $1 million and $3 million in the first year of the service contract with more work expected to follow.

Pre-mission research conducted by the Trade Office showed that Taiwan cut its defense budget by $6.37 billion, or about 20 percent, in 2005. Subsequently, the Taiwan military is increasingly outsourcing its aircraft repair and service work to the private sector.

Kenville said his company will soon complete certification requirements to begin its work for the Taiwan military. Mid-America may hire as many as 15 additional skilled workers to handle the increased workload, he said.

"That was all put together by the Trade Office," Kenville said. "The market research, the contacts and getting me in with the right people – all that rabbit chasing was eliminated so that I could just focus on getting the work."

Kenville, a veteran U.S. Air Force pilot, announced in late 2006 that he is moving his company into a larger, nearby plant to make room for his growing business.

With 24,500 square feet, more than double the size of Mid-America's current facility, Kenville said his company will have the floor space it needs to handle increasing shipments of aircraft parts in need of service and repair.

Amity Technology, Fargo

Amity Technology has built a solid reputation, manufacturing well engineered, high quality sugar beet harvesters and other equipment.

But six years ago, Amity's domestic market began drying up. Only 36 beet harvesters were sold in all of North America that year and 23 were built by Amity.

Exports helped keep Amity in business and now account for most of its sales, Amity Technology Vice President Brian Dahl said.

In July 2006, Amity built and exported 36 harvesters and 36 defollators in just three weeks. The manufacturing company has sold about 200 harvesters in all last year, Dahl said.

"There's no hiding it," he said. "We are exporting almost two-thirds of our production at Amity.

"Because we are an LLC with the majority of the owners residing in North Dakota, we pay and will pay a considerable amount of state taxes based largely on this export business," Dahl said. "It's been very good to us, our employees, our community and the state."

In 2004, Inc. Magazine named Amity Technology one of the fastest growing privately held companies in the United States.

More Exporter Feedback

"I can honestly say that we would not have been able to access the Former Soviet Union or Canadian markets without the background work and opportunities identified by the Trade Office and U.S. Commercial Service. We would not have entered these markets if it had not been for their proactive work and preparation in helping us to gain this opportunity. I had reluctant expectations as to what sort of help and knowledge the trade office would be able to offer small business's like ours. I was quickly awakened by the talent, passion and attitude of the Trade Office staff.

Stacy Anthony, used equipment manager, Brandt Holding Company, Fargo

"The Trade Office put us in contact with tax experts that helped us save a significant amount of money on our export sales. So they've not only been extremely helpful in finding new international markets and sales, but they've saved us money as well."

Tom Shorma, president and CEO, WCCO Belting, Inc., Wahpeton

"Every time we've run into a stumbling block, one or two phone calls and I get the help I need. Without the Trade Office we probably would have said it wasn't worth it."

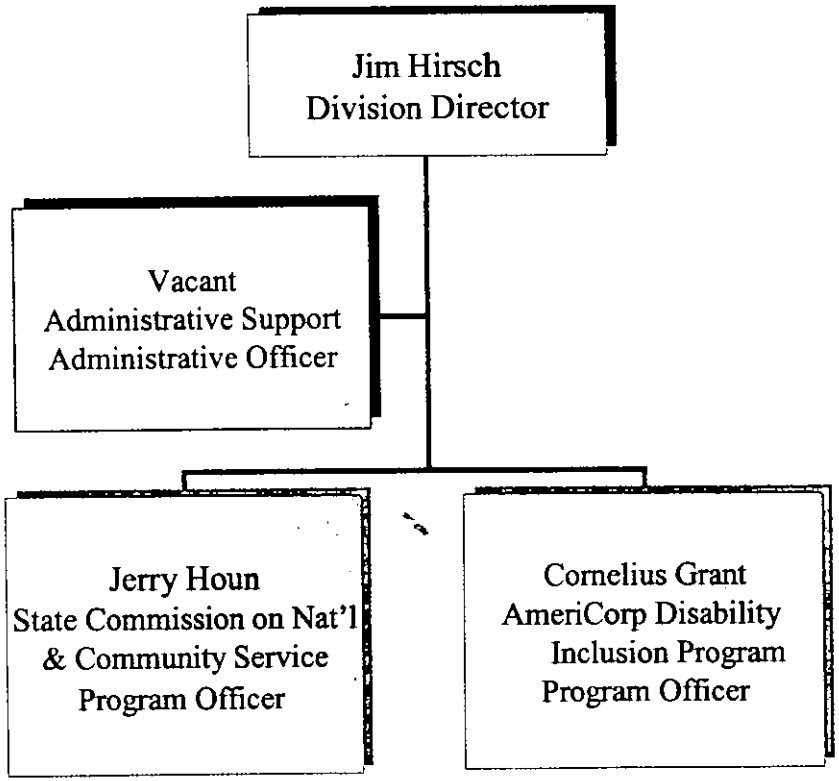
Ronald Disrud, engineer and safety officer, Arrow-Tech Inc., Rolla

"The Trade Office has been an invaluable source of information and assistance to us. We have great communication and it has helped us overcome many obstacles to the growth of our international business. The Trade Office staff has been there for us to such an extent that we cannot even begin to express our appreciation."

Terri Nelson, international accounts manager, Swanson Health International, Fargo

North Dakota
DEPARTMENT OF COMMERCE

Division of Workforce Development
Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 10, 2007, 8:30 A.M.
HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION
GREAT PLAINS ROOM
REPRESENTATIVE AL CARLSON, CHAIRMAN

JIM HIRSCH – DIRECTOR, THE DIVISION OF WORKFORCE DEVELOPMENT

Mr. Chairman and members of the Committee, my name is James Hirsch, Director of the Workforce Development Division within the North Dakota Department of Commerce.

The Workforce Development Division is all about the people of North Dakota and helping them maintain and improve their quality of life by providing them the opportunities to grow in their careers.

The Division is responsible for providing administrative staff support to Governor-appointed Boards and Commissions. These boards and commissions include:

- The North Dakota Workforce Development Council
- The North Dakota Youth Development Council
- The North Dakota Workforce Development Council – State Commission on National and Community Service

Members of the Councils and Commission are appointed to a three year term by the Governor and serve in an advisory capacity to the Governor.

The North Dakota Workforce Development Council and the North Dakota Youth Development Council are required under the Workforce Investment Act of 1998.

The two Councils have responsibility for the development of the State of North Dakota Strategic Plan for Title I of the Workforce Investment Act of 1998 and the Wagner-Peyser Act. Title I of WIA and Wagner-Peyser are administered by Job Service North Dakota. The Councils provide planning and oversight on the use of these funds and make recommendations for continuous improvement of the state's workforce delivery system to the Governor. North Dakota receives approximately $24 million in federal funding from these sources each biennium.

The North Dakota State Commission on National and Community Service is required under the National and Community Service Act of 1990. States who do not have a State Commission cannot access federal funding under the AmeriCorps*State formula program and the Learn and Serve America program. North Dakota, because we do have a State Commission, receives approximately $1.5 million in administration and AmeriCorps*State formula funds each biennium.

In addition to providing administrative support to the Councils and the State Commission, the Workforce Development Division is responsible for:

- Coordination, development, and implementation of North Dakota's statewide talent strategy;

- Development of a system of performance & accountability measures for the state's workforce system;
- Conducting the biennial Community Labor Availability Studies; and
- Administration of the AmeriCorps*State Formula Program for North Dakota.

The Council and Commission are dependent upon partnerships to get things accomplished. These partnerships include:

- State & Local Agencies;
- Education Agencies;
- Economic Development Professionals;
- Business & Business Organizations;
- American Indian Tribes;
- Local communities; and
- Federal agencies.

Workforce has emerged as a major concern for North Dakota business & industry! There are currently thousands of job vacancies across the state. Worker shortages are limiting business growth and our ability to attract new businesses to the state. Every industry across the state is reporting worker shortages:

- **Health Related Occupations:**
  - Nurses
    - CNA – CMA – LPN - RN
    - Operating Room
    - Critical Care
  - Clinical Research
  - Lab Technicians
  - Radiology Technicians
  - Pharmacist
- **Teaching Occupations:**
  - Math/Technology
  - Science
  - Career & Technical Education
- **Skilled Trades Occupations:**
  - Electricians
  - Carpenters
  - Plumbers
  - Heating & Air Conditioning
- **Professional Occupations:**
  - Managers
  - Supervisors
- **Customer Service Occupations**
- **Computer Related Occupations:**
  - Programmers
  - Data Base Managers
  - Software Development
  - Network Administration
  - Systems Analysts
- **Truck Driving Occupations:**
- **Engineering Occupations:**
  - Petroleum
  - Electrical
  - Civil
  - Mechanical
- **Manufacturing Occupations:**
  - Welders
  - Machinists
  - CNC Operators
- **Oil Field & Energy Occupations:**
  - Truck Drivers
  - Oil Service Workers
  - Geologists
- **Others:**
  - Retail
  - Accountants

Announced and Planned Energy Refurbish and Expansion Projects will create thousands of additional construction and hundreds of permanent jobs. All of this is occurring at a time when baby boomers begin to leave the job market.

At a time when North Dakota employers are unable to find skilled workers, our youth are not fully aware of all the career opportunities which are available in the state.

The Career Specialist and the Operation Intern initiatives being proposed by the Governor are critical elements in meeting our long term workforce needs. The Governor's budget recommendation includes $1.2 million to provide dedicated career specialists for each of the state's nine Joint Power Agreement alliances. These career specialists will link our high school students with career opportunities available in our state. Our young people need to know about the career opportunities which are available in order to make the right career choices which will allow them to stay in North Dakota.

The budget recommendation also includes $400,000 for Operation Intern to encourage internship opportunities for our college students. College graduates that have taken an internship in North Dakota are more likely to find a job and stay in North Dakota.

The governor included 10 additional FTE's within Commerce's budget to implement these initiatives – 9 FTE's for the career specialists and 1 to administer both initiatives.

We need to approach our talent attraction, talent expansion, and talent retention as a holistic system which must include K-12, postsecondary, and lifelong learning opportunities.

The Workforce Development Division has three primary goals:

1. Insuring that North Dakota employers have access to an available & skilled workforce;
2. Retaining youth in North Dakota; and
3. Promoting the expansion of civic engagement and volunteerism opportunities in the state.

Workforce Intelligence is critical to achieving these goals. All decisions must be based on quantitative and qualitative workforce intelligence data. We need to know the number of workers needed, what occupations they are needed in, what skills are needed, what skills will be needed in the future, and what the barriers are to finding skilled workers.

We need assist businesses in developing Talent Pipeline Maps so that they have a better understanding of where their talent is coming from and what they can do to help expand their talent pipeline. Developing a Statewide Workforce Intelligence Strategic System which is able to meet the needs of education, business, partner agencies, and stakeholders will be a priority for the Division over the next year.

The following are some examples of how the Division is supporting these goals by doing things differently:

- We are providing matching funds to local communities to support statewide standardized Community Labor Availability Studies.
    - These studies are important tools in attracting new business to the state by addressing the issue of an available workforce:
        - 31 communities participated in the 2006 standardized Community Labor Availability Studies;
        - Studies are posted on the www.ndcommerce.com website;
        - Interest is growing in anticipation of the 2008 studies.

- We are supporting a Demand Driven Workforce System by coordinating Industry Sector Workforce Needs and Skill Assessment Studies: The purpose of these studies are to:
    - Identify the current and future workforce and skill needs of North Dakota employers.
        - Results are used by the colleges and training providers to adjust current program offerings and identify new programs based on the needs of North Dakota employers; and
        - Results are used by agencies administering workforce development and training programs to establish priorities an target the investment of state and federal workforce development and training funding;
        - Industries currently being studied include:
            - Oil and Natural Gas Industries - this study should be concluded by the end of the month.

- Through the State Commission on National and Community Service we are expanding volunteer and civic engagement opportunities to meet community service needs and provide opportunities for youth to become connected and involved with their communities.
    - We have expanded the number of AmeriCorps projects in North Dakota from 1 in 2002 to 6 in 2006.
    - AmeriCorps is the equivalent of a domestic Peace Corps.
        - A total of 123 AmeriCorps member positions have been created.

The Division is making a difference:

It is all about providing opportunities for our employers to prosper and grow their local workforce and providing the local workforce with opportunities to grow in their careers.

North Dakota employers must stay competitive in order to succeed. Workforce is and will continue to be an increasingly big part of this success.

Thank you. I would be happy to answer any questions.

THE NORTH DAKOTA WORKFORCE DEVELOPMENT COUNCIL
July 1, 2006 - June 30, 2009

NAME	CATEGORY	APPOINTMENT
Mr. Jim Walker Communication Workers of America 520 Gary Avenue Bismarck ND 58501 701-223-9594 jrwalk41@msn.com	Organized Labor and Professional Groups	July 1, 2005 - June 30, 2008 Ex-Officio (Executive Committee) (Planning Committee)
Mr. Alvin "Butch" Brandt Organized Labor 617 6th Street Wyndmere ND 58081 701-439-2557 butch_b42@hotmail.com	Organized Labor and Professional Groups	July 1, 2005 - June 30, 2008
Mr. Jerry Splonskowski Northwest Contracting 3206 Arizona Drive Bismarck ND 58503 701-255-7727 jerry@northwestcontracting.com	Business – Region VII	July 1, 2005 - June 30, 2008
Ms. Candice Dietz Preference Personnel 2600 9th Avenue SW Fargo ND 58103 701-293-6905 candice@preferencepersonnel.com	Business – Region V	July 1, 2004 - June 30, 2007
Mr. Shane Goettle, Commissioner North Dakota Department of Commerce P.O. Box 2057 Bismarck ND 58502-2057 701-328-7284 sgoettle@nd.gov	State Agency – Commissioner	Open-ended
Mr. James Dahlen Vice President, Business Development Bismarck-Mandan Dev. Association PO Box 2615 Bismarck ND 58502 701-222-5530 jdahlen@bmda.org	Community Group - (Economic Development)	July 1, 2004 - June 30, 2007
Mr. Paul Steffes, President Steffes Corporation 3050 Hwy 22 North Dickinson ND 58601 701-483-5400 psteffes@steffes.com	Business – Region VIII	July 1, 2004 - June 30, 2007

Mr. Eddie Dunn, Chancellor North Dakota University System 600 East Boulevard Ave, Dept. 215 Bismarck ND 58505-0230 701-328-2963 edunn@nd.gov	State Agency – Chancellor	Open-ended
Dr. David Gipp, President United Tribes Technical College 3315 University Drive Bismarck ND 58504 701-255-3285 Ext. 8 dmgipp@aol.com	Community Group - (Vocational Education)	July 1, 2004 - June 30, 2007 (Planning Committee)
Mr. David Kemnitz, President ND AFL-CIO 1323 East Front Avenue Bismarck ND 58504 701-223-0784 dkemnitz@ndaflcio.org	Organized Labor and Professional Groups	July 1, 2006 - June 30, 2009 (Executive Committee)
Ms. Maren Daley, Executive Director Job Service North Dakota 1000 East Divide Avenue Bismarck ND 58502-5507 701-328-3030 mdaley@nd.gov	State Agency	Open-ended Ex-Officio (Executive Committee)
Mr. Wayne L. Kutzer, State Director State Board for Career & Technical Education 600 East Boulevard Avenue, 15th Floor Bismarck ND 58505-0610 701-328-2259 wkutzer@nd.gov	State Agency	Open-ended (Executive Committee)
Ms. Rosella Grant Organized Labor 1006 West Capitol Avenue Bismarck ND 58501 701-223-3929 grantrosella@hotmail.com	Organized Labor and Professional Groups	July 1, 2005 - June 30, 2008
Mr. Leo Cummings, 477 Administrator Three Affiliated Tribes North Segment Community Board Box 391 Newtown ND 58763 701-627-4756 program477@hotmail.com	Community Group	July 1, 2004 - June 30, 2007 (Planning Committee)

Mr. T. J. Russell, President/CEO Cloverdale Foods, Inc. 3015 34th Street NW Mandan, ND 58554 701-663-9511 Ext. 217 tjr@cloverdalefoods.com	Business – At Large Chairperson	July 1, 2005 - June 30, 2008 Chairperson (Executive Committee)
Mr. Charles Axtman Business - Retired 302 16th Avenue NE Jamestown ND 58401 701-952-6908 axtman@daktel.com	Business - Region VI	July 1, 2006 - June 30, 2009
Mr. Lee Lampert, Principal Divide County High School 605 SE 4 Crosby ND 58730 701-982-3324 lee.lampert@sendit.nodak.edu	Community Group - (Secondary Education)	July 1, 2005 - June 30, 2008
Mr. Dave Gottberg J R Simplot Company 3630 Gateway Drive Grand Forks ND 58203 701-780-7830 dave.gottberg@simplot.com	Business – Region IV	July 1, 2005 - June 30, 2008
Mr. David Massey, Assistant Superintendent Department of Public Instruction 600 East Boulevard Avenue Bismarck ND 58505-0440 701-328-2393 dmassey@nd.gov	State Agency	Open-ended
Ms. Carol Olson, Executive Director Department of Human Services 600 East Boulevard Avenue Bismarck ND 58505-0250 701-328-2538 socols@nd.gov	State Agency	Open-ended
Dr. Sharon Hart College Technical Education Council NDUS 17646 County Road 10 Wahpeton, ND 58075 701-799-1612 Sharon.Hart@ndscs.edu	Community Group - (Higher Education)	July 1, 2004 - June 30, 2007

Mr. Todd La Motte, President La Motte's Paint & Glass 301 4th Street Devils Lake ND 58301 701-662-4976 lamottes@gondtc.com	Business – Region III	July 1, 2006 – June 30, 2009
Mr. Bruce Walker Coldwell Banker, 1st Minot Realty 219 South Main Minot ND 58701 701-852-0136 Bruce@coldwellbanker.com	Business – Region II	July 1, 2005 - June 30, 2008 Vice-Chairperson (Executive Committee)
Ms. Jackie Velk, School Board Minot Public School District 1317 11th Street SW Minot ND 58701-5744 701-857-4771 velk@web.ci.minot.nd.us	Community Group	July 1, 2006 - June 30, 2009
Ms. Cathy Kruse GeoResources, Inc. P.O. Box 1505 Williston ND 58802-1505 701-572-2020 Ext. 113 cathyk@geoi.net	Business – Region I	July 1, 2005 - June 30, 2008
EX-OFFICIO NON-VOTING		
Mr. Lyle Schuchard North Dakota Veteran's Affairs Commission 1302 South 3rd Street Bismarck ND 58504-6507 701-328-4358 lschucha@nd.gov	Ex-Officio Member/No Vote	Open-ended
Mr. James J. Hirsch, Director ND Workforce Development Council 1600 East Century Avenue, Suite 2 P.O. Box 2057 Bismarck ND 58502-2057 701-328-5345 jhirsch@nd.gov	Ex-Officio Member/No Vote	Open-ended (Executive Committee) (Planning Committee)
Ms. Cheryl M. Kulas Executive Director North Dakota Indian Affairs Commission 600 East Boulevard, 1st Floor Judicial Wing Bismarck ND 58505-0300 701-328-2432 ckulas@nd.gov	Ex-Officio Member/No Vote	Open-ended

THE NORTH DAKOTA YOUTH DEVELOPMENT COUNCIL
July 1, 2006 - June 30, 2009

NAME	CATEGORY	APPOINTMENT
Mr. Larry Anderson Job Service North Dakota 1000 East Divide Avenue Bismarck ND 58506 701-328-2843 landerso@nd.gov	One-Stop Center Operator (Job Service North Dakota)	July 1, 2005 - June 30, 2008
Ms. Ann Pollert SENDCAA Region V 3233 South University Fargo ND 58104-6221 701-232-2452 ndcaa@sendcaa.org	Public Housing and Community Block Grants	July 1, 2005 - June 30, 2008
Mr. Dave Ellingson Burdick Job Corps Center 1500 University Avenue West Minot ND 58703 701-857-9602 701-833-4650 (cell) Ellingson.Dave@jobcorps.org	Job Corps	July 1, 2006 - June 30, 2009
Mr. Tim Eissinger Dakota Boys & Girls Ranch 1641 - 31st Avenue South Fargo ND 58103 701-237-3123, Ext 1322 teissngr@cableone.net	Alternative Schools	July 1, 2004 - June 30, 2007
Ms. Anita Kostek 819 4th Street SW Minot ND 58701 701-833-5054 (h) 701-858-2267 (w) ajkostek@yahoo.com	Job Corps Graduate – ING Insurance	July 1, 2006 - June 30, 2009
Mr. Scott Holdman Integrated Financial Development Systems 901 University Avenue, Apt. #504 Grand Forks ND 58201 701-739-4885 scottholdman@ifdsdevelopmentcounsel.com www.ifdsdevelopmentcounsel.com	Youth Program Student – Graduate	July 1, 2005 - June 30, 2008 Chairperson

Mr. Wayne L. Kutzer State Director State Board for Career & Technical Education 600 East Boulevard, 15th Floor Bismarck ND 58505-0610 701-328-2259 wkutzer@nd.gov	Department of Career & Technical Education	July 1, 2004 – June 30, 2007
Mr. Kent Ellis Bismarck Public Schools Bismarck Technical Center 1200 West College Drive Bismarck ND 58506 701-224-5513 kent_ellis@educ8.org	Education	July 1, 2004 - June 30, 2007
Ms. Gloria Maragos Juvenile Court PO Box 1741 Minot ND 58702-1741 701-857-6650 (w) 701-838-6078 (h) Gmaragos@ndcourts.com	Judiciary Juvenile Court	July 1, 2005 - June 30, 2008
Ms. Gaylene Massey ND Youth Corrections 701 16th Avenue SW Mandan ND 58554 701-667-1402 gmassey@nd.gov	ND Youth Corrections	July 1, 2005 - June 30, 2008
Mr. Leo Cummings Three Affiliated Tribes Box 391 Newtown ND 58763 701-627-4756 program477@hotmail.com	Workforce Investment Act Director	July 1, 2004 – June 30, 2007 Vice-Chairperson
Ms. Debbie Painte United Tribes Technical College 3315 University Drive Bismarck ND 58504 701-255-3285 Ext. 1232 dpainte@uttc.edu	Workforce Investment Act Director	July 1, 2006 – June 30, 2009
Ms. Cheryl Penny Standing Rock Sioux Tribe Box D Fort Yates ND 58538 701-854-3874 cheryl_penny@yahoo.com	Workforce Investment Act Director	July 1, 2004 – June 30, 2007

Ms. Patty Allery Turtle Mountain Band of Chippewa Box 900 Belcourt ND 58316 701-477-8732 ma_allery@yahoo.com	Coordinator - Youth Alcohol & Other Drug Prevention	July 1, 2005 – June 30, 2008
Vacant	Workforce Investment Act Director Spirit Lake Nation	July 1, 2001 – June 30, 2004
Mr. Al Austad 4104 35th Avenue NW Mandan ND 58554 701-663-1476 (h) 701-471-1824 (c) j-a-austad@bis.midco.net	Organized Labor	July 1, 2004 – June 30, 2007
Mr. Harley Engelman Department of Human Services 1237 West Divide Avenue, Suite 1B Bismarck ND 58501-1208 701-328-8957 soengh@nd.gov	Department of Human Services	July 1, 2006 – June 30, 2009
Mr. James Hirsch Council Director P.O. Box 2057 Bismarck ND 58502-2057 701-328-5345 jhirsch@nd.gov	Ex-Officio Member/No Vote	Open-ended

THE NORTH DAKOTA WORKFORCE DEVELOPMENT COUNCIL
STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE
July 1, 2006 - June 30, 2009

NAME	CATEGORY	APPOINTMENT
Mr. Bruce Walker Coldwell Banker, 1st Minot Realty 219 South Main Minot ND 58701 701-852-0136 Bruce@coldwellbanker.com	Business	July 1, 2005 - June 30, 2008
Mr. T. J. Russell, President/CEO Cloverdale Meats 3015 34th Street NW Mandan ND 58554 701-663-9511 Ext. 217 tjr@cloverdalefoods.com	Business	July 1, 2005 - June 30, 2008
Mr. James Dahlen Vice President, Business Development Bismarck-Mandan Development Association PO Box 2615 Bismarck ND 58502 701-222-5530 jdahlen@bmda.org	Community Based Organization	July 1, 2004 - June 30, 2007
Dr. David Gipp, President United Tribes Technical College 3315 University Drive Bismarck ND 58504 701-255-3285 Ext. 8 dmgipp@aol.com	Educator	July 1, 2004 - June 30, 2007
Mr. Wayne L. Kutzer, State Director State Board for Career & Technical Education 600 East Boulevard, 15th Floor Bismarck ND 58505-0610 701-328-2259 wkutzer@nd.gov	Educator - State Agency	July 1, 2006 - June 30, 2009 Vice-Chairperson
Ms. Rosella Grant Organized Labor 1006 West Capitol Avenue Bismarck ND 58501 701-223-3929 grantrosella@hotmail.com	Local Organized Labor and Professional	July 1, 2005 - June 30, 2008 Chairperson
Mr. Leo Cummings Three Affiliated Tribes Box 391 Newtown ND 58763 701-627-4756 program477@hotmail.com	Representative of American Indian Tribes	July 1, 2004 - June 30, 2007

Mr. Charles Axtman 302 16th Avenue NE Jamestown ND 58401 701-952-6908 axtman@daktel.com	Business - Region VI	July 1, 2005 - June 30, 2008
Mr. David Massey, Assist. Superintendent Department of Public Instruction 600 East Boulevard Avenue Bismarck ND 58505-0440 701-328-2393 dmassey@nd.gov	State Education Agency	July 1, 2005 - June 30, 2008
Ms. Carol Olson, Executive Director Department of Human Services 600 East Boulevard Avenue Bismarck ND 58505-0250 701-328-2538 socols@nd.gov	Older Adults Service & Volunteerism - State Agency	July 1, 2006 - June 30, 2009
Dr. Sharon Hart College Technical Education Council NDUS 17646 County Road 10 Wahpeton, ND 58075 701-799-1612 Sharon.Hart@ndscs.edu	Educators – Higher Education	July 1, 2004 - June 30, 2007
Ms. Jackie Velk Minot Public School District 1317 11th Street SW Minot ND 58701-5744 701-857-4771 velk@web.ci.minot.nd.us	Local Government	July 1, 2006 - June 30, 2009
Ms. Lisa Ringstad Cooperstown Community Activities Authority 705 Burrel Avenue Cooperstown ND 58425 701-797-3530 lisaringstad@invisimax.com	National Service Program	July 1, 2005 - June 30, 2008
Mr. Lee Lampert Divide County High School 605 SE 4 Crosby ND 58730 701-982-3324 lee.lampert@sendit.nodak.edu	Education - Principal	July 1, 2005 - June 30, 2008
Ms. Gloria Maragos Juvenile Court PO Box 1741 Minot ND 58702-1741 701-857-6650/H 701-838-6078 Gmaragos@ndcourts.com	Educational Training & Development of Youth	July 1, 2004 - June 30, 2007

Vacant	Youth age of 16–25 who is a participant or supervisor of a service program for school-aged youth, a campus-based or national service program	July 1, 2004 - June 30, 2007
EX-OFFICIO MEMBERS		
Ms. Deb Schiefelbein State Director Corporation for National and Community Service 225 South Pierre Street #225 Pierre SD 57501 605-224-5996 Ext. 12 dschiefe@cns.gov	Ex-Officio Member/No Vote	Open-ended
Mr. James J. Hirsch Council Director ND Department of Commerce P.O. Box 2057 Bismarck ND 58502-2057 701-328--5345 jhirsch@nd.gov	Ex-Officio Member/No Vote	Open-ended

Staff Contact Information:

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Director
Phone: 701-328-5345
Facsimile: 701-328-5320
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Jerry Houn
Program Officer
Phone: 701-328-7263
Facsimile: 701-328-5320
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Jill Schwab
Administrative Officer
Phone: 701-328-7266
Facsimile: 701-328-5320
Email: jischwab@nd.gov

NORTH DAKOTA DEPARTMENT OF COMMERCE
WORKFORCE DEVELOPMENT DIVISION
1600 EAST CENTURY AVENUE, SUITE 2
P.O. BOX 2057
BISMARCK ND 58502-2057

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
FEBRUARY 22, 2007, 8:00 A.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

JAMES HIRSCH – DIRECTOR, THE DIVISION OF WORKFORCE DEVELOPMENT

Mr. Chairman and members of the Committee, my name is James Hirsch, Director of the Workforce Development Division within the North Dakota Department of Commerce.

It is all about providing opportunities for our employers to prosper and grow their local workforce and providing the local workforce with opportunities to grow in their careers.

That is how the Division supports the Department of Commerce's goal of improving the quality of life for our citizens.

The Workforce Development Division is responsible for:

- Coordination, development & implementation of North Dakota's statewide talent strategy;
- Development of a system of performance & accountability measures for the states workforce system;
- Conducting the biennial Community Labor Availability Studies; and
- Administration of the AmeriCorps*State Formula Program for North Dakota.

In addition, the Division is responsible for providing administrative support to Governor appointed Boards and Commission. These boards and commissions include:

- North Dakota Workforce Development Council
- North Dakota Youth Development Council
- North Dakota State Commission on National and Community Service.

Members of the Councils and Commission are appointed to a three year term by the Governor and serve in an advisory capacity to the Governor.

The North Dakota Workforce Development Council and the North Dakota Youth Development Council are required under the Workforce Investment Act of 1998.

The two Councils have responsibility for the development of the State of North Dakota Strategic Plan for Title I of the Workforce Investment Act of 1998 and the Wagner-Peyser Act. Title I of WIA and Wagner-Peyser are administered by Job Service North Dakota. The Councils provide planning and oversight on the use of these funds and makes recommendations for continuous improvement of the state's workforce delivery system to the Governor. North Dakota receives approximately $24 million in federal funding from these sources each biennium.

The North Dakota State Commission on National and Community Service is required under the National and Community Service Act of 1990. States who do not have a State Commission

cannot access federal funding under the AmeriCorps*State formula program and the Learn and Serve America program. North Dakota receives approximately $1.5 million in administration and AmeriCorps*State formula funds each biennium.

The Council and Commission are dependent upon partnerships to get things accomplished. These partnerships include:

- State & Local Agencies;
- Education Agencies;
- Economic Development Professionals;
- Business & Business Organizations;
- American Indian Tribes;
- Local communities;
- Federal agencies; and
- Non Profits

Workforce has emerged as a major concern for North Dakota business & industry! North Dakota has a number of unique human resource challenges to contend with. These include:

- We have one of the lowest unemployment rates in the country;
- We have one of the highest labor force participation rates in the country;
- We have an aging population;
- We are experiencing youth flight; and
- North Dakota's economy is expanding.

Business and industry across the state are experiencing worker shortages in nearly every occupation.

- **Health Related Occupations:**
  - Nurses
    - CNA – CMA – LPN - RN
    - Operating Room
    - Critical Care
  - Clinical Research
  - Lab Technicians
  - Radiology Technicians
  - Pharmacist
- **Teaching Occupations:**
  - Math/Technology
  - Science
  - Career & Technical Education
- **Skilled Trades Occupations:**
  - Electricians
  - Carpenters
  - Plumbers
  - Heating & Air Conditioning
- **Professional Occupations:**
- **Computer Related Occupations:**
  - Programmers
  - Data Base Managers
  - Software Development
  - Network Administration
  - Systems Analysts
- **Truck Driving Occupations:**
- **Engineering Occupations:**
  - Petroleum
  - Electrical
  - Civil
  - Mechanical
- **Manufacturing Occupations:**
  - Welders
  - Machinists
  - CNC Operators
- **Oil Field & Energy Occupations:**
  - Truck Drivers
  - Oil Service Workers
  - Geologists

– Managers – Supervisors ▪ **Customer Service Occupations**:	▪ **Others:** – Retail – Accountants

There are currently thousands of job vacancies with North Dakota businesses across the state. Announced and planned energy refurbish and expansion projects will create thousands of additional construction and hundreds of permanent jobs. All of this is occurring at a time when baby boomers begin to leave the job market.

At a time when workforce shortages are limiting our ability to attract new businesses to the State and are limiting businesses within the State from expanding, we find that many of our young people and parents are not aware of the excellent career opportunities available in North Dakota. In many cases there are misperceptions about the work or the industry.

If we do not do things differently, North Dakota will not have the pool of talent necessary for our businesses to succeed.

The Career Specialist and Operation Intern initiatives proposed by the Governor are important components to meeting our long term workforce needs. Our young people need to know about the career opportunities which are available in order to make the right career choices which will allow them to stay in North Dakota.

The Career Specialist initiative would actively promote the career opportunities available with North Dakota employers both in the local region and statewide.

Career Specialists will gather and analyze workforce intelligence that is both current and localized. This would assist school counselors in getting beyond simply providing general career information which in many cases is putting students on a path leading to a four year degree with no career at the end.

Students and parents who have first hand knowledge about the career opportunities in their region or the state would be in a better position to apply the testing, assessment and career information provided through the school counselor to actual careers available in North Dakota.

The Career Specialist initiative is a part of a long-term strategy to fill the pipeline with new workers for career opportunities which exist in North Dakota. This initiative is a solution to the "youth flight" by insuring students have the information, exposure, and opportunity to prepare for careers which will allow them the option of staying in North Dakota.

A Study published by The National Center for Public Policy and Higher Education identifies four key transition points that mark students' progress from high school to completion of a college degree.

1. *High School Graduation*
2. *Entry into Higher Education*

3. *Persistence in Higher Education*
4. *Completing Higher Education*

The most effective policies address these important transitions.

According to the study, North Dakota ranks 2nd in the nation for 9th grade students who complete high school within four years. North Dakota ranks 6th in the nation for the number of students who complete a postsecondary program within 150% of normal completion time.

But, did you know? In North Dakota for every 100 9th graders, 83 will complete high school within four years. Of those who complete, 59 will immediately enroll in a postsecondary program. 41 will still be enrolled during the sophomore year. 25 will complete a postsecondary program within 150% of the normal completion time (6 years for a four year program and 3 years for a two year program).

We know quite a bit about what happens to the 25% of ninth graders who complete a postsecondary program, but very little about the 75% of the 9th graders who do not complete a postsecondary program.

The Career Specialist initiative is designed to address the needs of 75% of our youth who do not complete a postsecondary program by helping them get into a track leading to a career in North Dakota. This initiative could also assist those postsecondary completers who do not find employment opportunities in their field at the time they graduate.

The House of Representatives has retained the Career Specialist initiative in House Bills 1018 and 1027, but has significantly modified it from the Governor's proposal. The Governor's budget recommendation included $1.2 million in his budget for this initiative, which the House cut down to $160,000 for 1 FTE to coordinate both the Career Specialist and Operation Intern initiatives. We are requesting at least $500,000 for the Career Specialist initiative in order to have the type of impact that is needed to move kids out of high school and into careers available in North Dakota. This would allow us to provide matching funds to assist private industries in developing and implementing career awareness programs for 5 to 10 workforce deficient industries.

The Workforce Development Division has three primary goals:

1. Insuring that North Dakota employers have access to an available & skilled workforce;
2. Retaining youth in North Dakota; and
3. Promoting the expansion of civic engagement and volunteerism opportunities in the state.

Workforce Intelligence is critical to achieving these goals. All decisions must be based on quantitative and qualitative workforce intelligence data. We need to know the number of workers needed, what occupations they are needed in, what skills are needed, what skills will be needed in the future, and what the barriers are to finding skilled workers.

We need to assist businesses in developing Talent Stream Pipeline Maps so that they have a better understanding of where their talent is coming from and what they can do to help expand their talent pipeline.

Your support for the Career Specialist and Operation Intern initiatives will put in place enablers to help insure that North Dakota employers have access to an available and skilled workforce.

With your continued support the Division will continue providing matching funds to local communities to support statewide standardized Community Labor Availability Studies.

- These studies are important tools in attracting new business to the state by addressing the issue of an available workforce:
  - 31 communities participated in the 2006 Community Labor Availability Studies;
  - Studies are posted on the www.ndcommerce.com website;
  - Interest is growing in anticipation of the 2008 studies.

We plan to continue to support movement to a Demand Driven Workforce System by coordinating Industry Sector Workforce Needs and Skill Assessment Studies: The purposes of these studies are to:

- Identify the current and future workforce and skill needs of North Dakota employers.
  - Results are used by the colleges and training providers to adjust current program offerings and identify new programs based on the needs of North Dakota employers;
  - Results are used by agencies administering workforce development and training programs to establish priorities an target the investment of state and federal workforce development and training funding;
  - A study of the Oil and Natural Gas Industries has just been completed.

Through the State Commission on National and Community Service we are expanding volunteer and civic engagement opportunities to meet community service needs and provide opportunities for youth to become connected and involved with their communities. In doing so, we are giving young people a reason to stay in North Dakota.

- We have expanded the number of AmeriCorps projects from 1 in 2002 to 6 in 2006.
- AmeriCorps is the equivalent of a domestic Peace Corps.
  - A total of 123 AmeriCorps member positions have been created.
  - Most AmeriCorps Member positions function as a formal internship leading to employment with the AmeriCorps project sponsor or partner education agencies.

North Dakota employers must stay competitive in order to succeed. Workforce is and will continue to be an increasingly big part of this success.

Thank you. I would be happy to answer any questions.

Attachments – Membership Lists:

- North Dakota Workforce Development Council
- North Dakota Youth Development Council
- North Dakota State Commission on National and Community Service

Prepared by the North Dakota Legislative Council
staff for Representative Wald
January 2007

SUMMARY OF WORKFORCE DEVELOPMENT AND WORKFORCE TRAINING FUNDS

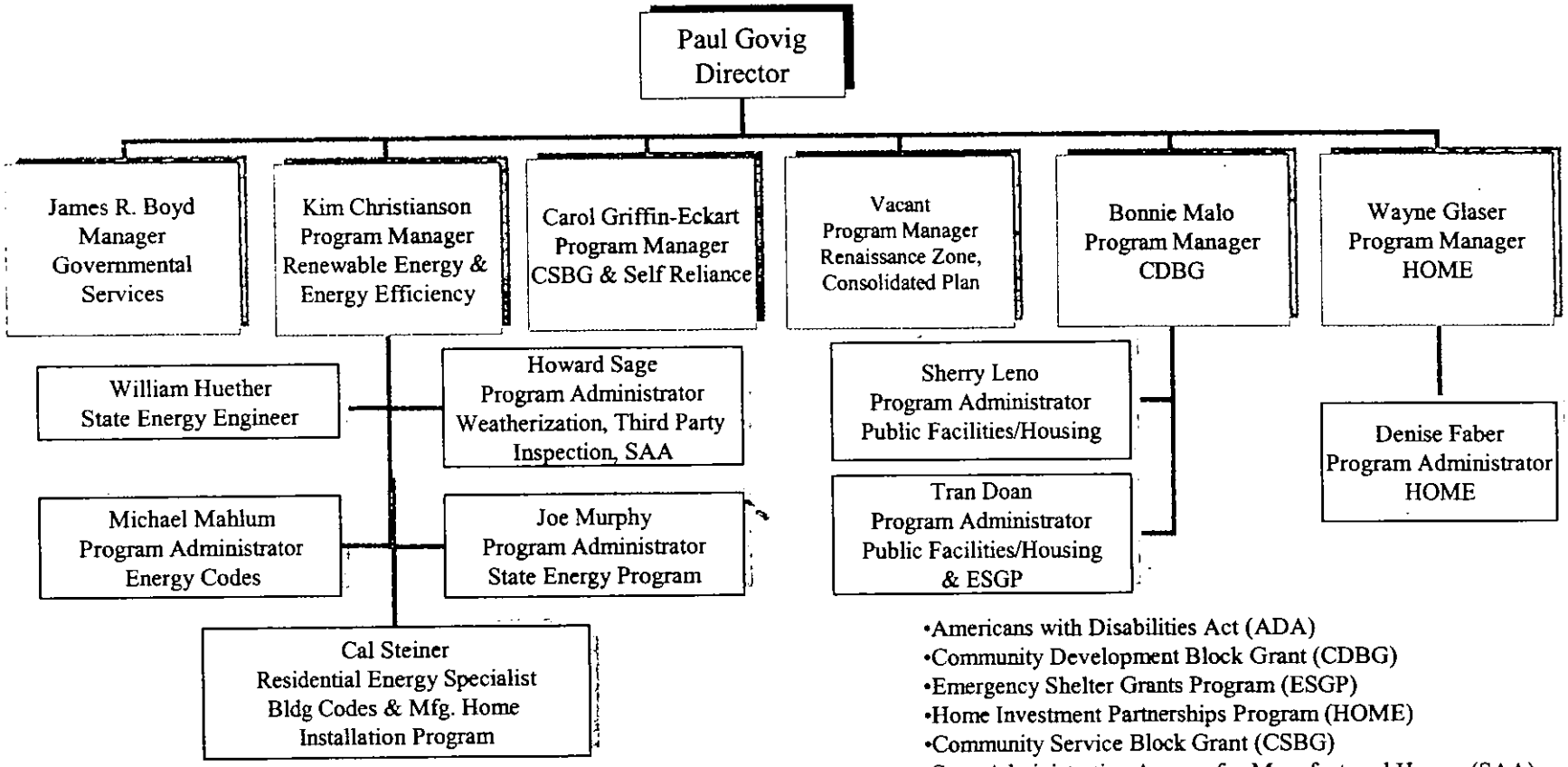
Workforce development is the education and training of individuals provided by kindergarten through grade 12, higher education, and state and federal government. Workforce training is training oriented toward serving the training needs of business and industry. The major state agencies partnering to provide workforce development and workforce training throughout the state include the North Dakota University System, Job Service North Dakota, State Board for Career and Technical Education, Department of Human Services, and Department of Commerce. The following is a summary of the funding included in the 2007-09 executive budget for workforce development and workforce training, excluding any educational training provided as general coursework by the North Dakota University System and any educational training below the higher education level:

Agency	General Fund	Special Funds	Federal Funds	Total
House Bill No. 1016 - Job Service North Dakota				
Workforce 20/20 - This is a state-funded job training program designed to assist North Dakota business and industry in retraining and upgrading workers' skills to meet demands brought about by the introduction of new technologies and work methods into the workplace.	$1,489,882			$1,489,882
Trade adjustment assistance - This program provides special job training, job search assistance, relocation, and related services to workers who become unemployed as a result of increased imports or the North American Free Trade Act. The program provides for reemployment services and funds to assist workers in returning to suitable employment.			$557,675	557,675
Job opportunities and basic skills (JOBS) training program - This program is designed to assist individuals receiving temporary assistance for needy families (TANF) to transition from welfare to work and self-sufficiency. This program is provided under contract for the Department of Human Services. The funding reflected is also included in the amount reported for the JOBS training program under the Department of Human Services.			6,929,702	6,929,702
Workforce Investment Act - The Workforce Investment Act is to increase occupational skill attainment, employment, retention, and earnings of participants through program activities resulting in improved quality of the workforce, reduced welfare dependency, and enhanced productivity and competitiveness of the nation.			12,820,339	12,820,339
New jobs training program - This program is designed to provide incentives to businesses and industries that are expanding employment opportunities or locating employment opportunities within the state.		$350,000		350,000
Subtotal - Job Service North Dakota	$1,489,882	$350,000	$20,307,716	$22,147,598
House Bill No. 1018 - Department of Commerce				
Workforce Development Division - This is funding for support of the Workforce Development Division of the Department of Commerce. The division is responsible for identifying current and emerging workforce issues in the state, developing a coordinated response to issues raised by North Dakota workforce delivery system partners, and identifying and recommending responses relating to gaps in the workforce delivery system. A portion of the funding--$213,137 of the $1,712,381--is passthrough funds from Job Service North Dakota. These funds are also reflected in the amount reported for the Workforce Investment Act under Job Service North Dakota.	$1,961,778	$100,000	$1,712,381	$3,774,159

Agency	General Fund	Special Funds	Federal Funds	Total
House Bill No. 1019 - State Board for Career and Technical Education				
Workforce training contracts - This is funding provided to the state's two-year higher education institutions assigned primary responsibility for workforce training in their respective quadrant to develop the delivery system for needed training.	$1,350,000			$1,350,000
Senate Bill No. 2012 - Department of Human Services				
JOBS training program - This program is designed to assist individuals receiving TANF to transition from welfare to work and self-sufficiency. This program is provided under contract with Job Service North Dakota.			$6,949,200	$6,949,200
Basic employment skills training (BEST) program - This program is intended to expose individuals participating in the food stamp program to job seeking and retention skills. The program is operating in Cass and Burleigh Counties.		$8,040	216,710	224,750
Subtotal - Department of Human Services		$8,040	$7,165,910	$7,173,950
Total funding for workforce development and workforce training	$4,801,660	$458,040	$29,186,007	$34,445,707
Less duplicated federal passthrough funding			(7,142,839)	(7,142,839)
Net funding for workforce development and workforce training	$4,801,660	$458,040	$22,043,168	$27,302,868

North Dakota
DEPARTMENT OF COMMERCE

Division of Community Services
Organizational Chart



- Americans with Disabilities Act (ADA)
- Community Development Block Grant (CDBG)
- Emergency Shelter Grants Program (ESGP)
- Home Investment Partnerships Program (HOME)
- Community Service Block Grant (CSBG)
- State Administrative Agency for Manufactured Homes (SAA)

Same testimony to Senate

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 10, 2007, 8:30 A.M.
HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION
GREAT PLAINS ROOM
REPRESENTATIVE AL CARLSON, CHAIRMAN

PAUL GOVIG – DIRECTOR, THE DIVISION OF COMMUNITY SERVICES

Mr. Chairman and members of the committee, I am Paul Govig, Director of the Division of Community Services within the Department of Commerce.

The goal of the Division 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 and Renewable Energy and Self Sufficiency. These programs help create a quality of life that makes North Dakota a good place to live, work, and be in business.

The Division of Community Services consists of four different program areas:

1) Community Development
   -Community Development Block Grant (CDBG)
   -HOME Investment Partnerships (HOME)
   -Emergency Shelter Grant (ESG)
2) Energy Efficiency/Renewable Energy
   -State Energy Program
   -State Buildings/Performance Contracting
   -Weatherization
3) Self-Sufficiency
   -Community Services Block Grant (CSBG)
4) Technical Assistance
   -Renaissance Zones
   -Building Codes
   -Third Party Inspection of Modular Buildings
   -Americans with Disabilities Act
   -Manufactured Home Installation Program

It should be pointed out that many of the federal programs administered by the Division of Community Services have a primary focus of benefiting low and moderate income residents of the state.

The Community Development Block Grant program is delivered through the local Regional Councils which have offices in Williston, Minot, Devils Lake, Grafton, Fargo, Jamestown, Bismarck and Dickinson. The system has been developed to ensure that the unique development needs of each region of the state are accurately defined and are met to as great an extent as possible. The Regional Councils have been good partners of the Division for many years.

The HOME Investment Partnerships program, Weatherization program and the Community Services Block Grant program are delivered through the local Community Action Agencies which have offices in Minot, Devils Lake, Grand Forks, Fargo, Jamestown, Bismarck, Dickinson and Williston. The system has been developed to assist with the locally defined social-economic needs of the regions. Everyone involved has worked hard to develop a good working relationship between the Division and the Community Action Agencies to ensure that clients receive excellent service on a consistent basis.

Accountability and performance measures are standard operating procedures for the Division of Community Services. We have always measured results and have always been accountable for our performance. Measurements associated with the community development and housing programs include: number of rental units created, homes rehabilitated, home ownership assistance for families, jobs created, homeless shelters provided assistance, public facility projects assisted and housing projects funded. Measurements associated with the energy efficiency/renewable energy programs and low income assistance programs include: number of households weatherized, households receiving furnace repair or replacement services, individuals receiving self-sufficiency and case management services, number of persons reached with energy educational materials, state institutions/agencies assisted with energy efficiency improvements and demonstration projects promoting alternative energy production and use. In the technical assistance section some of the measures include: number of Renaissance Zones designated, Renaissance Zone projects approved and building code training provided.

The total Division of Community Services budget request is $51,954,450 for the next biennium. Of that amount, 97% or approximately $50.6 million comes from federal sources or other special funds (see accompanying pie chart). $1,305,502 is from the General Fund and most is needed as a match requirement to access the federal dollars. Funding by program area is broken down in the following manner: Community Development-49%, Energy Efficiency and Renewable Energy-35%, Self-Sufficiency 13% and Technical Assistance-3% (see accompanying pie chart). Funding request by line item involves 91% for grants, 5% for salaries and wages and 4% for operating expenses (see accompanying pie chart).

Other than the dollars associated with the Governor's 4 and 4 employee raise proposal, this general fund request is the same as last biennium.

Program Activity Examples

Community Development Block Grant (CDBG)

The CDBG program awarded $7,570,850 to fund projects across North Dakota from July 1, 2005 to January 1, 2007.

-A total of 23 economic development projects were funded in the amount of $4,282,361.
-9 housing rehabilitation projects were funded in the amount of $548,185.
50 public facility projects were funded in the amount of $2,740,304.

CDBG funds are allocated to the eight Regional Planning Councils for economic development projects as well as low-income housing rehabilitation and public works.

The block grant program provides much needed support to locally driven economic development projects. North Dakota is one of just a handful of states to allocate the funds through Regional Councils, which is a great way to encourage cooperation and ensure that the funds have the greatest benefit to locally driven projects. Very few states make the effort that North Dakota does to assure that CDBG money reaches local governments.

Approximately 40% of the funds are allocated to a set-aside program intended for larger, more comprehensive economic development projects within the state. It should be pointed out that none of the money is used for general operating costs within state or local government. All of the money is being spent at the local level to improve the quality of life of North Dakotans. The Regional Councils have access to these set-side funds; however, they must apply for them. The Division of Community Services reviews the requests and makes recommendations to the Governor for final decisions.

Community Services Block Grant (CSBG)

For the current fiscal year (Jan. 1-Dec.31, 2006) seven regional Community Action Agencies were awarded $2,871,818.

The Community Action Agencies use this funding for operational expenses such as staff, utilities and rent, direct services to low-income people to help them become self-sufficient; and to administer other low-income programs operated out of their agencies.

Some of the programs these local agencies offer include Self-Reliance case management; services to address emergency needs including food pantries, utility shut-offs and rent; housing needs to prevent homelessness and to help people secure safe and adequate shelter; budgeting, money management and representative payee services; employment related services to help them find and retain employment; educational services to address needs through Head Start, basic adult education and adult literacy; child care; and other information and referral services.

Emergency Shelter Grants Program (ESG)

ESG provided $558,790 to 26 homeless shelter providers across North Dakota from July 1, 2005 through January 1, 2007.

This is a federally funded program designed to provide financial assistance to facilities and programs within North Dakota which provide temporary shelter to homeless individuals.

ESG currently awards grant funds directly to emergency/homeless shelters throughout the state to provide funds for activites such as rehabilitation, operational expenses (utilities, insurance, furnishings/appliances, etc.) and essential services (medical, laundry, cab fare, etc.).

The Division of Community Services is responsible for reviewing and ranking applications, reporting to HUD, awarding grant funds and monitoring the recipients for compliance with program rules. The program administrator visits shelters to provide technical assistance and verify expenditures.

HOME Investment Partnerships Program (HOME)

The HOME program is a federally funded program designed to create partnerships among governmental entities and the private sector in order to make decent and safe housing available and affordable to low income persons. The program has two primary activities; homeowner assistance and rental production/assistance.

The HOME program receives an allocation of approximately $3,000,000 each fiscal year. Of these funds, roughly $2,700,000 is used for activities while the remainder, approximately $300,000, is used for administrative purposes.

From July 1, 2005 through December 31, 2006 the HOME program assisted 1,543 low income families with a total of $3,921,000. This represents an average of $2,541 per family assisted. Breaking down the activity by type:

- 202 families were assisted in the purchase of homes for a total of $1,228,425 or an average of $6,081 per family.
- 1,166 families received security deposits assistance totaling $200,631 or approximately $172 per family.
- 65 families were assisted with tenant-based rental assistance totaling $246,901 or $3,798 per household.
- 85 low-income families received rehabilitation assistance totaling $1,694,412 or $19,934 per house.
- 25 rental units were either acquired and rehabilitated or constructed for a total of $550,175 or $22,007 per unit.

Renaissance Zone Program

The Renaissance Zone program officially started with the designation of the first zone in the city of Fargo on December 28, 1999. There are now 34 cities with a Renaissance Zone. In addition to Fargo, the following cities have zones: Beach, Bismarck, Bottineau, Buffalo, Carrington, Casselton, Crosby, Devils Lake, Dickinson, Grand Forks, Gwinner, Hankinson, Harvey, Hazen, Jamestown, Kenmare, Langdon, Lisbon, Mandan, Milnor, Minot, Northwood, Rolla, Rugby, Underwood, Valley City, Velva, Wahpeton, Watford City, West Fargo, Westhope, Williston and Wishek.

To date, we have approved, along with each zone, 465 projects. These projects involve purchase of buildings, purchase of railroad property, rehabilitation of commercial buildings, new construction of commercial and residential buildings, leasing of space, purchase of single family homes, rehabilitation of single family homes and historical preservation and renovation.

Renewable Energy and Energy Efficiency

Between July 1, 2005 and June 30, 2007, the Weatherization Assistance program will have provided approximately $9,992,409 for the weatherization of homes occupied by lower income households and for furnace repair and replacement. The funds are a combination of Dept. of Energy (DOE) and Low Income Home Energy Assistance program (LIHEAP) dollars. A total of 2,612 homes are expected to receive weatherization assistance in the biennium.

The State Energy Program (SEP) will have used approximately $567,000 in DOE funds and $113,400 of required matching general fund dollars to conduct a wide variety of energy efficiency and renewable energy activities. Examples of activities include energy efficiency construction presentations to high school building trades classes by the ND Builders Association; joint sponsorship of energy efficiency workshops with Otter Tail Power Company, biodiesel promotional activities with the ND Soybean Council; various Ag-related activities through the NDSU Extension Service; training programs with the ND Association of Physical Plant Administrators and several others.

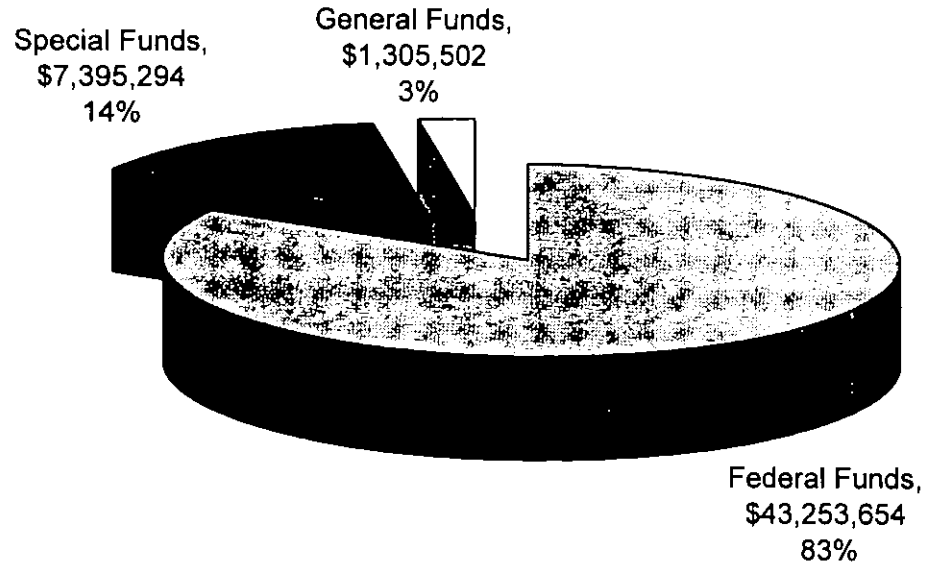
The state facilities energy efficiency program is designed to reduce long-term energy costs in government buildings while modernizing heating, cooling and electrical systems. Two funding mechanisms are used: performance contracting and state bonding. During the current biennium, a $4.7 million dollar performance contracting project was begun at the state capitol complex. A significant state bonding project of over $2.3 million dollars which will impact nearly every building on campus, is being implemented at UND.

Petroleum Violation Escrow (PVE or oil overcharge) funds are used for a number of activities involving wind energy development, alternative fuel vehicle initiatives (ethanol, biodiesel, electric GEM vehicles), other renewable energy technologies (solar, ground source heat pump systems, biomass), and residential, commercial and industrial energy efficiency. A total of $330,000 in PVE and special funds is expected to be spent in the biennium. Examples include energy efficiency construction features in the ND Cowboy Hall of Fame building and the new

Bank of ND building; continued funding of community wind resource monitoring programs; GoE and E85 ethanol marketing and promotion and others.

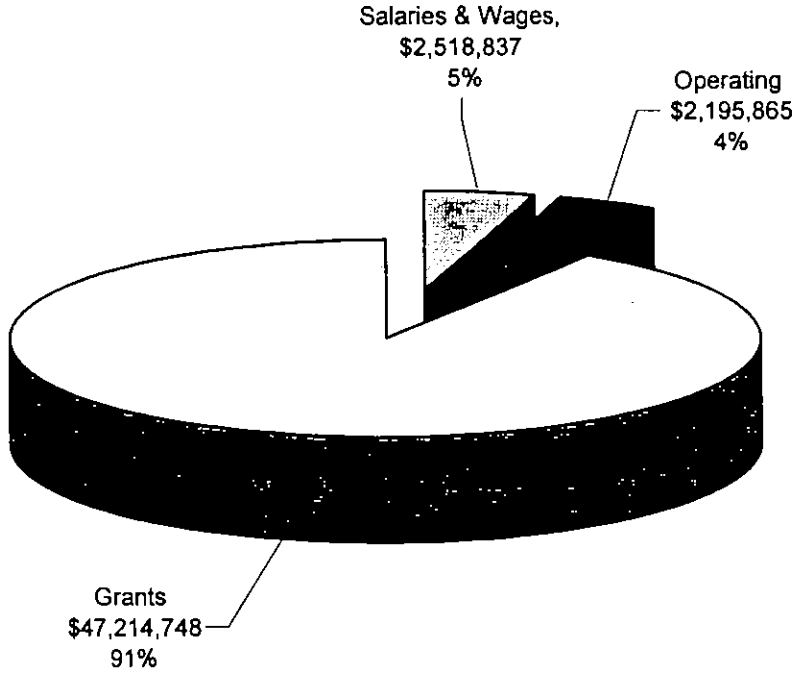
The Division of Community Services is involved in a wide variety of programs and services, all of which are geared to improving the quality of life for the citizens of North Dakota and making our state a good place to live, work and be in business.

Division of Community Services
2007 - 2009
Funding Request by Funding Source

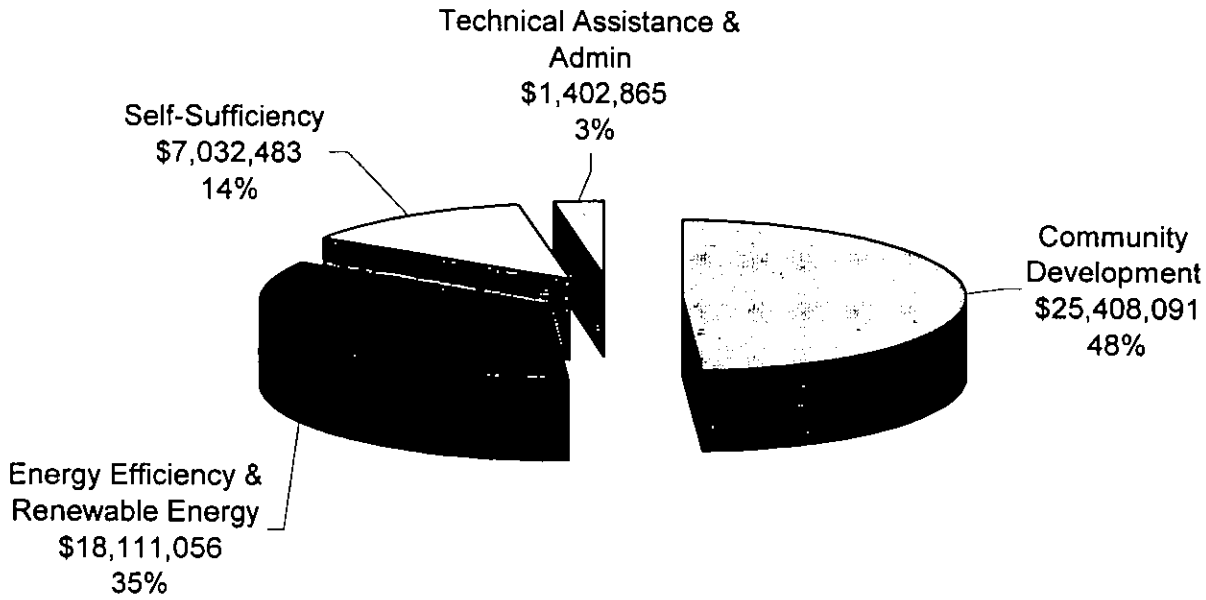


Division of Community Services
2007-2009

Funding Request by Line Item



Division of Community Services
2007 - 2009
Funding Request by Program Area



ISSUE BRIEF:

Corporation for NATIONAL & COMMUNITY SERVICE

Faith-Based and Community Initiatives

EMPOWERING FAITH-BASED AND COMMUNITY INITIATIVES

The Corporation for National and Community Service is committed to President Bush's initiative to strengthen the work of faith-based and small community organizations, which provide compassionate care to millions of Americans. These organizations effectively tackle some of our nation's most intractable problems. In doing so, they turn around individuals' lives and give hope to countless communities in need.

During the past decade, the Corporation for National and Community Service - through our Senior Corps, AmeriCorps, and Learn and Serve America programs - has established partnerships with a wide variety of faith-based and community groups. In many instances, we have been able to provide these organizations with trained individuals and other resources to help them meet local needs and build up their organizational strength and effectiveness.

As the Corporation moves forward, we are looking to strengthen those partnerships and to reach out to even greater numbers of grassroots organizations, both faith-based and secular. We are also looking to promote the numerous service opportunities offered through our programs to individuals associated with faith-based and community groups.

PROGRAMMING PRIORITIES

The Corporation recently identified several programming priorities designed to engage faith-based and small community organizations in national service and empower them with resources to produce innovative community solutions. These priorities include:

- **The President's Mentoring Initiative**
  Through its programs, the Corporation supports efforts to build capacity, recruit volunteers, and provide services related to mentoring children of inmates, other at-risk youth, and ex-offender re-entry services.

- **Asset Accumulation for the Poor**
  The Corporation supports initiatives that empower the poor through asset accumulation strategies such as home ownership, micro-enterprise, financial literacy, and related individual development account savings incentives.

- **Strengthening Families**
  The Corporation partners with faith-based and small community organizations to strengthen America's children and families and break the intergenerational cycle of poverty.

(Continued)

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www.nationalservice.org

USA Freedom Corps

SAMPLE PROJECTS

Amachi
Amachi is an effective faith-based mentoring initiative serving the spiritual, emotional, educational, family and community needs of children of incarcerated youth. AmeriCorps*VISTA members and Senior Corps volunteers are working with Amachi in 15 cities nationwide, helping to build congregational mentoring hubs, recruit volunteers, and increase organizational capacity.

Arab Community Center for Economic & Social Services, Dearborn, MI
AmeriCorps and AmeriCorps*VISTA members are helping to develop a comprehensive community-based health clinic to provide emergency services to new immigrants and low-income residents. They also are coordinating adult and child literacy programs.

California Youth Authority
The California Youth Authority (CYA) provides education, training, and treatment services to the most serious youthful offenders in California. Senior Corps' Foster Grandparents provide one-to-one tutoring, mentoring, and counseling to approximately 900 youths in after-school settings.

South Phoenix Village, Phoenix, AZ
Close to 130 AmeriCorps*NCCC members partnered with the citizens of South Phoenix Village to revitalize a 12-block area. Members traveled to Phoenix to commemorate the service legacy of Dr. Martin Luther King, Jr., and helped refurbish 14 homes in an economically depressed area.

Xavier University of Louisiana
New Orleans, LA
Through a Learn and Serve grant, Xavier University of Louisiana, the only historically Black Catholic university, engages more than 500 students in service-learning projects through co-curricular service and 20 courses spanning 12 academic disciplines. The University also supports service-learning pilot projects in K-12 schools by providing training and technical assistance to faculty and K-12 teachers.

AVODAH, New York, NY, & Washington, DC
AmeriCorps members serving with AVODAH combine frontline anti-poverty work and community building. The program places members in more than 30 community-based organizations focused on issues such as housing, immigrant and urban education, food-bank coordination, foster care, HIV/AIDS reduction, and job training for the homeless.

HELPFUL RESOURCES

Corporation for National and Community Service
www.nationalservice.org/fbci

White House Office for Faith-Based and Community Initiatives
www.fbci.gov

The Corporation's National Service Resource Center
www.nationalserviceresources.org

FOR MORE INFORMATION

To learn more about our programs and resources, contact 1-866-78FACES or E-mail *faithandcommunity@cns.gov*

June 2004

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www.nationalservice.org

USA Freedom Corps
Make a Difference. Volunteer.

National and Community Service and Faith-Based Organizations
Answers to Frequently-Asked Questions
by the
Office of the General Counsel

1. Are faith-based organizations eligible to receive Corporation grants and sponsor national service programs?

Yes. Under the national service legislation, private nonprofit organizations -- both secular and faith-based -- are eligible to receive grants and sponsor national service programs. In fact, the National and Community Service Act explicitly defines a private nonprofit organization to include "a church or religious entity." However, federal funds may not be set aside solely for faith-based organizations.

2. May a church or other faith-based organization serve as a Senior Corps sponsor or volunteer station under the Domestic Volunteer Service Act?

Yes. Churches or other faith-based organizations may serve as Senior Corps sponsors or volunteer stations on the same basis, and to the same extent, as secular organizations.

3. Does a faith-based organization have to remove religious symbols or take other steps to ensure a non-religious "environment" in the location where it is sponsoring national service programs?

No. Faith-based organizations receiving a grant from the Corporation do not lose their right to display religious symbols or otherwise express their religious character, as long as the organizations do not engage in inherently religious activities (religious worship, religious instruction, or religious proselytization during the Corporation-funded program.

4. What prevents Corporation assistance to faith-based organizations from advancing religion in violation of the Establishment Clause?

There is a distinction between inherently religious practices by a faith-based organization, which the government may not fund, and national service activities by participants that take place at the sponsoring organization. Corporation assistance may not be used for religious instruction, religious worship, or religious proselytization. This restriction on inherently religious activities applies only to the national service project and does not apply to voluntary activities undertaken on an individual's own time. In addition, national service programs must be open to participants regardless of their religion.

5. What restrictions apply to national service participants serving with faith-based organizations?

National service participants may not engage in inherently religious activities such as giving religious instruction, conducting worship services/prayer, or religious proselytizing.

6. How do these rules apply to the hiring practices of faith-based organizations?

Under the national service legislation, an organization may not discriminate on the basis of religion in hiring an employee who is paid with Corporation funds to work on a national service project. However, this provision does not apply to staff members who are supported by matching or other non-Corporation funds. It also does not apply to staff members who,

although supported by Corporation grant funds, were employed with the faith-based organization prior to the grant award. [Any faith-based applicant or grantee organization who believes that this provision substantially burdens its free exercise of religion should contact the Corporation.]

7. Would the fact that our organization's mission statement includes a reference to Jesus Christ affect our eligibility to sponsor or host an individual serving in a Corporation supported program?

No; the key issue is whether your proposed service activities are appropriate for a participant engaged in Corporation-supported activities; your mission statement is not relevant to that issue.

8. If our mission statement includes a reference to Jesus Christ, may we make adherence to or concurrence with, our mission statement a condition for acceptance of our members?

No, because that would constitute a religious qualification on participants and exclude non-Christians from your program on the basis of religion.

9. But what about the rights of religious organizations to consider religion in hiring staff?

While you may be permitted to consider religion in hiring individuals as staff for your organization, under the national service legislation, participants in Corporation-supported programs are not considered employees of the organizations through which they serve. In fact, participation in Corporation-supported programs must be open to individuals regardless of religion.

10. What are some other things that might constitute impermissible religious qualifications on participants?

Impermissible religious qualifications might include:

- Requiring participants to belong to a particular religious group or adhere to a particular religious belief;
- Requiring a letter of reference from a clergy member or other religious leader;
- Requiring a background of service in a faith-based setting.

11. Are we prohibited from asking about a person's religious background?

Because an individual's religious affiliation or beliefs are not appropriate criteria for screening potential participants, you should not require this information as part of your screening process. You may, however, invite individuals to provide references from a wide range of sources, including religious leaders. And you may ask them to describe their backgrounds in service, including service with faith-based organizations.

12. If we can't ask about a participant's religious beliefs, how can we make sure the participant will not undermine our program?

You may enforce a code of conduct or develop a position description that includes requirements that will ensure the integrity of your program. For example, you may make it a requirement that participants treat your program's clients with honesty, respect, and compassion, or you may adopt a dress code that requires professional attire. In other words, as long as you

avoid religious qualifications you have discretion to design your program in a way that meets your objectives.

13. Can we identify ourselves as a faith-based organization and ask potential participants if they have any reservations about serving with us?

Yes, you may ask potential participants if they would have any problem serving with your agency based on your identity as a faith-based organization.

14. Can we focus our participant recruitment in the community in which our program is located?

Yes, you may actively seek participants members from the community in which your program is located.

15. May participants engage in religious activities on their own time?

Yes, the requirement that Corporation-supported service not include religious instruction, religious worship, or religious proselytization does not restrict what individuals may do on their own time. However, it is important to document that service sponsored by the Corporation complies with these and other restrictions on permitted service activities.

EXECUTIVE SUMMARY

PROPOSED USE OF FY2008 AND FY2009 COMMUNITY SERVICES BLOCK GRANT (CSBG) FUNDS

- The Community Services Block Grant is a federal block grant program, created by the Omnibus Budget Reconciliation Act of 1981, that is used by states to fight poverty and address the needs of low income people. For FY2008 and FY2009, it is estimated that ND will receive approximately $3,040,153 each year. No state funds are required to match the federal funds.

- 91% of the State's allocation is passed through from the State to the Community Action Agencies.

- All 53 counties in the eight regions of the state are served through the seven Community Action Agency offices located in Minot, Devils Lake, Grand Forks, Fargo, Jamestown, Bismarck and Dickinson. A branch office of the Dickinson agency is located in Williston.

- Each Community Action Agency is unique in prioritizing needs and providing services and programs within their region based on unmet needs and the availability of other services.

- Local boards, composed of members who represent public officials, low income people and private or community organizations, administer the Community Action Agencies as they address the needs of low income people in their service area.

- CSBG funds can be used to provide direct services, develop new programs, and coordinate funding from other funding sources to deliver various programs including Head Start, Weatherization, surplus commodity food distributions, Energy Share, housing programs, etc., that serve low income people.

- Programs provided through the CSBG include education, employment, income management, adequate housing, emergency needs, nutrition, self sufficiency, and health services.

- Community Action Agencies are non-profit entities that establish linkages with other public and private entities in their service areas to address needs collaboratively.

- Under CSBG, Community Action Agencies track and report to the state on their fiscal activities, performance objectives, outcomes of their service delivery, demographics of clients served and client and agency successes.

- Community Action Agencies leverage CSBG funds with other federal, state and local resources to stretch the funding available. In 2005, $3,399,383 in CSBG funds (14.2%) enabled the CAAs to mobilize $20,513,025 (85.8%) in other public and private resources to address poverty in the state.

- In 2005, more than 17,200 individuals, from over 12,400 low income families, received at least one CAA service or participated in at least one program provided by a CAA. In addition, about 11,000 other individuals received information and/or referral services, or participated in a CAA meeting or community effort in 2005.

North Dakota

CSBG *Helps* Fight Poverty and Boosts Self Sufficiency.

The Community Services Block Grant Program (CSBG) was created by the Omnibus Budget Reconciliation Act of 1981. States use the federal CSBG funds to fight poverty and address the needs of low-income individuals and families. In FY 2005, North Dakota's CSBG allocation was just over $3.0 million.

CSBG *helps* fight poverty and boosts self sufficiency

Each CSBG dollar leverages another $6.14 in public and private funds to support our less fortunate.

FOR MORE INFORMATION, CONTACT:
Carol Griffin-Eckart, CSBG Program Manager
North Dakota Department of Commerce
701-328-2290 • cgriffin@state.nd.us

What *Difference* Does the CSBG Program Make?

Ninety-one percent of North Dakota's CSBG allocation is passed through to the state's seven Community Action Agencies (CAAs) which serve all 53 counties. The CAAs leverage CSBG funds with other federal, state and local resources to stretch the funding available. In 2005, $3,399,383 in CSBG funds were used in combination with $20,513,025 in other public and private funds to deliver services to low-income individuals and families in North Dakota.

More than 17,200 individuals, from over 12,400 low-income families, received at least one CAA service or participated in at least one CAA program in 2005. In addition, another 12,000 individuals received information and referral services or participated in a CAA meeting or community effort in 2005.

What Can Be Done to *Increase* CSBG Funds in North Dakota?

- Appropriate $637 million for the 2007 CSBG Program. (This will provide North Dakota with its 2006 funding level of $3.1 million before the across-the-board cut required by Congress.
- Monitor closely the proposed implications of the federal budget. As proposed, CSBG funding is zeroed out in the 2007 budget.

North Dakota

CSBG funds help single mother and her infant.

Since its inception in 1981, The CSBG program has served thousands of low-income individuals in North Dakota, including this single mom and her 11-month-old baby.

After sleeping under a bridge for two nights, this single mother and her 11-month-old baby were homeless, hungry and sick. They came to the regional Community Action Agency where the Self Reliance case manager immediately got them food and diapers from the agency's Food Pantry. During that first day, the agency staff coordinated food, shelter, clothing, medication and a doctor's appointment for the baby. The CAA helped the mother locate and move into an apartment. CSBG funds provided the family with food and non-food items, medication, the security deposit for the apartment, taxi vouchers, clothing and furniture. Other CAA funding paid the rent.

The mother was very excited and overwhelmed to have a place of her own. She continues to work with the case manager as she focuses on becoming self sufficient. She has maintained a safe and stable housing environment for herself and her child for the past five months.

CSBG funds launch Sportsmen Against Hunger.

The most frequently mentioned need on low-income needs assessments is the need for food. People will often scrimp on food so they can pay their rent, utilities and other shelter-related bills.

Sportsmen Against Hunger is a statewide initiative that began in 2004 to address hunger. Hunters donate deer to willing food processors where the venison is ground, packaged and frozen for distribution to local food pantries. Community Food and Nutrition and CSBG funds were used to develop the program and provide initial matching funds to start the local programs. The North Dakota Community Action Agencies work closely with State Game & Fish and local sportsmen's groups on this initiative.

In 2004, 115 deer were donated to food pantries to feed the hungry. In 2005, that number more than doubled to 241. Ongoing efforts will continue in 2006 to increase the number of deer donations. In 2005, CSBG funds were also used to distribute recipes for cooking with venison to help people preparing the meat. The North Dakota State Univeristy (NDSU) Extension program developed the cookbooks which are distributed by the Community Action Agencies and NDSU Extension staff.

FOR MORE INFORMATION, CONTACT:
Carol Griffin-Eckart, CSBG Program Manager • North Dakota Department of Commerce • 701-328-2290 • cgriffin@state.nd.us

SUMMARY OF

THE PROPOSED USE OF 2008 AND 2009

COMMUNITY SERVICES BLOCK GRANT FUNDS

JANUARY 2007

Prepared for the Public Legislative Hearing
Before The
House Appropriations Committee, Government Operations Division
January 10, 2007

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COMMUNITY SERVICES BLOCK GRANT
LEGISLATIVE REVIEW REPORT FY 2008-2009

I. Program Description

A. Origin of the Program

The Community Services Block Grant (CSBG) represents the third generation of community-based anti-poverty programs, which began with the Economic Opportunity Act of 1964. The Economic Opportunity Act of 1964 created a vehicle for local anti-poverty initiatives: nonprofit, private corporations called community action agencies (CAAs). The CAA board of directors, which govern CAA activities, is required to consist of one-third elected public officials, currently holding office or their designated representative; at least one-third democratically-selected representatives of low-income persons; and the remainder of the members to be representatives of business, industry, labor, law enforcement, religious, educational groups or other major groups or interests in the service area.

CAAs were established throughout the country, serving jurisdictions of various sizes and populations. Urban CAAs often were confined to municipal boundaries; while rural CAAs encompassed multi-county areas. Initial CAA funding in North Dakota permitted the establishment of four tribal CAAs and the Southeastern North Dakota Community Action Agency, which served Steele, Traill, Cass, Richland, Ransom, and Sargent counties. In 1973, a second regional CAA was established in Devils Lake to serve Benson, Cavalier, Eddy, Ramsey, Rolette and Towner counties.

The Community Services Act of 1974 replaced the federal Office of Economic Opportunity (OEO) with the Community Services Administration (CSA). Subsequent changes in the national allocation formula increased North Dakota's share of CAA funds, permitting the establishment of five new CAAs. By 1976, all of the counties in the state, except the three counties in Region I, were served by a CAA.

Except for a brief period in the late Seventies, CAAs were directly funded and supervised by the federal government, through the OEO and later, the CSA. North Dakota's state economic opportunity office, also funded by OEO and CSA, had limited administrative authority and little influence on CAA activities within the state.

The Omnibus Budget Reconciliation Act of 1981 (OBRA) radically altered the relationship between the state and the CAAs. Categorical block grants, to be administered by the states, replaced many federally-administered, grant-in-aid programs. OBRA eliminated the Community Services Administration, substituting the Community Services Block Grant (CSBG).

North Dakota assumed the administration of the CSBG in 1982, with the Office of Intergovernmental Assistance (OIA), within the Office of Management and Budget, being delegated responsibility for administering several block grants created by OBRA, including the CSBG. OIA has now become the Division of Community Services, and the division was made a part of the ND Department of Commerce when that department was created in 2001.

When the North Dakota State Legislature reviewed the proposed CSBG State Plan in 1981, they requested that all 53 counties be served by a CAA, since the three counties in Region I continued to remain an unserved area. Following the procedures outlined in the CSBG Act at that time, the CAAs in Region II and Region VIII, at the request of the State, made presentations to the three county commissions in Divide, McKenzie and Williams counties which make up Region I. The counties were given the choice to become part of either of the CAAs in Region II or Region VIII. In April of 1983, Divide, McKenzie and Williams counties elected to become a part of the Region VIII CAA service area, thus enlarging the service area of Community Action Partnership from the eight counties in Region VIII to eleven counties in Regions I and VIII.

Initially CAA funding under the CSBG allocation to North Dakota was significantly smaller than CSA funding levels had been. As a result, staff levels at the CAAs were reduced substantially. However, the state managed to retain CAAs in all regions of the state without committing any state funds to the program.

B. Purpose

Subtitle B of OBRA, referred to as the Community Services Block Grant Act, authorized the CSBG program. In the 1998 reauthorization of the CSBG Act, the purpose of the CSBG is defined as providing assistance to states and communities, working through community action agencies and other neighborhood-based organizations, to reduce poverty, revitalize low-income communities and empower low-income families and individuals to become self-sufficient. To accomplish that, the objectives established by the Act are:

- To strengthen community capabilities for planning and coordinating all resources, including federal, state, local, private and other resources that support efforts to eliminate poverty, in order to respond to local needs and conditions;

- To organize a range of services to address the needs of low-income families and individuals, so they have a major impact on the causes of poverty in the community and help families and individuals in becoming self-sufficient;

- To strengthen innovative and effective community-based approaches to attack the causes and effects of poverty and of community breakdown;

- To maximize the participation of low-income community residents and members of groups served through the Act, to empower them to respond to the problems and needs in their communities;

- To broaden the resource base of programs that address the elimination of poverty to secure a more active role by private, religious, charitable and neighborhood-based organizations as well as individual citizens, and business, labor and professional groups who can influence the number and quality of opportunities and services for low-income people.

C. State Responsibilities

The CSBG program does not require state or local matching funds. To receive its CSBG award each year, the State must submit a plan for the use and distribution of CSBG funds and provide an annual report which includes information on statewide activities that were performed, program outcomes, services that were provided, and demographic information on the individuals and families served. The State plan must be accompanied by a statement of assurances, signed by the Governor, that the State and subgrantees will meet. The assurances include:

1. Information to show that the CSBG funds made available through the grant will be used:

   a. To support activities that are designed to assist low-income families and individuals, including those receiving assistance under Part A of Title IV of the Social Security Act, homeless families and individuals, migrant or seasonal farmworkers and elderly low-income individuals and families to enable the families and individuals -

      (1) To remove obstacles and solve problems that block the achievement of self-sufficiency;

      (2) To secure and retain meaningful employment;

      (3) To attain an adequate education, with emphasis on improving literacy skills of the low-income family;

      (4) To make better use of available income;

      (5) To obtain and maintain adequate housing and a suitable living environment;

      (6) To obtain emergency assistance through loans, grants or other means to meet immediate and urgent family and individual needs; and

(7) To achieve greater participation in the affairs of the communities, including the development of public and private grassroots partnerships with local law enforcement agencies, local housing authorities, private foundations and other public and private partners to document best practices based on successful grassroots intervention in urban areas and develop methodologies for widespread replication, and to strengthen and improve relations with local law enforcement agencies.

b. To address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to the prevention of youth problems and crime, promote increased community coordination and collaboration in meeting the needs of youth and support development and expansion of innovative community-based youth development programs that have demonstrated success in preventing or reducing youth crime.

c. To make more effective use of, and to coordinate with, other programs related to the purposes of CSBG, including state welfare reform efforts.

2. A description of how the State plans to use discretionary funds made available from the remainder of the CSBG grant, including a description of how the State will support innovative community and neighborhood-based initiatives related to the purposes of CSBG;

3. Information provided by the eligible entities in the State, including –

   a. a description of the service delivery system for services provided or coordinated with CSBG funds, and how they are targeted to low-income individuals and families in communities within the State;

   b. a description of how linkages will be developed to fill identified gaps in services, through the provision of information, referral, case management, and follow-up consultations;

   c. a description of how CSBG funds made available will be coordinated with other public and private resources; and

   d. a description of how the local entity will use the funds to support innovative community and neighborhood-based initiatives related to the purposes of the CSBG, which may include fatherhood initiatives and other initiatives with the goal of strengthening families and encouraging effective parenting;

4. Assurance that the eligible entities will provide on an emergency basis for the provision of such supplies and services, nutritious foods and related services as may be necessary to counteract conditions of starvation and malnutrition among low-income individuals.

5. A description of how coordination will be carried out and linkages established between governmental and other social services programs to assure the effective delivery of services to low-income individuals and families, to avoid duplication of services, and to coordinate employment and training activities with other entities providing activities through statewide and local workforce investment systems under the Workforce Investment Act of 1998.

6. Encouragement of coordination efforts between antipoverty programs to ensure, where appropriate, that emergency energy crisis intervention programs under Title XXVI relating to low-income home energy assistance are conducted in each community.

7. A willingness to permit and cooperate with Federal investigations undertaken in accordance with the CSBG Act.

8. An assurance that any CAA that received pass-through CSBG funding in the previous fiscal year will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the CAA received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the state determines that cause exists for such termination or such reduction, subject to review by the Secretary of Health and Human Services as provided in Section 678C(b) of the CSBG Act.

9. Coordination of programs and formation of partnerships with other organizations serving low-income residents and members of the groups served by the state, including religious organizations, charitable groups and community organizations.

10. An assurance that the State will require each CAA to establish procedures under which a low-income individual, community organization, or religious organization, or representative of low-income individuals that considers its organization, or low-income individuals, to be inadequately represented on the CAA board, to petition for adequate representation.

11. Each CAA, as a condition of receiving funding under the CSBG allotment, must submit to the State a community action plan that includes a community needs assessment.

12. An assurance that the State and the CAAs will participate in the Results Oriented Management and Accountability System or another performance measure system allowed by the Secretary of Health and Human Services.

13. Information describing how the State will carry out the assurances described in the law.

14. The State also must agree to certain Administrative Assurances:

a. To submit a CSBG application to the Secretary which contains the required information and provisions.

b. To make not less than 90 percent of the annual CSBG allocation available to the officially designated CAAs for use in carrying out their approved CSBG workplan.

c. If the State elects to recapture and redistribute funds to an eligible entity through a grant when unobligated funds exceed 20 percent of the amount distributed to that entity for a fiscal year, the State would redistribute the recaptured funds to an eligible entity, or require the original recipient of the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of the Community Services Block Grant program.

d. To spend no more than the greater of $55,000 or 5 percent of its CSBG grant received for State administrative expenses, including monitoring activities.

e. If the State has a charity tax credit in effect under state law, the State agrees to comply with the requirements and limitations specified regarding use of funds for statewide activities to provide charity tax credits to qualified charities whose predominant activity is the provision of direct services within the US to individuals and families whose annual incomes generally do not exceed 185 percent of the poverty line in order to prevent or alleviate poverty among such individuals and families.

f. To hold at least one public hearing in the State to provide the public with an opportunity to comment on the proposed use and distribution of funds to be provided through the CSBG grant for the period covered by the State plan.

g. The chief executive officer of the State is to designate an appropriate State agency for the purposes of carrying out the State CSBG program activities.

h. To hold at least one legislative hearing every three years in conjunction with the development of the State plan.

i. To make available each plan or revised State plan for public inspection in such a manner as will facilitate review of and comment on the plan.

j. To conduct a full on-site review of each eligible entity at least once during each three-year period, with follow-up reviews, including prompt return visits to eligible entities and their programs that fail to meet the goals, standards, and

requirements established by the State. Each newly designated entity is to have a full on-site review immediately after the completion of the first year in which they have received CSBG funds. The State should conduct other reviews as appropriate, including reviews of entities with programs that have had other Federal, State or local grants (other than assistance provided under the CSBG) terminated for cause.

k. In the event that the State determines that an eligible entity fails to comply with the terms of an agreement or the State plan, to provide services under the CSBG or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives), the State will comply with the requirements outlined in Section 678C of the Act, to inform the entity of the deficiency to be corrected; require the entity to correct the deficiency; offer training and technical assistance as appropriate to help correct the deficiency, and submit to the Secretary a report describing the training and technical assistance offered or stating the reasons for determining that training and technical assistance are not appropriate; at the discretion of the State, offer the eligible entity an opportunity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan and to either approve the proposed plan or specify reasons why the proposed plan cannot be approved; after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce the funding to the eligible entity unless the entity corrects the deficiency.

l. To establish fiscal controls, procedures, audits and inspections, as required under the Act.

m. To repay to the United States amounts found not to have been expended in accordance with the Act, or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under the CSBG.

n. To participate, and ensure that all eligible entities in the State participate in, the Results-Oriented Management and Accountability (ROMA) System.

o. To prepare and submit to the Secretary the required annual report on the measured performance of the State and its eligible entities.

p. To comply with the prohibition against use of CSBG funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility, as described in the Act.

q. To ensure that programs assisted by CSBG funds shall not be carried out in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with any partisan or nonpartisan political activity

or any political activity associated with a candidate, or contending faction or group, in an election for public or party office; any activity to provide voters or prospective voters with transportation to the polls or similar assistance with any such election, or any voter registration activity.

r. To ensure that no person shall, on the basis of race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with CSBG program funds. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S. 6101 et seq.) or with respect to an otherwise qualified individual with a disability as provided in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 12131 et seq.) shall also apply to any such program or activity.

s. To consider religious organizations on the same basis as other non-governmental organizations to provide assistance under the program so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution; not to discriminate against an organization that provides assistance under, or applies to provide assistance under the CSBG program on the basis that the organization has a religious character; and not to require a religious organization to alter its form of internal government except as provided under Section 678B or to remove religious art, icons, scripture or other symbols in order to provide assistance under the Community Services Block Grant program.

t. To provide assurances that cost and accounting standards of the Office of Management and Budget (OMB Circular A-110 and A-122) shall apply to a recipient of CSBG program funds.

u. To comply with the requirements of Public Law 103-227, Part C Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994, which requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18 if the services are funded by a Federal grant, contract, loan or loan guarantee.

The State further agrees that it will require the language of this certification be included in any subawards, which contain provisions for children's services and that all subgrantees shall certify accordingly.

D. Subgrantee Responsibilities

By Federal CSBG law, DCS must pass through a minimum of 90 percent of each year's CSBG award to the seven CAAs which have been designated as the State's eligible entities under the CSBG Act. The CSBG Act and DCS policies delineate the principle responsibilities of the CAAs as follows:

1. Maintain a tripartite board of directors composed of 1/3 elected public officials or their designees; at least 1/3 democratically selected representatives of low income persons in the area served by the agency; and the remainder of the board should be officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the area served.

2. Submit a Community Action Plan which includes: a) a community needs assessment (including food needs); b) a description of the service delivery system targeted to low-income individuals and families in the service area; c) a description of how linkages will be developed to fill identified gaps in service through information, referral, case management, and follow-up consultations; d) a description of how the CSBG funding will be coordinated with other public and private resources; e) a description of how the CSBG funds will be used to support innovative community and neighborhood-based initiatives related to the purpose of CSBG; and f) a description of the outcome measures to be used to monitor success in promoting self-sufficiency, family stability and community revitalization.

3. Submit a line item CSBG budget with specific references to any planned expenditures for equipment (in excess of $5,000) and out-of-state travel;

4. Maintain records on clients served by CSBG-funded activity, including income documentation and the nature of services provided;

5. Submit required financial status reports on CSBG expenditures, quarterly performance reports indicating the extent of progress towards quarterly and annual performance objectives, and annual performance outcome reports;

6. Submit required CSBG reports for annual reporting to the Office of Community Services, Department of Health and Human Services;

7. Submit an annual audit of all funds received and disbursed by the CAA, prepared by an independent private auditing firm.

II. Distribution and Use of FY2008 and FY2009 Funds

A. Authorization

CSBG funds are allocated among the fifty states, the District of Columbia and other U.S. territories in proportion to each jurisdiction's low-income population. However, the CSBG Act provides for a minimum funding level to less populated states. Originally North Dakota, as a minimum funding level state, received one-quarter of one percent (.0025) of the annual federal CSBG appropriation. Reauthorization legislation increased the amount to one-half of one percent (.005) for small states.

For FY2007 we are currently under a Continuing Resolution as no appropriations have yet been determined by the Congress. The FY2007 appropriation is expected to be about the same as the FY2006 funding which was $3,040,153. We do not expect increases in funding for FY2008 and FY2009. The CSBG Act was to be reauthorized in 2003, however, it has not yet been reauthorized, so we do not know if there will be additional or different requirements that would affect the current status of the program in the future. We are estimating that the appropriations for FY2008 and FY2009 will remain at about the same level as the amount appropriated in FY2006. Table I illustrates the history of CSBG funding that was anticipated to be received and actually allocated since FY2002.

TABLE I
CSBG FUNDING LEVELS

FY	Anticipated Funding Level	Actual Appropriation
2002	3,000,000	3,203,898
2003	3,203,898	3,185,302
2004	3,203,898	3,166,465
2005	3,140,000	3,070,286
2006	3,140,000	3,040,153
2007	3,040,153	
2008	3,040,153	
2009	3,040,153	

NOTE: The net CSBG award to the state is reduced by the amount of CSBG awards to tribal governments, which are funded directly by the federal Department of Health & Human Services.

B. Allocation of Funds

In accordance with the CSBG Act, the DCS must award at least 90 percent (90%) of North Dakota's annual CSBG allotment to officially designated CAAs. The State cannot expend more than the greater of $55,000 or five percent (5%) of each Fiscal year's CSBG allotment for CSBG administrative expenses incurred at the state level. The remaining five percent (5%) can be applied towards special projects within the limits established by the CSBG Act, including training and technical assistance in support of local programs, support of services and programs for low income individuals and families, support of statewide coordination and communication among eligible entities and support of other activities consistent with the CSBG law.

In 2002, the State, in coordination with the seven CAAs, revised the funding formula for distribution of CSBG funds to the CAAs. The new funding formula, which incorporates 2000 census data, provides a 91 percent (91%) pass-through award to the seven CAAs, with the greater of $55,000 or four percent (4%) of the funds utilized for State administrative expenses and the remaining five percent (5%) for special projects. The formula was initially used in FY2003.

Table II, below, lists the allocation of North Dakota's projected FY2008 and FY2009 CSBG allotments based on the State CSBG funding formula and anticipated funding levels.

TABLE II
PROJECTED ALLOCATION OF FISCAL YEARS 2008 AND 2009
COMMUNITY SERVICES BLOCK GRANT FUNDS

	FY2008	FY2009
CAA Funding (91%)	2,766,539	2,766,539
State Administration (4%)	121,606	121,606
Special Projects/Discretionary Funds (5%)	152,008	152,008
TOTAL	3,040,153	3,040,153

C. Distribution of Funds to Eligible Entities

The CAAs in North Dakota rely heavily on the CSBG pass-through funds to provide services within their respective regions. Most local governments and counties do not contribute towards CAA operations. The CAAs operate in multi-county jurisdictions, differing in size and population. In FY2002 DCS, in coordination with the seven CAAs, revised the formula for distributing pass-through monies among the CAAs which reflects the distribution of the low income population based on the 2000 U.S. Census, the relative size of areas served and a minimum base funding level for each agency.

The funding formula provides a base funding level equal to 28.74% of the pass-through funds, which is divided equally among the eight regions. Although there are eight geographical regions in the State, there are seven CAAs, since the Community Action Partnership Program serves both Regions I and VIII. Under the formula, each of the seven agencies receives $1,000 per county served by the agency. The remaining pass-through funds are distributed in direct proportion to each CAA service area's share of the state's low income population using the 2000 census data. This formula equalized the base funding for all eight regions and replaced the CSBG State Discretionary funds that were previously awarded each year to Region VIII for use in Region I from FY1995 through 2002. The formula is used in the first grant year following the development of the new funding formula. After that, the CSBG law requires that eligible entities funded through CSBG funds cannot have their CSBG funds reduced below the proportional share of CSBG funding the agency received in the previous year. That process will be followed until a new funding formula is devised after the data from the next census is available.

A minimum pass-through level of $837,880 is required by the distribution formula in order to provide base funding under the new funding formula. A total State allotment of $920,748 would be required to provide a pass-through funding level of $837,880. In the event that the State's FY2008 or FY2009 allotments would be less than $920,748 each year, DCS will reduce or eliminate the five percent Discretionary fund set-aside and pass-through up to 96% of the CSBG funds received.

Some of the CAAs had a decrease in funding under the revised funding formula due to a reduction in the base funding and a geographical shift in the low income population in the state as reported in the 2000 census, in addition to the decrease in CSBG funding that has been appropriated and awarded to the State. The State has attempted to address some of these issues by budgeting some additional funding outside of the CSBG funding formula for the affected CAAs. CSBG State Discretionary funds provided transitional phase-in funds for FY2003 and FY2004 for those agencies that received less funding in those years than they received in FY2002. This transitional phase-in approach was established only for two years. The transitional phase-in funds were awarded to five CAAs in six regions (Regions II, III, VI, VII, VIII and I).

DCS has also committed to provide Bonus/Supplemental CSBG funding, subject to the availability of funds, to eligible CAAs outside of the funding formula in an effort to provide additional CSBG funds to the local level. This process was initiated in FY2003 and continues to be done at this time. The State has committed to continue to try to supplement eligible CAAs with a minimum of 20% of the CSBG funds the State is allocated through the funding formula. Using the FY2006 grant as an example, 20% of the State share of the CSBG funds, or $54,740, was equally divided between the seven CAAs as part of their total funding.

In addition, if there are carryover State Discretionary funds remaining at the end of the year, those have been awarded to eligible CAAs based on their proportionate share of people in their regions who are below the poverty line and the amount of CSBG carryover each agency has available from their agency CSBG grant.

Projected CSBG distributions to the seven CAAs for FY2008 and FY2009, based on the funding formula, and bonus/supplemental funds, if they would be distributed equally between the seven CAAs, can be found in Table III. We will be considering the amount of CSBG carryover available to the agency from the previous year when the bonus/supplemental funds are awarded to eligible agencies.

TABLE III
POTENTIAL CSBG DISTRIBUTIONS FOR FY2008 & FY2009

Region	1) % of Allocation	2) Allocation	3) Bonus/ Supplemental Funds	4) FY08 and FY09 Awards
II	13.50%	373,482.80	7,820.00	381,302.80
III	12.03%	332,814.67	7,820.00	340,634.67
IV	13.26%	366,843.10	7,820.00	374,663.10
V	18.40%	509,043.22	7,820.00	516,863.22
VI	10.47%	289,656.66	7,820.00	297,476.66
VII	16.84%	465,885.21	7,820.00	473,705.21
VIII & I	15.50%	428,813.58	7,820.00	436,633.58
TOTALS	100.00%	2,766,539.23	54,740.00	$2,821,279.23

1) Proportional share of CSBG pass-through based on FY06 CSBG allocation - funding formula used to derive the % - based on a base allocation for each region, land area served by agency, and percentage of low income people residing in the service area.
2) Agency's proportional share of the pass-through based on the % in Column 1.
3) Estimate of Bonus/Supplemental Funds available to each region if equal distribution is done (outside of the funding formula).
4) Agency award based on the funding formula and equal distribution of Bonus/Supplemental funds

D. CAA's Use of Pass-Through Funds and Supplemental CSBG Funds

CSBG-funded services are intended for lower income persons and families. The CSBG Act restricts eligibility for CSBG services to persons or families with income levels falling at or below 125% of the poverty level as established by the United States Office of Management and Budget.

The CSBG Act requires that each subgrantee receiving CSBG funds must develop and submit to the State a community action plan that outlines the programs and services that will be provided through the CSBG funding. The plan must include needs assessment data to document the needs of the low income population in the service area. The CAAs utilize updated statewide needs assessment data on low income needs which was last completed in 2006 through the ND Community Action Association, in addition to other needs assessments available through other entities within their regions.

CSBG-funded services may include any of the following activities:

Client Services: CSBG funds may be used to provide outreach, referral, direct counseling, advocacy, or technical assistance services to low income clients, relating to employment, education, housing, money management/budget counseling, community participation, etc.

Self Reliance and Other Self Sufficiency Services: CSBG funds may be used to assist low income persons in attaining a greater degree of economic self-sufficiency. Each CSBG subgrantee is required to reserve 1.5 FTE within its CSBG budget for self sufficiency services including Self Reliance. Allowable expenditures include training expenses for staff, office space, materials, travel, supplies and personnel costs.

Program Coordination: CSBG funds may be used in combination with other federal, state or private funds to implement the various low income assistance programs administered by the CSBG subgrantees. These include but are not limited to programs such as low income home Weatherization programs, Head Start, emergency assistance under the Federal Emergency Management Act (FEMA), and surplus commodity distributions. Such expenditures are supported by appropriate source documentation to assure that the costs are allocated properly among the funding sources.

Emergency Assistance: CSBG funds may be applied toward the cost of organizing and/or operating emergency assistance services or facilities, such as food pantries or food banks, temporary housing and abuse shelters, energy emergency loan and grant funds, and general emergency loan and grant funds.

CAAs may also use CSBG funds to cover the costs associated with the development and implementation of new services to low income clients and general agency administrative costs, such as bookkeeping, clerical services and supervisory activities. Expenditures are supported by appropriate source documentation.

E. Program Statistics

1. Performance Objectives

Each CAA develops its own community action plan for the use of the CSBG funds that are allocated to them. Annual, measurable performance objectives are established in the workplan, and the agency's progress in meeting the objectives is reported to DCS on a quarterly basis. As a point of comparison, Table IV summarizes the annual performance objectives and the progress reported towards achieving the objectives, as reported at the end of the third quarter of the FY2006 CSBG program year (September 30, 2006).

TABLE IV PERFORMANCE MEASURES 1/1/06 THROUGH 9/30/06			
Activity	**Annual Objective**	**Progress Through 9/30/06**	**Percent of Objective**
Employment Assistance	612	572	93%
Education	2,432	2,273	93%
Income Management	5,104	5,084	99%
Housing	2,655	2,804	106%
Emergency Assistance	6,251	5,700	91%
Nutrition	34,798	31,976	92%
Self Sufficiency	1,156	811	70%
Linkages	10,222	6,333	62%
Health	1,999	1,753	88%

Table IV indicates that by the end of the third quarter most of the performance measures were being met or had been exceeded. By the end of the grant year It is expected that most activities will exceed the annual performance objectives.

2. CSBG Outcomes/National Indicators

Since 1995, the ND CSBG program has developed and reported on outcomes within the federally mandated Results Oriented Management and Accountability (ROMA) standards. In 2003 the Office of Community Services, within the US Department of Health and Human Services, expanded ROMA to include reporting on selected National Indicators to provide some additional consistency within national CSBG reporting.

We began tracking results through the National Indicators in 2004. The National Indicators and our statewide results for 2005, our most recent data:

National Goal 1: Low income people become more self-sufficient.

Employment - National Performance Indicator 1.1 - the number and percentage of low income participants in community action employment initiatives who get a job or become self-employed as measured by the following:

Indicator	*participants enrolled in programs*	*# expected to achieve outcome*	*# achieving outcome*	*% achieving outcome in 2005*
A. Unemployed and obtained a job	153	117	92	78.6%
B. Employed and obtained an increase in employment income	14	14	11	78.6%

Employment Supports - National Performance Indicator 1.2 - the number of low income participants for whom barriers to initial or continuous employment are reduced or eliminated through assistance from community action as measured by one or more of the following:

Indicator	*participants enrolled in programs*	*participants achieving outcome in 2005*
A. Obtained pre-employment skills/competencies required for employment and received training program certificate or diploma	69	61
B. Completed ABE/GED and received certificate or diploma	44	9
C. Completed post-secondary education program and obtained certificate or diploma.	102	28
D. Enrolled children in before or after school programs, in order to gain or maintain employment.	57	57
E. Obtained care for child or other dependant in order to gain or maintain employment.	362	358
F. Obtained access to reliable transportation and/or driver's license in order to gain or maintain employment.	637	604
G. Obtained health care services for themselves or a family member in support of family stability needed to gain or retain employment.	1,473	1,466
H. Obtained safe and affordable housing in support of family stability needed to gain or retain employment.	146	79
I. Obtained food assistance in support of family stability needed to gain or retain employment.	247	247

Economic Asset Enhancement and Utilization - National Performance Indicator 1.3 - the number and percentage of low income households that achieve an increase in financial assets and/or financial skills as a result of community action assistance, and the aggregated amount of those assets and resources for all participants achieving the outcome, as measured by one or more of the following:

Indicator	*participants enrolled in programs*	*participants expected to achieve outcome*	*participants achieving outcome*	*Aggregated dollar amounts (payments, credits, savings)*	*% achieving outcome in 2005*
A. # and % of participants in tax preparation programs who identify any type of Federal or State tax credit and the aggregated dollar amount of credits	1,088	763	846	$782,299	110.9%
B. # and % demonstrating ability to complete and maintain a budget for over 90 days	578	500	405	$1,464,228	81.0%
C. # and % opening an Individual Development Account (IDA) or other savings account and increased savings, and the aggregated amount of savings	108	53	50	$30,503	94.3%
D. # and % capitalizing a small business with accumulated savings	2	1	2	$430	200%
E. # and % pursuing post-secondary education with savings	2	0	1	$350	0.0%
F. # and % purchasing a home with accumulated savings	8	4	5	$6,041	125.0%

Goal 2: The conditions in which low income people live are improved.

Community Improvement and Revitalization - National Performance Indicator 2.1 - An increase in, or preservation of, opportunities and community resources or services for low income people in the community as a result of community action projects/initiatives or advocacy with other public and private agencies, as measured by one or more of the following:

Indicator	*# of projects or initiatives*	*# of opportunities and/or community resources preserved or increased*
A. Safe and affordable housing units created in the community.	4	26
B. Safe and affordable housing units in the community preserved or improved through construction, weatherization or rehabilitation achieved by community action activity or advocacy.	29	2,272
C. Accessible and affordable health care services/facilities for low income people created or saved from reduction or elimination.	13	165
D. Accessible safe and affordable child care or child development placement opportunities for low income families created or saved from reduction or elimination.	7	768
E. Accessible before and after school program placement opportunities for low income families created or saved from reduction or elimination.	2	383
F. Accessible or increased educational and training placement opportunities, or those that are saved from reduction or elimination, that are available for low income people in the community, including vocational, literacy, and life skills.	9	79

Community Quality of Life and Assets - National Performance Indicator 2.2 -The quality of life and assets in low income neighborhoods are improved by community action initiative or advocacy, as measured by one or more of the following:

Indicator	*# of program initiatives or advocacy efforts*	*# of community assets, services or facilities preserved or increased*
A. Increase in the availability or preservation of community facilities.	1	0
B. Increase in the availability or preservation of community services within low income neighborhoods.	3	387

Goal 3: Low income people own a stake in their community.

Civic Investment - National Performance Indicator 3.1 - The total number of volunteer hours donated to Community Action.

Indicator	*# of volunteer hours*	*value of volunteer hours based on minimum wage ($5.15/hr)*
# of volunteer hours donated to Community Action Agencies statewide	106,183	$546,843.00

Community Empowerment Through Maximum Feasible Participation - National Performance Indicator 3.2 - The number of low income people mobilized as a direct result of community action initiative to engage in activities that support and promote their own well-being and that of the community as measured by one or more of the following:

Indicator	*# of low income people*
A. # of low income people participating in formal community organizations, government, boards or councils that provide input to decision-making and policy setting through community action efforts.	151
B. # of low income people acquiring businesses in their community as a result of community action assistance.	1
C. # of low income people purchasing their own homes in their community as a result of community action assistance.	13

Goal 4: Partnerships among supporters and providers of services to low income people are achieved.

Expanding Opportunities Through Community-wide Partnerships - National Performance Indicator 4.1 - The number of organizations, both public and private, community action agencies work with to promote family and community outcomes.

Indicator	*# of organizational partnerships*	*# of these partnerships that were with faith-based organizations*
# of organizations community action agencies work with to promote family and community outcomes	1,698	182

Goal 5: Agencies increase their capacity to achieve results.

Broadening the Resource Base - National Performance Indicator 5.1 - The number of dollars mobilized by community action, including amounts and percentages.

Indicator	*Dollars Mobilized*	*% of Total*
A. Community Services Block Grant (CSBG)	$3,399,383	14.2%
B. Non-CSBG Federal Programs	$16,137,209	67.5%
C. State Programs	$259,270	1.1%
D. Local Public Funding	$11,0900	0.0%
E. Private Sources (including foundations and individual contributors, goods and services donated)	$3,558,703	14.9%
F. Value of Volunteer Time (106,183 hrs@%5.15/hr - federal minimum wage)	$546,843	2.3%
TOTAL	**$23,912,408**	**100.0%**

Goal 6: Low income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive environments.

Independent Living - National Performance Indicator 6.1 - The number of vulnerable individuals receiving services from community action that maintain an independent living situation as a result of those services.

Indicator	*# of vulnerable individuals living independently*
A. Senior Citizens	3,781
B. Individuals with Disabilities	2,913

Emergency Assistance - National Performance Indicator 6.2 - The number and percentage of low income households served by community action that sought and were provided with needed emergency assistance, including:

Indicator	*units of measurement*	*# seeking assistance*	*# receiving assistance*	*% achieving outcome in 2005*
A. Food	Households	16,078	15,967	99.3%
B. Emergency Vendor Payments, including fuel and energy bills and rent/mortgage payments	Households	3,031	2,846	93.9%
C. Temporary Shelter	Households	256	182	71.1%
D. Emergency Medical Care	Households	296	284	95.9%
E. Legal Assistance	Households	75	62	82.7%
F. Transportation	Households	319	296	92.8%
G. Disaster Relief	Households	52	46	88.5%
H. Clothing	Households	946	946	100.0%

Child and Family Development - National Performance Indicator 6.3 - The number and percentage of infants, children, youth, parents and other adults participating in developmental or enrichment programs that achieve program goals as measured by one or more of the following:

Infant & Child Indicators	*participants enrolled in programs*	*participants expected to achieve outcome in 2005*	*participants achieving outcome in 2005*	*% achieving outcome in 2005*
1. Infants and children obtain age appropriate immunizations, medical and dental care.	794	812	790	97.3%
2. Infant and child health and physical development are improved as a result of adequate nutrition.	4,104	4,333	4,104	94.7%
3. Children participate in pre-school activities to develop school readiness skills.	752	801	752	93.9%
4. Children who participate in pre-school activities are developmentally ready to enter Kindergarten or first grade.	458	494	449	90.9%

Youth Indicators				
1. Youth improve social/emotional development.	571	599	571	95.3%
2. Youth avoid risk-taking behavior for a defined period of time.	1,055	919	1,021	111.1%
3. Youth have reduced involvement with criminal justice system.	310	299	266	89.0%
4. Youth increase academic, athletic or social skills for school success by participating in before or after school programs.	402	402	402	100.0%
Adult Indicators				
1. Parents and other adults learn and exhibit improved parenting skills.	964	862	772	89.6%
2. Parents and other adults learn and exhibit improved family functioning skills.	717	737	484	65.7%

F. Use of Administrative and Discretionary Spending Authority

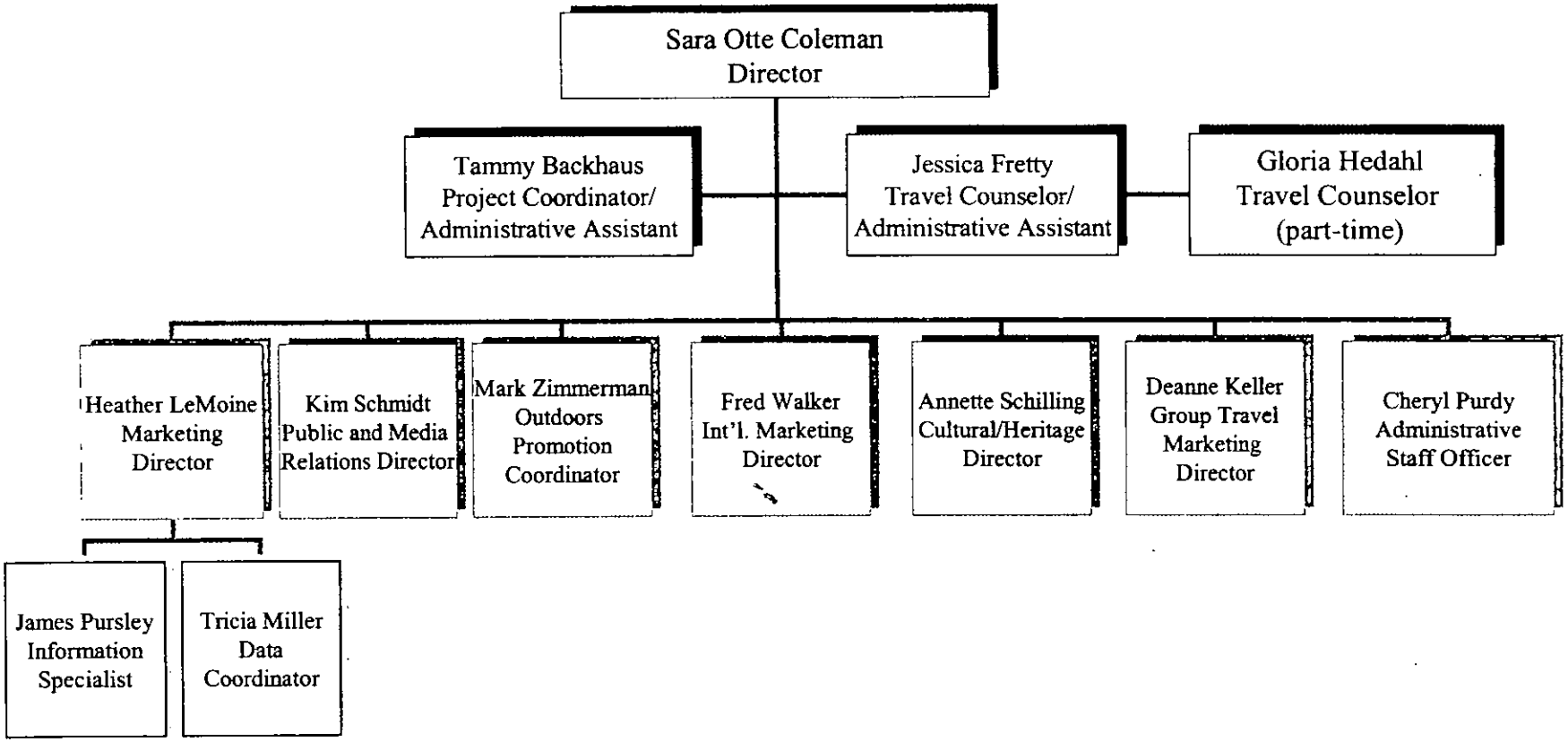
The CSBG Act permits the state to retain the greater of five percent (5%) of the State allocation, or $55,000, for program administration, and up to five percent (5%) for discretionary expenditures related to the CSBG program.

In the CSBG funding formula that was developed in FY2002 for use beginning in FY2003, DCS decreased the amount of CSBG State Administration funds it will retain under the funding formula to four (4%) of the allocation. This provides additional CSBG dollars to the local level to address the needs of the low income population. DCS utilizes the administration set-aside from each year's CSBG award to cover its costs in the implementation of the CSBG program. Administrative functions include program planning, financial management, technical assistance, programmatic and fiscal monitoring, reporting and evaluation.

The discretionary set-aside is utilized for special projects within the limits established by the CSBG Act, including training and technical assistance in support of local programs and the statewide Community Action Association.

North Dakota
DEPARTMENT OF COMMERCE

Division of Tourism
Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 10, 2007, 8:30 A.M.
HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION
GREAT PLAINS ROOM
REPRESENTATIVE AL CARLSON, CHAIRMAN

SARA OTTE COLEMAN – DIRECTOR, THE DIVISION OF TOURISM

Mr. Chairman and members of the committee, I am Sara Otte Coleman, Director of the Tourism Division of the Department of Commerce.

North Dakota is a great place to live and an awesome place to visit. Our goal in the tourism division is to communicate that message effectively resulting in more visitors to North Dakota and thus more dollars spent in our state by visitors. Our formal mission reads: to create new wealth to North Dakota by increasing the number of out-of-state visitors who spend time and money in North Dakota; and to enhance North Dakota's image.

I have divided my testimony into four areas the tourism division works in to highlight why North Dakota is a great place to visit and how we are working to get that message out.

#1 - Marketing North Dakota:

Branding: Our Legendary branding is working to improve our image and bring more visitors to North Dakota. If one word can capture the essence of North Dakota's role in our nation's history it is *Legendary*. We are not just a place of plaques and landmarks, but of legends and the stories we tell about them... Lewis and Clark, Sakakawea, Sitting Bull, Teddy Roosevelt and Custer... Our marketing efforts have continued to build on the success of the *Legendary* brand that was unveiled in 2001. During this biennium, we have continued to focus on our primary market areas of Minnesota, South Dakota, Manitoba and Saskatchewan: while expanding our reach into Wisconsin and eastern Montana. We have also added niche advertising and expanded the distribution of our materials and improved our Website. Our 2005 and 2006 print ads were featured in 55 issues (36 publications) with distribution over 25,000,000. Our television ads appeared on 87 stations on both cable and broadcast networks.

Advertising: We continue to hold our own feet to the fire by tracking visitor statistics, measuring results of our marketing and conducting accountability research. Visitors to North Dakota spent more than $83 million in 2005 as a direct result of advertising by the Tourism Division. For every advertising dollar invested in the U.S. and Canada, the state got $81 back in visitor spending. The $1.08 million invested directly in tourism advertising in prime regional markets resulted in 645,700 new trips taken to North Dakota, again yielding more than $83 million in new visitor spending.

Media and Public Relations: Our proactive media relations plan continues to get the word out about North Dakota. In 2005 and 2006 we were able to document over $5 million worth of publicity for North Dakota, our outdoor resources, attractions, events and businesses. We hit a "Home Run" with national media in 2006 through the publication of two articles landing on the

front page of the escapes sections of the New York Times (circulation 1.9 million). Stephen Regnenold, freelance writer from Minneapolis, grabbed the attention of national outdoor enthusiasts with his features on the Maah Daah Hey Trail in Medora and Lake Sakakawea. One article entitled "Good Ride in the Badlands" highlights the challenge of biking the Maah Daah Hey Trail in Medora while the other article, "Under Sail, Under Wraps", captures the beauty of sailing on Lake Sakakawea. Stephen also makes mention of both of these excursions in his "Top Ten" adventure trips for 2006. Additional coverage was earned in outlets including:
Television:

- CBS Early Show
- The Today Show
- The Rachel Ray Show

Feature stories:

- Sunday World Herald
- Winnipeg Free Press
- Philadelphia Sunday Sun
- Canadian Traveler
- American Cowboy
- Roadking Magazine
- Men's Journal
- Midwest Golfing
- TrailerLife

We also held two media events in St. Paul and Winnipeg in cooperation with tourism marketers from across the state and hosted numerous familiarization trips for media.

Website: we continue to improve our website and its ability to motivate a traveler to book a North Dakota vacation. During 2006, we have had 955,000 visits to ndtourism.com, up 49% over 2005. That averages out to 2,572 visits per day. Our page views are also up 60% and our unique visits are up 17%. The web continues to be a growing source for planning and booking travel.

Our marketing programs are on task to deliver visitors.

Outdoor marketing: we continue selling our outdoor adventure at sport shows, through advertising and presentations. We have over a dozen opportunities for tourism promoters to work alongside us to promote to adventure travelers. We have expanded our efforts in the following outdoor niches:

- Fishing
- Mountain biking
- Birding
- Golfing

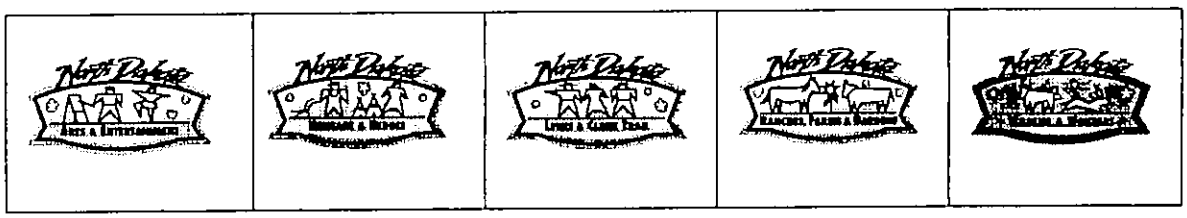
International: We have seen great success in the Nordic countries in bringing visitors over the pond to North Dakota. North Dakota was the 5th most popular U.S. destination for Norwegians traveling to the U.S. We will continue our efforts in Norway, Sweden, Finland, Iceland and

focus additional time on Germany and Denmark where there is a natural interest, a cultural connection, and money and time to vacation.

Since Norwegians & Germans look a lot like us, they can be hard to spot. Last summer, four Norwegian citizens stopped at the Bismarck Mandan CVB's visitor center to find more information on the region. Coincidentally, well-known, Norwegian journalist Inge Ludereng was in the visitors' center at the time. Mr. Ludereng is a renowned writer who frequently visits North Dakota and enjoys telling about his experiences in the state. At the time, he was a guest of the Bismarck Mandan CVB and ND Tourism. The Norwegian group of four was in North Dakota because of Mr. Ludereng's stories.

Group Travel: We work to make it easier for tour operators to plan trips to our state by providing more itineraries and personalized service. We also coordinated cooperative sales trips for our partners to meet with tour companies in Minnesota and Canada. We do not limit our work to bus groups; bikers, RVers and reunions are also groups we work to attract.

Lewis and Clark/Cultural and Heritage: North Dakota joined the nation in commemorating the 2003-2006 bicentennial of the Lewis & Clark expedition. Visitors and residents will continue to benefit from their legacy while enjoying over 20 new exhibits, site enhancements and permanent attractions along the Lewis & Clark trail. During the bicentennial years 3.9 million people visited 22 attractions along the trail. The success of North Dakota's bicentennial commemoration of the Lewis & Clark expedition will lay the foundation for a broader culture and heritage tourism promotion program. The expanded program will highlight the state's regional uniqueness, historical sites and ethnic cultures. The program is designed to give visitors a chance to experience the places and activities that authentically represent the stories and people of North Dakota's past and present. This unique program will allow partners a new way to tie into the state's marketing of a specific theme such as:



The program will include a variety of marketing tools such as maps, signage and shopping bags to create interest in thematic travel across North Dakota.

Learning Based Vacations (LBV): In June of 2006 the tourism division launched a new way visitors can experience our state, by getting visitors out of their cars and into our labs, combines and kitchens. The LBV program offers visitors the opportunity to custom design a vacation based on their interest to learn. The Website currently offers 50 programs and has had 1,608 visitors' inquire into specific offerings. Tom and Caroline O'Connell of Reston, Virginia spent 12 days in ND last summer. They were so pleased they wrote the following letter to the Bismarck Tribune.

Dear Editor:

We thought this would be an appropriate forum to express our appreciation for the wonderful assistance North Dakota's state tourism office gave us in planning our recent 12-day vacation to your state. Thanks to the responsiveness of Jan Conlin, Director of Learning Based Vacations Programs, the highlight of our trip was a visit to a family farm near Valley City, where Steve and Mary Lee Nielson patiently answered 1,001 questions from East Coast suburbanites about everything related to seed crops, heavy machinery, and the economics of farming. We came away with renewed respect for the generations of accumulated knowledge that goes into successful farming and with new insight into the hundreds of cost-benefit calculations a farmer must make each season to succeed in the ultimate risky business. Our travels took us from Fargo to Medora, through Devils Lake and back to Fargo, with lots of stops in cities and small towns in between. We met the nicest people, who expressed quiet pride in everything their oft-overlooked state has to offer. From the well presented history of immigration and settlement at the State Heritage Museum to the vast landscape, which was more variable and beautiful that we had imagined, North Dakota offered up one fascinating discovery after another.

Sincerely,

Tom and Caroline O'Connell
Reston, Virginia

#2 – Visitor Services:

We have and will continue working with DOT and other agencies to improve the visitor services available to tourists as they travel to and through our state. We have made progress in several areas including: Attraction and business signage and on-highway visitor information.

We have also presented hospitality training programs, offered better search capabilities on our Website and now offer partner brochures on-line. Our One Fulfillment program has filled 14,339 orders since mid-April; sending brochures to every state in the nation and 24 foreign countries. As we continue to attract more visitors through our successful marketing campaigns, the need for enhanced visitor services will also need to be met.

#3 – Helping Tourism Businesses Thrive:

Marketing and creating an image for North Dakota is just part of the job of delivering visitors. Our efforts are also focused on helping tourism businesses succeed. Our printed materials and Website provide a free listing to tourism businesses of all kinds. The new packages sections also provide an opportunity to sell an experience as part of an easy-to-plan-and-buy trip to North Dakota. We offer a grant program to help market attractions, experiences and events. We assist in helping businesses and communities tell their stories through pitches to the media and we help provide advertising direction and reduced rate advertising opportunities for partners. Our newspaper inserts went into 2 million papers last summer and partners purchased ads for as little as $1,000. Tourism businesses are not limited to museums and gas stations. For example, the

most popular activity for visitors world-wide is "shopping". Scheels new mega store in Fargo is one example of destination shopping and provides us with another "experience" to promote. Art studios, restaurants and coffee shops are all part of the tourism industry.

We are also working with the other divisions within the Department of Commerce to help tourism businesses grow. The Development Fund has a tourism segment, APUC will assist with agri-tourism projects and we are working to help communities define projects and niches that will attract visitors.

#4 – Tourism Provides benefits to all North Dakotans

According to NDSU research, tourism generated $3.4 billion in out-of-state visitor spending in 2005. In-house research indicated that $4.75 million in taxes were paid by visitors who came to North Dakota because of our ads. Those are taxes that we as North Dakotan's did not have to pay. There are 30,750 jobs in the tourism industry paying over $307 million in wages to North Dakotans.

Research shows our image is also improving; thanks to tourism advertising. The tourism ads aimed at attracting visitors also improve our image both in-state and out-of-state. The FUN that attracts visitors also keeps North Dakotans entertained and helps attract more young families to live here, and improves all of our "Quality of Life."

North Dakota is a great place to visit and Tourism is a good investment for our states economy.

North Dakota
Tourism Alliance Partnership

P.O. Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

2007 MEMBERS

Basin Electric Power Cooperative

Bismarck-Mandan CVB

Bufalo City Tourism

Destination Marketing Association of North Dakota

Devils Lake CVB

Dickinson CVB

-Moorhead CVB

er Grand Forks CVB

Municipal Airport Authority of the City of Fargo

ND Aeronautics Commission

ND Cowboy Hall of Fame

ND Rural and Nature Tourism Association

ND Tourism Division

Newman Outdoor Advertising

Norsk Hostfest Association

Odney Communications Group

Select Inn of Bismarck

Spirit Lake Casino and Resort

State Historical Society of
h Dakota Foundation

odore Roosevelt
Medora Foundation

Woodland Resort, Inc.

Testimony of Bill Shalhoob
Tourism Alliance Partnership Chairman
HB 1018

Chairman Holmberg and members of the committee, my name is Bill Shalhoob. As chairman of the Tourism Alliance Partnership (TAP), I am here today asking for your support for the tourism portion of HB 1018. TAP is a coalition of tourism-related industries, including CVBs, state attractions, hotels, businesses and other interested stakeholders in this viable and growing sector of North Dakota's economy.

As you have heard from the tourism department, we have made great strides in the past four years in growing North Dakota's share of the tourism dollar. Tourism has been identified as one of the industries with the greatest growth potential for our state. We are convinced the gains we have made are due in direct proportion to the increased marketing dollars we have spent over the past four years.

While we should be pleased with the results so far, we still should expect more from the tourism sector. This begins with the marketing budget for the tourism department. We applaud the level proposed by the Governor and the move to fund the budget exclusively from the general fund. However, we feel a budget of $10 million will give the department the resources necessary to effectively compete and succeed in the regional, national and international marketplace. Please refer to the Travel Industry Association summary of state spending attached. Even with increased spending to $5 million per year North Dakota would be in last place among our neighboring states, trailing the $7.4 million per year spent by Wyoming as the next lowest amount, and still way behind the $9.5 million spent annually by Minnesota.

Tourism marketing is one of the few parts of the budget that can show a positive return on investment for the state. The outlook for our industry is bright and the future limited only by a few dollars and our imagination in developing the marketing necessary to attract visitors. Led by the Tourism Department and working together in our cities, attractions and businesses, we can continue to drive more sales into our state, more sales into the economy and more tax collections into the state treasury. A true win-win for everyone.

We have several letters of support from our membership for your review and four members of TAP, Cole Carley, Julie Rygg, Teri Osngard and Randy Hatzenbuhler, will follow me. Thank you for your consideration, and I would be happy to answer any questions.

2007 BUDGET

PARTNER	Total Budget	Marketing Budget	Advertising Budget (Media)
Beulah Chamber	$ 21,430	$ 15,000	$ -
Bismarck CVB	$ 888,554	$ 121,245	$ 80,000
Bottineau Chamber (2006 Budget)	$ 10,000	$ 6,000	
Buffalo City Tourism	$ 362,000	$ 98,900	$ 67,100
Carrington Chamber of Commerce	$ 36,665	$ 1,345	$ 500
Devils Lake CVB	$ 243,000	$ 127,000	$ 97,000
Dickinson CVB	$ 239,500	$ 71,618	$ 31,266
Fargo CVB	$ 1,000,000	$ 770,000	$ 80,000
Fort Mandan Foundation	$ 1,135,000	$ 46,000	$ 43,000
Grand Forks CVB	$ 667,590	$ 305,658	$ 58,000
International Peace Gardens	$ 1,102,921	$ 18,000	$ 15,000
Jamestown CVB	$ 200,000	$ 5,600	$ 4,500
McKenzie County Tourism	$ 67,100	$ 13,086	$ 1,400
Minot CVB	$ 337,818	$ 107,372	$ 78,550
North Dakota State Fair	$ 4,481,995	$ 330,000	$ 250,000
Plains Art	$ 1,614,887	$ 206,619	$ 25,230
Rugby Chamber	$ 87,656	$ 36,000	$ 9,000
Theodore Roosevelt Medora Foundation	$ 9,273,195	$ 573,000	$ 485,000
Valley City CVB	$ 60,000	$ 32,500	$ 17,000
Wahpeton CVB	$ 28,000	$ 25,000	$ 16,000
Williston CVB	$ 132,007	$ 33,161	$ 17,100
TOTAL	$ 21,989,318	$ 2,943,104	$ 1,375,646
ND TOURISM ANNUAL	$ 4,013,939	$ 2,887,119	$ 1,909,000

TOURISM MATCHED GRANT PROGRAM

		2003-05 BIENNIUM	2005-07 BIENNIUM	
2004	Wishek JDA	$ 700		
	Maah Daah Hey Trail Association	$ 3,000		
	Highway 281 Association	$ 3,500		
	Missouri-Yellowstone Confluence Center	$ 4,000		
	Ashley Chamber of Commerce and City	$ 3,000		
	Town Square Farmer's Market - GF	$ 5,000		
	Frost Fire Summer Theater	$ 3,500		
	Frost Fire Mountain	$ 2,500		
	Theodore Roosevelt Medora Foundation	$ 3,000		
	5th Annual Alternative Enterprise & Rural Tourism Conf.	$ 1,207		
	NDGA Depot Project	$ 1,500		
	Flaming Arrow Guest Ranch	$ 1,000		
	Sheyenne Valley Lodge	$ 2,500		
	Heritage Arts Gallery and Gifts	$ 1,500		
	Dickinson CVB Bowman Pioneer trails regional Museum-ND Geo Survey, Paleontology Dept	$ 500		
	Central Dakota Tourism Partnership	$ 5,000		
	Valley City Bridges Brochure	$ 2,593		
	Wahpeton Visitors Committee	$ 3,000		19 projects
	Rugby Northern Lights Tower	$ 3,000		$ 50,000
2005	Lewis and Clark Golf Trail - Bismarck Mandan CVB	$ 5,000		
	Knife River Ranch Vacations	$ 2,000		
	Killdeer Mountain-Four Bears Scenic Highway	$ 900		
	Lake Sakakawea area/Hazen. Sak. South Shore	$ 4,615		
	Birding Drives Dakota	$ 4,000		
	Wishek Brochure	$ 750		
	Dakota Cyclery	$ 3,000		8 projects
	Turtle Mountain Tourism	$ 1,500		$ 21,765
2006	Ransom County		$ 5,000	
	Crosby Area		$ 5,000	
	Steele Project		$ 1,000	
	Williston - National Parks Service Partnership		$ 5,000	
	Gardendwellers Farm		$ 1,850	
	Turtle Mountain Tourism		$ 2,500	
	Cowboy Hall of Fame International Project		$ 800	
	Wahpeton Visitors Committee		$ 3,000	
	Minnewaukan Guide		$ 1,500	
	Motorcycle Guide - Printers		$ 5,000	
	New Rockford Eddy County Brochure		$ 1,500	12 projects
	Medora - New concept visitor guides		$ 5,000	$ 37,150
2007	Lakeshore Retreat/Lakeview Meadow		$ 4,000	
	ND Live, Wet & Wild		$ 5,000	
	Bluebirds & Juneberries		$ 2,000	
	ND Cowboy Hall of Fame		$ 2,500	
	Drayton City Brochure		$ 1,500	
	Sheyenne Valley Specialty Shops Brochure		$ 3,000	
	Stop and Smell the Rose Brochure		$ 1,250	
	Wahpeton Visitors Committee		$ 3,000	
	Triple Golf Challenge		$ 5,000	
	McLean County Tourism - McLean Cty Growth		$ 5,000	
	Raney's Vacation For A Day		$ 2,000	
	Missouri River Breaks Lodge B&B		$ 4,000	
	Ransom County		$ 750	
	Lewis & Clark Golf Trail		$ 5,000	15 projects
	Turtle Mountain Scenic Byway Committee		$ 1,000	$ 45,000
		$ 71,765	$ 82,150	

LEWIS & CLARK BICENTENNIAL MERCHANDISE GRANT PROGRAM

		2003-05 BIENNIUM	2005-07 BIENNIUM
9/1/2004	Stanton Civic Club	$ 250	
9/1/2004	Lewis & Clark Riverboat	$ 250	
7/30/2004	Prairie Winds Tourism	$ 250	
7/30/2004	Hazen Chamber	$ 250	
7/21/2004	Beulah CVB	$ 250	
7/21/2004	Ellendale Civic Assn	$ 250	
7/21/2004	ND Art Gallery Assn	$ 250	
7/21/2004	City of Washburn	$ 250	
6/24/2004	Westhope Centennial Committee	$ 250	
6/24/2004	McLean County Fair	$ 250	
4/29/2004	Flaming Arrow Guest Ranch	$ 250	
4/29/2004	Ft Abraham Lincoln Fndn	$ 250	
4/29/2004	McKenzie Co Tourism Bureau	$ 250	
4/29/2004	Oakes Chamber of Commerce	$ 250	
4/13/2004	MHA National Lewis & Clark Sig Event	$ 5,000	
4/13/2004	Circle of Cultures	$ 5,000	
4/15/2004	L&C Ft Mandan Fndn	$ 250	
12/27/2004	Bismarck Arts & Galeries Assn	$ 250	
12/27/2004	L&C Fort Mandan Fndn	$ 250	
	ND League of Cities (US Fish & Wildlife)	$ 250	
11/9/2004	City of Stanton Corps II Committee	$ 250	
11/9/2004	Northern Plains Ballet	$ 250	
11/9/2004	ND Quarterly	$ 250	
11/9/2004	ND Museum of Art	$ 250	
11/9/2004	Gateway to Science Center	$ 250	
11/9/2004	ND L&C Interpretive Center	$ 250	
11/9/2004	ND L&C Interpretive Center	$ 250	
9/21/2004	Circle of Cultures	$ 6,500	
9/21/2004	Reunion at the Home of Sakakawea	$ 6,500	
2/24/2005	Hazen CVB	$ 250	
2/24/2005	Five Nations Arts	$ 250	
3/9/2005	Northeastern Plains L&C Bic. Comm.	$ 250	
4/20/2005	International Music Camp/Dwight Vaughn	$ 250	
8/10/2005	Fort Abraham Lincoln Foundation		$ 250
	BAGA	$ 400	
4/27/2005	Red River Valley Center (Hjemkomst)	$ 400	
5/27/2005	Fort Mandan (L&C Days)	$ 400	
	Fort Mandan (Chautauqua)	$ 400	
4/27/2005	McKenzie County	$ 400	
4/27/2005	Lewis & Clark at the Confluence	$ 400	
5/4/2005	Oakes Chamber - Irrigation Days	$ 400	
	Trio Apollo - woodwinds	$ 200	
4/27/2005	Departure from Fort Mandan	$ 200	
9/2/2005	Minot Art Assocation		$ 100
4/27/2005	Minot State University	$ 100	
8/10/2005	Ellendale Civic Assn		$ 100
	Turtle Lake Centennial	$ 100	
11/21/2005	Reunion at the Home of Sakakawea		$ 3,800
		$ 33,650	$ 4,250

DEPARTMENT OF COMMERCE - TOURISM DIVISION		2003-05 BIENNIUM	2005-07 BIENNIUM
LEGISLATIVE MANDATED GRANTS			
	Fort Abraham Lincoln Foundation	$ 150,000	$ 100,000
	Lewis & Clark Int Center/Ft Mandan	$ 150,000	$ 100,000
	ND Indian Affairs Comm (Advertising)	$ 100,000	
	Mandan/Hidatsa/Arikara Nation		$ 50,000
	Standing Rock Sioux Tribe		$ 50,000
	ND Cowbow Hall of Fame		$ 25,000
		$ 400,000	$ 325,000
MARKETING ENHANCEMENT GRANTS			
08/20/03	2003 Babe Ruth World Ser.	$ 7,500	
08/20/03	Kenmare Goosefest 2003	$ 2,500	
08/20/03	Ft Abraham Lincoln Fndn	$ 3,750	
08/20/03	ND Governor's Cup Race	$ 1,000	
08/20/03	Norsk Hostfest	$ 5,000	
08/20/03	ND State Fair	$ 5,000	
08/29/03	Norsk Hostfest	$ 5,000	
08/29/03	Valley City State Univ	$ 1,500	
05/06/04	Norsk Hostfest	$ 7,500	
06/14/04	ND State Fair	$ 5,000	
09/08/04	Norsk Hostfest	$ 2,500	
11/04	Grand Forks Regional EDC (USA Hockey tourn.)	$ 25,000	
02/23/05	ND State Fair	$ 2,500	
02/23/05	Team ND USA (Curling)	$ 5,000	
06/01/05	ND State Fair	$ 2,500	
06/07/05	ND State Fair	$ 7,500	
06/14/05	Norsk Hostfest	$ 10,000	
06/05	Germans hosted by Legislators	$ 6,750	
4/26/2006	ND State Fair		$ 5,000
5/11/2006	Norsk Hostfest		$ 10,000
6/13/2006	ND State Fair		$ 5,000
		$ 105,500	$ 20,000

Sure given to senate

DICKINSON
THE WESTERN EDGE

Convention & Visitors Bureau

Testimony of Terri Thiel, Executive Director of the Dickinson CVB
House Bill: 1018
January 3, 2007

Chairman and members of the House Appropriations Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau. The Dickinson Convention & Visitors Bureau is in support of the governor's proposed budget for the ND Tourism Division 2007-2009 biennium marketing along with an increase to $10 million.

As Executive Director of the Dickinson CVB for the past nine years, I have seen positive changes and enthusiastic energy from not only within the state's tourism industry, but also increased interest, visitation and tax revenues for southwestern North Dakota. While other North Dakota industries have produced wonderful material products, tourism has created not only an increased the revenue statewide, but has also lent itself to the positive "image marketing" that has been cited as being nonexistent in previous years.

Repeatedly image marketing was cited as one of the issues that the state needs to address. Lack of image has been the statement repeated. Tourism is changing that perception. It is one of the tools that quality of place can be showcased, from the Pembina Gorge in the eastern part of the state, to the Badlands of western North Dakota. When the ND Tourism Division markets in national publications for vacation plans, it also conveys a marketing image that North Dakota is a wonderful experience, and that we **do** have an image.

The last few years the state has begun to touch the markets that have in turn now decided to visit our state. The ND Tourism Division is placing media ads in Reader's Digest, American Heritage Magazine, Good Housekeeping, along with television such as The History Channel, A & E, Fox News, Discovery Channel and many others. North Dakota is finally able to tell the rest of America and the world that we **do** exist and we **do** have an image. But, we have to not only continue to keep our image in front of people, we need to also branch out to other available media markets to continue the positive results and revenue that our statewide tourism industry is currently cultivating.

Please support the governor's proposed tourism marketing budget, along with seriously considering investing a total of $10 million for the tourism marketing budget in the one industry that not only returns revenue, but also produces an image for the state, and a positive image at that!

Sincerely,

Terri Thiel
Executive Director

72 East Museum Drive
Dickinson, North Dakota 58601

Received Time Jan 3 1:39PM

Phone: (701) 483-4988
(800) 279-7391
Fax: (701) 483-9261
E-mail: cvb@dickinsoncvb.com

Woodland Resort

1012 Woodland Drive
Devils Lake, ND 58301
701-662-5996

January 4, 2007

House Appropriations Committee
North Dakota State Capitol
Bismarck, ND 58501

Dear Committee Members:

Managing North Dakota's budget and spending is understandably challenging. I urge you to consider the State Tourism budget as an investment in North Dakota and fully fund this entity to 10 Million dollars. Fully funding this department will enhance our ability to market our state and maintain and grow our rightful market share of tourism dollars.

Tourism is North Dakota's fastest growing industry and is now second only to Agriculture. Understanding this industry can be more than confusing. Our business is a tangible entity that has prospered from aggressive local and state marketing. We are a full service lakeside resort that has gone from 4 employees to over 125 seasonal and full time staff. Our growth is one that mirrors many of the state wide private and public attractions. North Dakota can grow this natural asset we have in this state, but it takes commitment from both the private and public sectors.

Our state gets a terrific bang-for-our-buck return on dollars invested. I hope you can see that your commitment to enhancing our state's ability to compete will improve our ability to market our strengths as a destination for a variety of travelers. My community, Devils Lake, depends on tourism to maintain our local tax base and employment. Many small communities statewide are just beginning to enjoy the tourism trade and the opportunities that come with it. These communities are investing in infrastructure and local dollars to attract travelers. North Dakota Tourism needs your support so we can keep and grow our tourism industry.

Our industry is at a crossroad. One turn is status quo and hope to maintain what we have fought for, or the other option is to take the turn that will lead North Dakota to a bigger and better share of people wanting to experience what states like ours has to offer. We have quality experiences people are looking for, we just need to let people know about it. Lets tell them!

Thank you for the chance to offer my view of this very important issue.

Sincerely,

Kyle Blanchfield
Woodland Resort

GREATER GRAND FORKS
CONVENTION & VISITORS BUREAU

Testimony of Julie Rygg
Greater Grand Forks Convention & Visitor Bureau Executive Director
House Bill: 1018
January 4, 2007

Chairman and members of the Government Operation Division of the House Appropriations Committee:

Please accept this written testimony on behalf of the Greater Grand Forks Convention & Visitors Bureau (GGF CVB) as a request of your support of Governor Hoeven's proposed ND Tourism Division budget as well as an increase to that budget to total $10 million for the 2007-2009 biennium.

Tourism has been designated as one of the top areas of economic growth in North Dakota, so it is important to support it as much as possible. Governor Hoeven and the North Dakota State Legislature have supported recent budget increases, but we cannot stop now. North Dakota still has one of the smallest tourism budgets in the U.S. and significantly lags behind most of our competitors. Because of this, we can miss potential visitors that are visiting surrounding states.

Recent ND Tourism funding increases have benefited the entire state through image marketing, partnership opportunities and promotional events. Specifically to the GGF CVB, it has meant promoting North Dakota to Canadians through advertising and promotional efforts that had not been done for many years. Canadian visitors are so important to our local economy, and we rely on the efforts of the ND Tourism Division to assist with bringing them here. It is especially important now with an improving Canadian exchange rate.

This is a crucial time for us to be aggressive in our marketing and sales efforts to entice new and repeat visitors to our great state. To continue such programs and create new ones, the ND Tourism Division needs additional dollars.

Again, I urge to support Governor Hoeven's ND Tourism Division budget as well as strongly consider increasing that budget to $10 million.

Thank you for your time and consideration.

4251 Gateway Drive, Grand Forks, ND 58203
701.746.0444 (ph) 800.866.4566 (toll free) 701.746.0775 (fax)
www.visitgrandforks.com

DESTINATION MARKETING ASSOCIATION of North Dakota

January 4, 2007
Tourism Alliance Partnership
Dana Bohn
PO BOX 2254
Bismarck, ND 58502

Dear Ms. Bohn:

On behalf of the Destination Marketing Association of North Dakota I am writing this letter to provide support for an **increase in tourism marketing appropriation to $10 million.**

Targeted research and results have proven that investing in tourism is an excellent way to increase both our economy and tax revenue. Governor Hoeven, in his State of the State address, talked about an agenda that is driving economic growth. Additional funding for tourism marketing will help North Dakota achieve that goal. North Dakota has one of the smallest tourism budgets in the nation, yet it is our state's 2nd largest industry. We must act quickly and strategically to avoid falling behind our competition.

Like you, we want to work for a future that expands and diversifies our economy. Travelers from around the country and around the world can only experience our state's regional differences, historical sites and ethnic cultures if they know about those opportunities through our marketing efforts.

Tourism generates significant dollars for the General Fund and increases local tax dollars. As Governor Hoeven stated "These are big plans, but can be achieved". Marketing the North Dakota"Legendary" brand message to visitors is an investment that will contribute significantly in the transformation of our economy. To truly be successful in a global marketplace, we ask for your support and commitment for the tourism industry.

Sincerely,

Teri Onsgard

Teri Onsgard
President

North Dakota
Nature & Rural
Tourism Association

4777 HWY 41 NORTH * VELVA ND 58790*701-626-2226
BLACKBUTTEADVENTURES@SRT.COM * WWW.NDNATURE.ORG

January 5, 2007

Chairman Carlson and members of the Government Operations Committee:

My name is Maria Effertz Hanson and I am the current President of the North Dakota Nature and Rural Tourism Association. I also operate, with my family, a rural tourism business called Black Butte Adventures where we attract visitors for a rural experience through hiking, biking and camping.

The North Dakota Nature and Rural Tourism Association encourage you to increase the budget for the Department of Commerce Tourism Division to $10 million.

Our grassroots group of independent operators who have an interest in rural and nature tourism is dedicated to increasing revenues for the rural entrepreneur and in North Dakota through nature and rural tourism.

Tourism grows the state's economy. Through smart use of their dollars, the North Dakota Tourism Department has shown that one dollar spent in tourism marketing will return $81! North Dakota is uniquely positioned for phenomenal growth. Industry analysts indicate that today's tourists are increasingly concerned about safe travel destinations. They desire a very personal experience - an experience that North Dakota is uniquely qualified to deliver.

The key component that is needed for North Dakota to capitalize on these new priorities is marketing. Just as in any business venture, marketing is probably the most important component of any successful endeavor. However, North Dakota is at a disadvantage when compared to the advertising budgets of neighboring states. We compete for the same customer, but with a tourism marketing budget that is many times smaller than our neighbors.

As our members grow their operations, we look toward the North Dakota Tourism office to help market our state and help coordinate marketing efforts that benefit the entire state.

I sincerely hope that you will give the Tourism Division the support and resources they need to take advantage of what could be significant economic growth in North Dakota. I encourage you to support $10 million for tourism marketing. It's a win-win investment for our people, businesses, and our state.

Sheyenne River Valley National Scenic Byway
Rosebud Visitor Center
250 West Main Street Suite1
Valley City, ND 58072
www.hellovalley.com

January 5, 2007

To Whom It May Concern:

The Sheyenne River Valley National Scenic Byway Committee supports increasing the budget for the Tourism Division of the Department of Commerce. The Tourism Division has done an outstanding job in promoting the entire state of North Dakota. An increase in their budget would maintain the momentum created by this gifted staff.

Sara Otte Coleman has assembled an efficient team and the research that has been done has qualified their successes. Tourism ranks at the top in areas of growth in the North Dakota economy. An increased budget is a good investment in the future of North Dakota.

The Sheyenne River Valley National Scenic Byway has been a working partner with the Tourism Division. We have been able to expand our marketing arena with the partnership programs provided by the state. Continuing and expanding these efforts is beneficial to everyone- rural and urban. The Tourism Division has proven that their labor is fruitful to the state and we support an increased budget for their future efforts.

Sincerely,

Bobby Koepplin

Bobby Koepplin, Chairperson
Sheyenne River Valley National Scenic Byway

January 5, 2007

To Whom It May Concern:

The Devils Lake Chamber/Tourism supports the increase in the budget for the Tourism Division of the Department of Commerce. Sara Otte Coleman and her staff have done a fantastic job in promoting our state. An increase in the budget would help maintain the standards of marketing our state.

Due to inflation and rising cost of fuels, this additional funding is essential to entice more traffic to North Dakota.

The Devils Lake Chamber/Tourism supports the increase in the Governor's budget to $10 million for Tourism Division.

Sincerely,

Judy Hoffer
Tourism Director
Devils Lake Chamber of Commerce

Buffalo City TOURISM FOUNDATION
Jamestown, North Dakota
404 Louis L'Amour Lane • PO Box 917 • Jamestown, ND 58402-0917

January 5, 2007

To Whom It May Concern,

The Buffalo City Tourism Foundation is pleased to lend full support to increasing the ND Tourism Division 2007-2009 biennium budget to $10 million dollars.

Our partnership with the Tourism Division has yielded only positive results over the years and under the capable of direction of Sara Otte Coleman, we have been privileged to watch our tourism numbers grow steadily thanks to an effective statewide marketing program.

We are, however, still struggling to keep up with even our closest neighbors in this important economic arena. North Dakota has one of the smallest tourism budgets in the nation and we risk continuing to fall behind our competitors if we don't continue to grow this vital area of economic development. In 2005, our state ranked 44th in the nation in tourism funding.

My personal experience as I visit with our guests from out-of-state has been routine comments of "You need to tell people what you have here in your state!" "Wow-we had no idea what a wonderful state you have and why do you keep yourselves such a secret?"

Jamestown saw guests from all 50 states before August 3rd of 2006. Imagine how that could improve if we were able to broaden our marketing campaign across the nation and world and receive even more visitors to our legendary, wonderland of North Dakota!

Please lend your support to the governor's proposed tourism marketing budget, and give serious consideration to going above and beyond to support a $10 million marketing campaign for all of us!

Respectfully,

Nina Sneider, Executive Director

1018.1.10.07 V

Home of: World's Largest Buffalo Monument • Louis L'Amour • Frontier Village • National Buffalo Museum • Lutz Mansion • Fort Seward • Flags Across America

Telephone: 701.251.9145 • Toll Free: 1.800.222.4788 • Fax: 701.251.[illegible]
[illegible].com • Email: tourism[illegible]@jamestownnd.com

Bismarck-Mandan
CONVENTION & VISITORS BUREAU
Genuine Dakota

Testimony of Terry Harzinski
Executive Director
Bismarck-Mandan Convention & Visitors Bureau
House Bill 1018
January 5, 2007

I am Terry Harzinski, Executive Director of the Bismarck-Mandan Convention & Visitors Bureau. I am providing this letter of support and testimony in favor of House Bill 1018, specifically the Tourism Division Budget, because I am not able to appear in person before you.

As you know, Tourism is our State's second largest industry. It is on the move and growing. Never before, in the 29 years I have worked in North Dakota's Tourism Industry, have I witnessed the growth that we are experiencing and the opportunity we have before us to continue and expand on this growth.

A goal shared by my colleagues and I throughout our industry is to reach a $10 million budget for the ND Tourism Division. We are close, but we need your support to attain that goal. The return on your and our investment in Tourism generates tax revenue for both the State of North Dakota and for our local communities. Our investment in Tourism is a win/win investment for all of us.

Our Tourism Director, Sara Otte Coleman, has or will share with you in her testimony, the return on investments that we are experiencing. She will share with you the results of their research. I hope this information will be helpful to you in recognizing Tourism as a sound investment and as a revenue generator for our economy.

I urge you to help take Tourism in our State to the next level and urge you to recommend a $10 million budget for the Tourism Division.

To Members of the Legislative Appropriations Committees:

I write this in behalf of the International Peace Garden.

North Dakota has determined through various recaps that tourism is the number two industry within the state. In order to maintain international and national interest in North Dakota, an ongoing investment needs to be maintained to sustain the tourism industry. While the current governor's budget allocation may seem adequate, it will not thrust North Dakota ahead of other surrounding states in attracting a greater share of tourism.

Within marketing circles, it is widely understood that a brand name (in our case, the state of North Dakota) must be placed before a consumer 27 times before it registers. The brand/name placement occurs in many different ways (e.g. the Internet, television, print ads, radio, outdoor signage, collateral material). All forms of media cost something. The placement of the brand/name must be on-going; it can never stop; and the investment must increase over time to sustain and grow the industry.

I encourage the Appropriation Committees of the North Dakota Legislature to increase the tourism allocation to $10,000,000.

Respectfully,

Steven M. Locke
CEO
International Peace Garden

January 9, 2007

House Appropriations Committee
Al Carlson, Chairman
State Capitol Grounds
Bismarck, ND

Dear Representative Al Carlson:

Tourism marketing is one of the most important investments being made in North Dakota today. We are far behind the industry norms for spending in this arena, and any effort to increase the dollars that the Tourism Division has for marketing would be supported by our organization.

Marketing at all levels is critical to the growth of the tourism industry in our state. We all know the return on dollars spent is very, very high - $60-$80 dollars per dollar spent if I am not mistaken. This investment adds to the income of restaurants, gas stations, motels, shopping centers, service centers and so much more.

We can be very proud of the way in which the Tourism Division has allocated their funding and we trust that given some additional dollars they have many markets in mind for these investments. The major attractions under the umbrella of the State Historical Society of North Dakota all benefit from these investments. It is critical to market the growing heritage tourism venues in our state.

We encourage the Legislature to do all that it can to enhance marketing of the state in every arena possible. Nearly every sector of the state will see returns on these dollars. Visitors spend money in our state, but they also form opinions about North Dakota on their visits---and that opinion affects future business dealings, future workers, future business investments and more.

Most Sincerely,

Virginia Nelsen, Executive Director
State Historical Society of North Dakota Foundation
PO Box 1976
Bismarck, ND 58502
701-222-1966 nelsenva@btinet.net
Member of the Tourism Alliance Partnership

Theodore Roosevelt
MEDORA FOUNDATION

North Dakota House Appropriations Committee
Government Operations Division
Testimony on HB 1018

Wednesday, January 10, 2007

Chairman Al Carlson and Members

The Theodore Roosevelt Medora Foundation is in support of increasing Governor Hoeven's budget for tourism marketing to $10 million. As a member of the Tourism Alliance Partnership (TAP) and as one of North Dakota's leading tourism organizations, we are confident that this budget adjustment will create positive results for North Dakota.

In recent sessions the state has invested in the tourism industry and the return has been excellent. Research by Longwoods International confirms that the money spent by The Tourism Division to market our state has produced remarkably.

During interim session business congress meetings around the state, there was increased awareness of the potential for the tourism industry and the need to invest more resources in tourism. Tourism is one of North Dakota's top industries with great potential for continued growth. More money is needed, specifically for advertising, to effectively market North Dakota.

In 2005, North Dakota ranked 44th in the nation in tourism funding. When compared to our neighboring state's marketing budget, North Dakota falls short. Action must be taken to secure our place in the tourism industry. Otherwise we will be left behind with a missed opportunity.

We urge you to support this requested increase for the Tourism Division budget.

Sincerely,

Randy Hatzenbuhler

Randy Hatzenbuhler, President
Theodore Roosevelt Medora Foundation

medora@medora.com
800-633-6721
www.medora.com

Medora Office
701-623-4444
(f) 701-623-4494

301 5th Street
Medora, ND 58645

PO Box 198
Medora, ND 58645

Bismarck Office
701-223-4800
(f) 701-223-3347

1110 College Drive
Suite 212
Bismarck, ND 58501

PO Box 1696
Bismarck, ND 58502

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LEWIS & CLARK
FORT MANDAN FOUNDATION

North Dakota House Appropriations Committee
Government Operations Division
Testimony on HB 1018

Wednesday, January 10, 2007

Chairman Al Carlson and Members

North Dakota's vibrant tourism industry has been helping North Dakota's economy grow with solid marketing from the Tourism Division of all that our state has to offer, from Fargo to Beach, from Pembina to Bowman and all points between.

Governor Hoeven's budget submission continues the investment the state has been making in promoting North Dakota to the rest of the world. While those of us in the tourism industry appreciate the continued partnership between state government and the private sector, we also see the need for increasing the dollars available for marketing.

It has always been our goal to see the total marketing budget at $10 million, and an enhancement put in place by your Committee can make that happen.

I can assure you that all dollars invested by the people of North Dakota through your appropriation will be matched many times over by private sector members of the tourism industry.

Thank you for continuing to support promotion of all that North Dakota has to offer out of state visitors. It's an investment in both the present and future, with dividends paid out today and tomorrow!

David Borlaug, President
Lewis & Clark Fort Mandan Foundation

Testimony of Cole Carley
Fargo-Moorhead Convention & Visitors Bureau
Co-founder: ND Tourism Alliance Partnership
House Bill 1018
January 10, 2007

Chairman Carlson & Members of the Committee

There are two reasons to fund tourism very strongly: Economics and Demographics

Let's look first at economics: Tourism is the 2nd largest industry in North Dakota, with an economic impact of almost a billion dollars a quarter. Multiply that kind of spending times the sales tax rate and that means you get your investment back plus a lot of return on that investment. There is no other industry in North Dakota that will turn the state's money around and give it back to you faster than tourism.

How about demographics?

On Tuesday, there was an article in the news about a report from United Van Lines corporation naming North Dakota as being the state with the highest rate of outbound moves in America.

It is a fact that North Dakota needs to grow. It is also a fact that there are only two ways to increase population growth: You can keep more people who are already here, such as students and young families or you can encourage immigration from outside North Dakota.

One of the first ways in which a community, a state, or a country reaches out beyond its borders to promote itself is through tourism. It's true for regionally, nationally, and internationally. Most people who decided to move to a particular place do so after having visited it for other reasons.

Tourism and the continued aggressive pursuit of North Dakota tourism is important both for its economic impact and its potential for spreading the gospel of North Dakota to people who aren't thinking of coming here.

How do we find out about a product or service about which we know little or nothing? We do so through advertising, news coverage, and public relations and word-of-mouth. It's true for every product.

And North Dakota is a product. Tourism is about marketing that product, about showing off our state, about reaching out to invite people from other states, provinces and even other countries to visit North Dakota. And they're accepting that invitation.

We appreciate Governor Hoeven's support of tourism by increasing his budget for tourism promotion. We ask you to increase that to 10 million for the biennium. You see, we have competition too; competition that's better funded than we are. Some of them are states that are no bigger than we are but they have better tourism support.

And, as we've said, this is money you'll get back several times to spend on human services, education, and other vital programs.

Tourism is a money machine for North Dakota. Let's keep the machine well-lubricated and well-fueled and it will keep running for all of us.

10 million for tourism because tourism is billions for ND.

1018.1.10.07 X

Fargo-Moorhead Convention & Visitors Bureau

2001 44th Street S

Fargo, ND 58103

Phone 701-282-3653

800-235-7654

FAX 701-282-4366

www.fargomoorhead.org

e-mail:

info@fargomoorhead.org

January 10, 2007

Chairman Alan Carlson & Members of the Government Operations Subcommittee
House Appropriations Committee
RE: HB 1018

Dear Chairman Carlson and Committee:

Every session, you receive funding requests for all sorts of programs from all over the state. But you probably don't often hear requests to **give you** money that you would be able to use on some of these other programs. That's what tourism can do. We are, in effect, asking you for a loan. It's a very short-term loan that you'll receive back with interest by the time you convene again in 2009.

In reviewing the research of North Dakota Tourism as well as the tourism departments of other states, it's safe to say that **one dollar in taxes** invested now in marketing our state as a destination **will recoup 4 dollars in taxes.** In addition, every dollar that goes to advertising will create over $75 for businesses all over North Dakota.

Education needs more money; so do human services, water projects, agriculture, and a legion of other worthy uses of tax funds. We are proposing a way to get more money back into the state. Here is a way to get more money for all of those.

We're asking you to support the idea of Ten Million Dollars for Tourism because by temporarily allocating this money for marketing, you'll be creating **new tax dollars for the general fund** as well as infusing hundreds of millions of dollars into the economy of North Dakota.

On behalf of the Board of Directors of the Fargo-Moorhead Convention & Visitors Bureau, please support Ten Million Dollars for Tourism marketing. It's only a loan.

Yours truly,

Cole Carley, CDME
President/ CEO
Fargo-Moorhead CVB

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
FEBRUARY 22, 2007, 8:00 A.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

SARA OTTE COLEMAN – DIRECTOR, THE DIVISION OF TOURISM

Mr. Chairman and members of the committee, I am Sara Otte Coleman, Director of the Tourism Division of the Department of Commerce.

North Dakota is a great place to live and an awesome place to visit. Our goal in the tourism division is to communicate that message effectively resulting in more visitors to North Dakota and thus more dollars spent in our state by visitors. Our formal mission reads: to create new wealth to North Dakota by increasing the number of out-of-state visitors who spend time and money in North Dakota; and to enhance North Dakota's image. This supports the overall DOC mission to improve quality of life: to lead North Dakota's efforts to attract, retain and expand wealth.

To recap, the Governor's budget for 07-09 was at $8.1 million - about equal to our 05-07 budget. The key difference was the source of the marketing dollars that had shifted from the 1% lodging tax to general funds. The House removed those dollars and more totaling $3.7 million (lodging tax is estimated to generate $3.07 million). This decision was based on the Senate's passage of SB 2258 which would continue the statewide 1% lodging tax and appropriate those dollars to the tourism division for out-of-state marketing. I am asking you to replace those funds as per the Governor's recommended budget based on our strong ROI and proven results. Should the 1% lodging tax be passed, those dollars would enhance our advertising for North Dakota, to more aggressively compete with our neighbors for visitors.

I have divided my testimony into four areas the tourism division works in to highlight why North Dakota is a great place to visit and how we are working to get that message out. Marketing North Dakota, visitor services, helping tourism businesses thrive and showing how tourism benefits all North Dakotans.

#1 - Marketing North Dakota:

Branding: Our Legendary branding is working to improve our image and bring more visitors to North Dakota. If one word can capture the essence of North Dakota's role in our nation's history it is *Legendary*. We are not just a place of plaques and landmarks, but of legends and the stories we tell about them... Lewis and Clark, Sakakawea, Sitting Bull, Teddy Roosevelt and Custer... Our marketing efforts have continued to build on the success of the *Legendary* brand that was unveiled in 2001. During this biennium, we have continued to focus on our primary market areas of Minnesota, South Dakota, Manitoba and Saskatchewan: while expanding our reach into Wisconsin and eastern Montana. We have also added niche advertising and expanded the distribution of our materials and improved our Website. Our 2005 and 2006 print ads were featured in 55 issues (36 publications) with distribution over 25,000,000. Our television ads appeared on 87 stations on both cable and broadcast networks.

We have employed two strategies: Our Legendary strategy showcased what is unique about North Dakota and is used in Minnesota, Wisconsin and western South Dakota.

The City experience/weekend getaways strategy showcased our entertainment, dining and shopping options for those looking for get-away weekends specifically in Manitoba, Saskatchewan, western Minnesota, Montana and South Dakota. The 2006 numbers show it is working; the occupancy rate was up 3% in Fargo and 1% in Grand Forks.

Advertising: We continue to hold our own feet to the fire by tracking visitor statistics, measuring results of our marketing and conducting accountability research. Visitors to North Dakota spent more than $83 million in 2005 as a direct result of advertising by the Tourism Division. For every advertising dollar invested in the U.S. and Canada, the state got $81 back in visitor spending. The $1.08 million invested directly in tourism advertising in prime regional markets resulted in 645,700 new trips taken to North Dakota, again yielding more than $83 million in new visitor spending.

Media and Public Relations: Our proactive media relations plan continues to get the word out about North Dakota. In 2005 and 2006 we were able to document over $5 million worth of publicity for North Dakota, our outdoor resources, attractions, events and businesses. We hit a "Home Run" with national media in 2006 through the publication of two articles landing on the front page of the escapes sections of the New York Times (circulation 1.9 million). Stephen Regnenold, freelance writer from Minneapolis, grabbed the attention of national outdoor enthusiasts with his features on the Maah Daah Hey Trail and Lake Sakakawea. One article entitled "Good Ride in the Badlands" highlights the challenge of biking the Maah Daah Hey Trail near Medora while the other article, "Under Sail, Under Wraps", captures the beauty of sailing on Lake Sakakawea. Stephen also makes mention of both of these excursions in his "Top Ten" adventure trips for 2006. Additional coverage was earned in outlets including:
Television:

- CBS Early Show
- The Today Show
- The Rachel Ray Show

Feature stories:

- Sunday World Herald
- Winnipeg Free Press
- Philadelphia Sunday Sun
- Canadian Traveler
- American Cowboy
- Roadking Magazine
- Men's Journal
- Midwest Golfing
- TrailerLife

We also held two media events in St. Paul and Winnipeg in cooperation with tourism marketers from across the state and hosted numerous familiarization trips for media.

Website: We continue to improve our website and its ability to motivate a traveler to book a North Dakota vacation. During 2006, we have had 955,000 visits to ndtourism.com, up 49% over 2005. That averages out to 2,572 visits per day. Our page views are also up 60% and our unique visits are up 17%. The Web continues to be a growing source for planning and booking travel.

Our marketing programs are on task to deliver visitors.

Outdoor marketing: We continue selling our outdoor adventure at sport shows, through advertising and presentations. We have over a dozen opportunities for tourism promoters to work alongside us to promote to adventure travelers. We have expanded our efforts in the following outdoor niches:

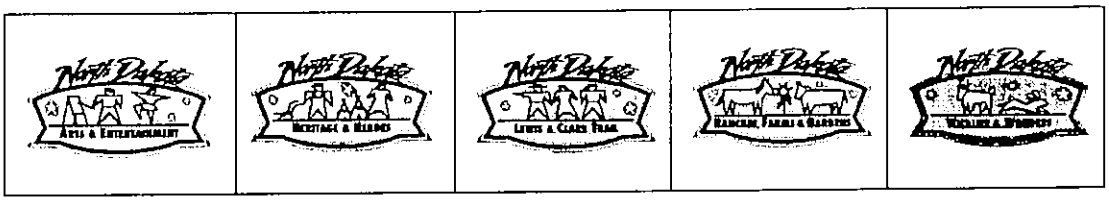
- Fishing
- Mountain biking
- Birding
- Golfing

International: We have seen great success in the Nordic countries in bringing visitors over the pond to North Dakota. North Dakota was the 5th most popular U.S. destination for Norwegians traveling to the U.S. We will continue our efforts in Norway, Sweden, Finland, Iceland and focus additional time on Germany and Denmark where there is a natural interest, a cultural connection, and money and time to vacation.

Since Norwegians & Germans look a lot like us, they can be hard to spot. Last summer, four Norwegian citizens stopped at the Bismarck Mandan CVB's visitor center to find more information on the region. Coincidentally, well-known, Norwegian journalist Inge Ludereng was in the visitors' center at the time. Mr. Ludereng is a renowned writer who frequently visits North Dakota and enjoys telling about his experiences in the state. At the time, he was a guest of the Bismarck Mandan CVB and ND Tourism. The Norwegian group of four was in North Dakota because of Mr. Ludereng's stories.

Group Travel: We work to make it easier for tour operators to plan trips to our state by providing more itineraries and personalized service. We also coordinated cooperative sales trips for our partners to meet with tour companies in Minnesota and Canada. We do not limit our work to bus groups; bikers, RVers and reunions are also groups we work to attract.

Lewis and Clark/Cultural and Heritage: North Dakota joined the nation in commemorating the 2003-2006 bicentennial of the Lewis & Clark expedition. Visitors and residents will continue to benefit from their legacy while enjoying over 20 new exhibits, site enhancements and permanent attractions along the Lewis & Clark trail. During the bicentennial years 3.9 million people visited 22 attractions along the trail. The success of North Dakota's bicentennial commemoration of the Lewis & Clark expedition will lay the foundation for a broader culture and heritage tourism promotion program. The expanded program will highlight the state's regional uniqueness, historical sites and ethnic cultures. The program is designed to give visitors a chance to experience the places and activities that authentically represent the stories and people of North Dakota's past and present. This unique program will allow partners a new way to tie into the state's marketing of a specific theme such as:



The program will include a variety of marketing tools such as maps, signage and shopping bags to create interest in thematic travel across North Dakota. The additional $700,000 cut by the House would completely eliminate this program.

Learning Based Vacations (LBV): In June of 2006 the Tourism Division launched a new way visitors can experience our state, by getting visitors out of their cars and into our labs, combines and kitchens. The LBV program offers visitors the opportunity to custom design a vacation based on their interest to learn. The Website currently offers 50 programs and has had 1,608 visitors' inquire into specific offerings. Tom and Caroline O'Connell of Reston, Virginia spent 12 days in ND last summer. They were so pleased they wrote the following letter to the Bismarck Tribune.

> Dear Editor:
>
> We thought this would be an appropriate forum to express our appreciation for the wonderful assistance North Dakota's state tourism office gave us in planning our recent 12-day vacation to your state. Thanks to the responsiveness of Jan Conlin, Director of Learning Based Vacations Programs, the highlight of our trip was a visit to a family farm near Valley City, where Steve and Mary Lee Nielson patiently answered 1,001 questions from East Coast suburbanites about everything related to seed crops, heavy machinery, and the economics of farming. We came away with renewed respect for the generations of accumulated knowledge that goes into successful farming and with new insight into the hundreds of cost-benefit calculations a farmer must make each season to succeed in the ultimate risky business. Our travels took us from Fargo to Medora, through Devils Lake and back to Fargo, with lots of stops in cities and small towns in between. We met the nicest people, who expressed quiet pride in everything their oft-overlooked state has to offer. From the well presented history of immigration and settlement at the State Heritage Museum to the vast landscape, which was more variable and beautiful that we had imagined, North Dakota offered up one fascinating discovery after another.
>
> Sincerely,
>
> Tom and Caroline O'Connell
> Reston, Virginia

#2 – Visitor Services:

We have and will continue working with DOT and other agencies to improve the visitor services available to tourists as they travel to and through our state. We have made progress in several areas including: Attraction and business signage and on-highway visitor information.

We have also presented hospitality training programs, offered better search capabilities on our Website and now offer partner brochures on-line. Our One Fulfillment program has filled 14,339 orders since mid-April; sending brochures to every state in the nation and 24 foreign countries. As we continue to attract more visitors through our successful marketing campaigns, the need for enhanced visitor services will also need to be met.

#3 – Helping Tourism Businesses Thrive:

Marketing and creating an image for North Dakota is just part of the job of delivering visitors. Our efforts are also focused on helping tourism businesses succeed. Our printed materials and Website provide a free listing to tourism businesses of all kinds. The new packages section also provides an opportunity to sell an experience as part of an easy-to- plan-and-buy trip to North Dakota. We offer a grant program to help market attractions, experiences and events and have added a new tourism infrastructure grant program in cooperation with our ED& F division. We assist in helping businesses and communities tell their stories through pitches to the media and we help provide advertising direction and reduced rate advertising opportunities for partners. Our newspaper inserts went into 2 million papers last summer and partners purchased ads for as little as $1,000. Tourism businesses are not limited to museums and gas stations. For example, the most popular activity for visitors world-wide is "shopping". Scheels new mega store in Fargo is one example of destination shopping and provides us with another "experience" to promote. Art studios, restaurants and coffee shops are all part of the tourism industry.

We are also working with the other divisions within the Department of Commerce to help tourism businesses grow. The Development Fund has a tourism segment, APUC will assist with agri-tourism projects and we are working to help communities define projects and niches that will attract visitors.

#4 – Tourism Provides Benefits to all North Dakotans:

According to NDSU research, tourism generated $3.4 billion in out-of-state visitor spending in 2005. In-house research indicated that $4.75 million in taxes were paid by visitors who came to North Dakota because of our ads. Those are taxes that we as North Dakotan's did not have to pay. There are 30,750 jobs in the tourism industry paying over $307 million in wages to North Dakotans.

Research shows our image is also improving; thanks to tourism advertising. The tourism ads aimed at attracting visitors also improve our image both in-state and out-of-state. The FUN that attracts visitors also keeps North Dakotans entertained and helps attract more young families to live here, and improves all of our "Quality of Life."

North Dakota is a great place to visit and Tourism is a good investment for our states economy. Tourism generated new wealth for North Dakota and I urge you to restore our general funds for marketing as in the Governor's budget.

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Monthly Collections from
1% Lodging Tax for Lewis & Clark Promotion
Senate Bill 2337 (2003 Session)

	First Biennium	Cumulative	*Second Biennium*	Cumulative
July 2003/2005	$ 721.53		$ 43,723.36	
August	36,027.77		182,475.30	
September	122,505.23		171,202.48	
October	135,039.36		137,276.28	
November	98,855.89		125,243.16	
December	114,932.55		126,721.16	
January 2004/2006	86,443.64		110,803.38	
February	89,954.88		76,473.57	
March	87,425.00		97,839.09	
April	91,052.59		102,558.75	
May	99,819.13		119,851.84	
June	90,449.54		124,753.23	
July	114,511.90		124,184.99	
August	155,526.45		175,326.84	
September	136,352.21		158,782.60	
October	127,792.00		167,020.01	
November	151,794.10		158,560.32	
December	100,350.72		121,169.20	
January 2005/2007	102,869.11	1,942,425.60	127,159.89	2,451,125.45
February	94,849.35			
March	91,449.85			
April	92,482.90			
May	110,292.94			
June	155,723.65			
Grand Total	$ 2,487,224.29		$ 2,451,125.45	

p:\lewis&clark track.xls
Office of Tax Commissioner

1st Quarter 06 Comparison	
2006	$285,116.04
2005	$289,168.31
% Change	-1%

2nd Quarter 06 Comparison	
2006	$347,163.82
2005	$358,499.49
% Change	-3%

3rd Quarter 06 Comparison	
2006	$458,294.43
2005	$397,401.14
% Change	15%

4th Quarter 06 Comparison	
2006	$446,749.53
2005	$389,240.60
% Change	15%

06/05 Comparison	
2006	$1,537,323.82
2005	$1,434,309.54
% Change	7%

05/04 Comparison	
2005 YTD	$1,434,309.54
2004 YTD	$1,331,474.16
% Change	8%

Biennium Comparison Thru January of each biennium	
2003/2005 July-June	$ 1,942,425.60
2005/2007 July-June	$ 2,451,125.45
% Change	26%

January Comparison	
2007	$127,159.89
2006	$110,803.38
% Change	15%

February 21, 2007

Senate Appropriations Committee
Ray Holmberg, Chairman
State Capitol Grounds
Bismarck, ND

Dear Senator Holmberg:

Tourism marketing is one of the most important investments being made in North Dakota today. We are far behind the industry norms for spending in this arena, and any effort to increase the dollars that the Tourism Division has for marketing would be supported by our organization.

Marketing at all levels is critical to the growth of the tourism industry in our state. We all know the return on dollars spent is very, very high - $60-$80 dollars per dollar spent if I am not mistaken. This investment adds to the income of restaurants, gas stations, motels, shopping centers, service centers and so much more.

We can be very proud of the way in which the Tourism Division has allocated their funding and we trust that given some additional dollars they have many markets in mind for these investments. The major attractions under the umbrella of the State Historical Society of North Dakota all benefit from these investments. It is critical to market the growing heritage tourism venues in our state.

We encourage the Legislature to do all that it can to enhance marketing of the state in every arena possible. Nearly every sector of the state will see returns on these dollars. Visitors spend money in our state, but they also form opinions about North Dakota on their visits---and that opinion affects future business dealings, future workers, future business investments and more.

Most Sincerely,

Virginia Nelsen, Executive Director
State Historical Society of North Dakota Foundation
PO Box 1976
Bismarck, ND 58502
701-222-1966 nelsenva@btinet.net
Member of the Tourism Alliance Partnership

February 21, 2007

Mr. Chairman and members of the committee:

The Devils Lake Chamber and Tourism are in support of the Senate Appropriations Committee to repeal the amendment made by the House Appropriations Committee and increase the governor's budget to $10 million for tourism.

The two reasons to fund tourism are economics and demographics. The economics is that tourism is the second largest industry in North Dakota with an impact of a billion dollars a quarter. There is no other industry that will turn the state's money around and give it back faster than tourism. The demographics aspect is that it will be help entice tourists here that may want to stay here, which will increase the population of our state. It will also encourage youth to stay here after there education if there are more opportunities for lively hood. We have a reputation for the state with the largest rate of outbound moves in America. Tourism is a money machine for North Dakota. Let's keep it going for our future families in North Dakota.

We support an increase in the State Tourism budget to $10 million, because tourism is billions for ND.

Judy Hoffer
Tourism Director
Devils Lake Chamber of Commerce

February 21, 2007

To Members of the Senate Appropriations Committees:

I write this in behalf of the International Peace Garden.

North Dakota has determined through various recaps that tourism is the number two industry within the state. In order to maintain international and national interest in North Dakota, an ongoing investment needs to be maintained to sustain the tourism industry. While the current governor's budget allocation may seem adequate, it will not thrust North Dakota ahead of other surrounding states in attracting a greater share of tourism.

Within marketing circles, it is widely understood that a brand name (in our case, the state of North Dakota) must be placed before a consumer 27 times before it registers. The brand/name placement occurs in many different ways (e.g. the Internet, television, print ads, radio, outdoor signage, collateral material). All forms of media cost something. The placement of the brand/name must be on-going; it can never stop; and the investment must increase over time to sustain and grow the industry.

I encourage the Appropriation Committees of the North Dakota Legislature to increase the tourism allocation to $10,000,000.

Respectfully,

Steven M. Locke
CEO
International Peace Garden

Woodland Resort

1012 Woodland Drive
Devils Lake, ND 58301
701-662-5996

February 21, 2007

Senate Appropriations Committee
North Dakota State Capitol
Bismarck, ND 58501

Dear Committee Members:

Managing North Dakota's budget and spending is understandably challenging. I urge you to consider the State Tourism budget as an investment in North Dakota and fully fund this entity to $10 million. Fully funding this department will enhance our ability to market our state and maintain and grow our rightful market share of tourism dollars.

Tourism is North Dakota's fastest growing industry and is now second only to Agriculture. Understanding this industry can be more than confusing. Our business is a tangible entity that has prospered from aggressive local and state marketing. We are a full service lakeside resort that has gone from 4 employees to over 125 seasonal and full time staff. Our growth is one that mirrors many of the state wide private and public attractions. North Dakota can grow this natural asset we have in this state, but it takes commitment from both the private and public sectors.

Our state gets a terrific bang-for-our-buck return on dollars invested. I hope you can see that your commitment to enhancing our state's ability to compete will improve our ability to market our strengths as a destination for a variety of travelers. My community, Devils Lake, depends on tourism to maintain our local tax base and employment. Many small communities statewide are just beginning to enjoy the tourism trade and the opportunities that come with it. These communities are investing in infrastructure and local dollars to attract travelers. North Dakota Tourism needs your support so we can keep and grow our tourism industry.

Our industry is at a crossroad. One turn is status quo and hope to maintain what we have fought for, or the other option is to take the turn that will lead North Dakota to a bigger and better share of people wanting to experience what states like ours has to offer. We have quality experiences people are looking for, we just need to let people know about it. Lets tell them!

Thank you for the chance to offer my view of this very important issue.

Sincerely,

Kyle Blanchfield
Woodland Resort

Testimony on HB 1018
submitted by

Terry Harzinski, Executive Director
Bismarck-Mandan Convention and Visitors Bureau

Senate Appropriations Committee
Senator Ray Holmberg, Chairman

Chairman Holmberg and members of the Appropriations Committee. My name is Terry Harzinski, Executive Director of the Bismarck-Mandan Convention and Visitors Bureau.

Our organization supports the Governor's 2007-09 budget recommendation which included $8.2 million for the Tourism Division of the Dept. of Commerce. Additionally, we encourage you to repeal the House Appropriations Committee amendment to HB 1018 which removed $3.7 million from Tourism's budget, and increase the Governor's budget to $10 million for tourism marketing.

As tourism industry partners and stakeholders, we have long supported a $10 million marketing budget for the Tourism Division. As you have heard in the testimony of other industry partners, this is not an unreasonable request in comparison with what our competitors spend, and in comparison to the dollars tourism generates. Tourism is an economic engine for all of our state's businesses. It is our state's second largest industry, as you already know. Tourism provides a quick turn around for your investment.

I have worked in our state's tourism industry for over 25 years, and I have never seen our tourism industry more poised to take our product (all of the state) to the next higher level. We have many good and experienced people in our industry, both at the local and state levels, people who understand how to take our industry there. **Marketing** is the key to reaching that goal for our industry and for our economy.

I hope you will send this bill out of your committee with a recommendation to include $10 million for tourism marketing in the state's budget.

February 21, 2007

To Members of the Senate Appropriations Committee:

As president of Norsk Høstfest, I am writing in support of the efforts to aggressively and effectively promote North Dakota tourism.

I have seen first-hand the impact of tourism in North Dakota. Hundreds of thousands of visitors have visited the festival over the years, many swayed by marketing both for Norsk Høstfest and for the state itself.

You are aware, I'm sure, of the research that shows the huge return on every dollar spent on marketing the state. I would simply add my voice to those of so many others that this is not the time to sell short in our efforts to tell the story of North Dakota. Rather, I would suggest now is the time to remember the success of past investments in marketing and pledge to continue that commitment to make sure we are reaching as many people as possible who may be moved into a first trip to our great state. We all know they will very likely return and bring friends along, as has so often been the case with Norsk Høstfest.

In closing, let me thank you for your consideration of this request. I hope you will see fit to keep putting North Dakota first.

Respectfully,

Chester Reiten
President
Norsk Høstfest
Minot, ND

North Dakota Nature & Rural Tourism Association

4777 HWY 41 NORTH * VELVA ND 58790*701-626-2226
BLACKBUTTEADVENTURES@SRT.COM * WWW.NDNATURE.ORG

February 21, 2007

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Maria Effertz Hanson and I am the current President of the North Dakota Nature and Rural Tourism Association. I also operate, with my family, a rural tourism business called Black Butte Adventures where we attract visitors for a rural experience through hiking, biking and camping.

The North Dakota Nature and Rural Tourism Association encourage you to increase the budget for the Department of Commerce Tourism Division to $10 million.

Our grassroots group of independent operators who have an interest in rural and nature tourism is dedicated to increasing revenues for the rural entrepreneur and in North Dakota through nature and rural tourism.

Tourism grows the state's economy. Through smart use of their dollars, the North Dakota Tourism Department has shown that one dollar spent in tourism marketing will return $81! North Dakota is uniquely positioned for phenomenal growth. Industry analysts indicate that today's tourists are increasingly concerned about safe travel destinations. They desire a very personal experience - an experience that North Dakota is uniquely qualified to deliver.

The key component that is needed for North Dakota to capitalize on these new priorities is marketing. Just as in any business venture, marketing is probably the most important component of any successful endeavor. However, North Dakota is at a disadvantage when compared to the advertising budgets of neighboring states. We compete for the same customer, but with a tourism marketing budget that is many times smaller than our neighbors.

As our members grow their operations, we look toward the North Dakota Tourism office to help market our state and help coordinate marketing efforts that benefit the entire state.

I sincerely hope that you will give the Tourism Division the support and resources they need to take advantage of what could be significant economic growth in North Dakota. I encourage you to support $10 million for tourism marketing. It's a win-win investment for our people, businesses, and our state.

Senate Appropriations Committee
Testimony of David Borlaug, President, Lewis & Clark Fort Mandan Foundation
In Support of HB 1018, with Amendments to Add Additional Funding for
North Dakota Tourism Division
Thursday, February 22, 2007

Chairman Holmberg and Members of the Committee:

The value of our state's tourism efforts has proven itself time and again. The Governor's budget request results in a FLAT budget, which means LESS investment in out of state marketing.

The Lodging Tax allows you the flexibility to restore the Governor's original budget request for Tourism and expand out of state marketing.

Please continue to enhance our investments in marketing all that North Dakota has to offer. This is NOT the time to back away!

Thank you for your consideration and continued faith in our tourism marketing efforts.

GREATER GRAND FORKS
CONVENTION & VISITORS BUREAU

Testimony of Julie Rygg, Executive Director
Greater Grand Forks Convention & Visitor Bureau
House Bill: 1018
February 22, 2007

Chairman Holmberg and members of the Senate Appropriations Committee:

I am Julie Rygg, Executive Director of the Greater Grand Forks Convention & Visitors Bureau, and I am requesting your support to fully fund Governor Hoeven's recommended ND Tourism Division budget from the general fund and restore the $3.7 million, which has been removed by the House. This would allow our state tourism office to continue its current level of marketing. If SB 2258, which removes the sunset on the 1% statewide lodging tax, passes, it would enhance the tourism budget and allow expansion of the current marketing programs.

Tourism has been designated as one of the top areas of economic growth in North Dakota, so it is important to support it as much as possible. Governor Hoeven and the North Dakota State Legislature have supported recent budget increases, but we cannot stop now. North Dakota still has one of the smallest tourism budgets in the U.S. and significantly lags behind most of our competitors. Because of this, we can miss potential visitors that vacation in surrounding states.

Research has shown for every dollar invested in marketing North Dakota, $80 is returned. By restoring the dollars for the tourism budget, you are increasing revenue for North Dakota.

Recent ND Tourism funding increases have benefited the entire state through image marketing, partnership opportunities and promotional events. Specifically to Grand Forks, it has meant promoting North Dakota to Canadians through advertising and promotional efforts that had not been done for many years. Canadian visitors are so important to our local economy, and we rely on the efforts of the ND Tourism Division to assist with bringing them here. It is especially important now with an improving Canadian exchange rate.

This is a crucial time for us to be aggressive in our marketing and sales efforts to entice new and repeat visitors to our great state. To continue such programs and create new ones, the ND Tourism Division needs an appropriate level of funding.

Again, I urge your support of Governor Hoeven's ND Tourism Division budget and request that you restore the general funds for that budget.

Thank you for your time and consideration.

4251 Gateway Drive, Grand Forks, ND 58203
701.746.0444 (ph) 800.866.4566 (toll free) 701.746.0775 (fax)
www.visitgrandforks.com

Buffalo City Tourism Foundation
Jamestown, North Dakota
Testimony on HB 1018
February 22, 2007 8:00AM
Senate Appropriations Committee
Harvest Room
Senator Ray Holmberg, Chairman

Members of the Senate Appropriations Committee,

I am unable to attend the hearing today, however, I would like to express the support of the Buffalo City Tourism Foundation to restore the funding that Governor Hoeven recommended for tourism. An aggressive approach is called for if we are to be competitive with not only our neighbors of South Dakota and Minnesota, but the entire Midwest and nation as well.

I have found, in my relatively short career with tourism, that the North Dakota Division of Tourism has been my best resource, training aid and partner in combining local and state dollars to get the most bang for my buck in advertising and other promotions. Yet, I still hear over and over from our guests that we in North Dakota should stop keeping ourselves such a secret. To put it in our guest's words, "You are such a treasure, your state needs to do more to tell others about yourself."

So, here we are - asking that you allow our state officials to do just that. Marketing efforts have increased our local and state tax revenue, generated good-will and produced a by-product we are only now beginning to hear about. I recently received a letter from a couple who have decided they want to retire in our area after having vacationed here last summer. They are now investigating property, housing, etc. and although retirement is still ten or fifteen years away, this is yet another example of the long term effects of tourism marketing and dollars well spent for the State of North Dakota.

Thank you for your support and commitment to the tourism industry. Please restore the general funds to the Division of Tourism.

Sincerely,

Nina Sneider, Executive Director

Sheyenne River Valley National Scenic Byway
Rosebud Visitor Center
250 West Main Street Suite1
Valley City, ND 58072
www.hellovalley.com

February 22, 2007

Mr. Chairman and the Senate Appropriations Committee:

The Sheyenne River Valley National Scenic Byway Committee supports increasing the budget for the Tourism Division of the Department of Commerce. The Tourism Division has done an outstanding job in promoting the entire state of North Dakota. An increase in their budget would maintain the momentum created by this gifted staff.

Sara Otte Coleman has assembled an efficient team and the research that has been done has qualified their successes. Tourism ranks at the top in areas of growth in the North Dakota economy. An increased budget is a good investment in the future of North Dakota.

The Sheyenne River Valley National Scenic Byway has been a working partner with the Tourism Division. We have been able to expand our marketing arena with the partnership programs provided by the state. Continuing and expanding these efforts is beneficial to everyone- rural and urban. The Tourism Division has proven that their labor is fruitful to the state and we support an increased budget for their future efforts.

Sincerely,

Bobby Koepplin

Bobby Koepplin, Chairperson
Sheyenne River Valley National Scenic Byway

Destination Marketing Association of North Dakota
Testimony on HB 1018
February 22, 2007 8:00AM
Senate Appropriations Committee
Harvest Room
Senator Ray Holmberg, Chairman

Mr. Chairman and members of the committee, my name is Teri Onsgard; I am the Director of Sales for the Fargo-Moorhead Convention and Visitors Bureau and current President of the Destination Marketing Association of North Dakota.

Targeted research and results have proven that investing in tourism is an excellent way to increase both our economy and tax revenue. Governor Hoeven, in his State of the State address, talked about an agenda that is driving economic growth. Restoration of the general funds for marketing is crucial in achieving that goal. North Dakota has one of the smallest tourism budgets in the nation, yet it is our state's 2nd largest industry. We must act quickly and strategically to avoid falling behind our competition.

Like you, we want to work for a future that expands and diversifies our economy. Travelers from around the country and around the world can only experience our state's regional differences, historical sites and ethnic cultures if they know about those opportunities through our marketing efforts.

Tourism generates significant dollars for the general fund and increases local tax dollars. As Governor Hoeven stated "These are big plans, but can be achieved". Marketing the North Dakota"Legendary" brand message to visitors is an investment that will contribute significantly in the transformation of our economy.

North Dakota is a state whose original economic base was agriculture. In an agricultural state, we grow things. North Dakota's economy has grown and one of the reasons for this income growth is because of Tourism. Tourism, like a leading cash crop must be nurtured and protected in order to grow and produce the economic harvest.

Thank you for your support and commitment to the tourism industry. Please repeal the amendment made by the House Appropriations Committee and increase the governor's budget to $10 Million for tourism marketing. It's time for Tourism!

Theodore Roosevelt
MEDORA FOUNDATION

Testimony on HB 1018
North Dakota Senate Appropriations Committee
Senator Ray Holmberg, Chairman

February 22, 2007

Chairman Holmberg and Members of the committee, my name is Randy Hatzenbuhler; I am the president of the Theodore Roosevelt Medora Foundation. I have worked in Medora for the past 19 years.

The Theodore Roosevelt Medora Foundation is in support of increasing Governor Hoeven's budget for tourism to $10 million.

I am immensely proud of this industry and what we do for the state of North Dakota. The cooperation among the players in this industry is impressive. Bismarck sends people to the Badlands, Medora spotlights North Dakota communities on a nightly basis, Lewis & Clark tells its guests about Theodore Roosevelt. If Cole Carley in Fargo hears that someone had a bad experience in Medora, he picks up the telephone and gives me a "heads up" so we can take care of our customer. We work together to make sure that visitors to North Dakota receive kinder service and better experiences than they expect. Research consistently shows that our industry delivers exactly that. In Medora, I tell our 300 employees that we want to give our guests "bragging rights. Visitors should be treated so well that they can't wait to tell their friends that they need to visit North Dakota."

Tourism is important to North Dakota. Some debate whether it is the state's 2nd or 3rd largest industry. That is irrelevant, because there is little debate that the industry produces healthy returns.

There is considerable data that clearly shows that marketing dollars for tourism is a very good investment for North Dakota. That is why the interim legislative Business Congress meetings included significant discussion on how to further capitalize on tourism. It is why Governor Hoeven's budget included an increase in the general fund budget for tourism. It is why the Senate passed the bill that would continue the 1% state lodging tax for tourism. It is why I hope that you will restore the funds that were cut by the House.

Not often do I feel that I learn much from television commercials. However, a couple of days ago I saw the animated, little green gecko that is the Geico Insurance spokesperson explaining why it made sense to save 15% to the person sitting across the desk. The gecko seemed frustrated because he wasn't getting through to the person, and eventually he says something like, "Now look, if you could get $100 just for standing up, you would stand up and down all day long, wouldn't you?" The tourism industry sort feels like it needs someone to stand up. It is a missed opportunity to not invest in this industry.

Sincerely,

Randy Hatzenbuhler

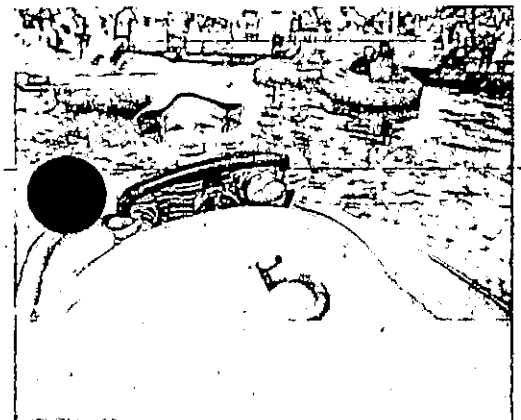
Randy Hatzenbuhler, President

Marketing North Dakota

The primary competition for North Dakota's tourism industry is neighboring and nearby states. In 2005, North Dakota ranked 45th in the nation in tourism funding and exhibited the smallest tourism budget compared to its neighbors and competitors.

State	2004-2005	2005-2006	Source
North Dakota	$3.5 million	$3.8 million	58% General Fund 4.7% Special Funds 37% Lodging Tax (1%)
Colorado	$7.9 million	$10.2 million	58% General Fund 22% Ad Sales 20% Interest from Unclaimed Property
Montana	$8.1 million	$8.3 million	99% Lodging Tax 1% Private/Co-op Funds
Minnesota	$8.2 million	$9.5 million	97% General Fund 3% Federal Scenic Byway
South Dakota	$8.3 million	$8.8 million	31% Gaming 59% Promotional Tax 10% General Fund
Wyoming	$7.0 million	$7.4 million	100% General Fund

Source: Travel Industry Association of America



Tourism is one of North Dakota's largest-and-fastest-growing industries,

offering some of the best opportunities for economic development. North Dakota's diverse and unspoiled travel destinations attract visitors from all over the nation. New interest in North Dakota is due to the emergence of nature tourism, agri-tourism, and culture and heritage tourism fueled by the bicentennial commemoration of the Lewis and Clark expedition. It provides strong incentives for industry growth.

An Established Force

- Tourism is the second largest industry in North Dakota (NDSU agribusiness study).
- Tourism contributed more than $3.4 billion to the state's economic base in 2004.
- In 2005, domestic travel spending in North Dakota created more than 30,750 jobs, along with more than $307 million in payroll income.
- Domestic travel spending in North Dakota generated $247 million in tax revenue for federal, state, and local governments in 2001.

A Growing Industry

- Visitors' spent $83 million in 2005 due to the Tourism Division's Legendary brand message and a $1.08 million investment in advertising.
- In recent years, more than $20 million in improvements were invested in developing and improving attractions across the state.
- A leading indicator of visitors to the state is the local lodging tax collections, which generated a fourth-quarter increase of 15% over the same period last year, and a 7% increase this year.
- Inquires to the state are up 6% through the fourth quarter.
- The North Dakota Tourism Web site has received a 49% increase in visitors since 2005. Unique visitors are also up 17%.

A Sure Success

- The tourism industry in North Dakota rests on a strong foundation. The state boasts a fully functioning travel industry, together with a well developed system of state parks, wildlife refuges, historical sites, and gaming and convention facilities.
- Investments in tourism generate money for North Dakota. According to Longwoods International, every dollar spent on advertising returned $81 in spending in 2005, or $4.75 in state tax revenue for every dollar invested in advertising the state.
- Many different segments of local economies benefit from the visitors the tourism industry brings to the state. Investing in North Dakota tourism is an investment in the entire state.
- Research shows that the Legendary branding campaign is bringing people to North Dakota, especially to the eastern gateway cities.

Manufacturing in North Dakota

Dakota Manufacturing Extension Partnership

The Dakota MEP seeks to work with those manufacturers; (1) that have a growth orientation, (2) that may need to work at stabilization and/or (3) are seeking considerable improvements in their companies.

North Dakota has 815 manufacturers[1] employing 25,800. Seventy percent of these manufacturing jobs are in durable goods manufacturing with the remaining thirty percent in non-durable goods manufacturing.

North Dakota is one of only two states (other is Nevada) whose manufacturing employment has increased since 2000 (+2,300 jobs). Further, manufacturing was a bright spot during the '90's creating 7,900 net new jobs – even as manufacturing employment nationally was already declining. Manufacturing contributes 10% of the state gross product.

Further it would appear that economists expect manufacturing in North Dakota to continue growth. According to the ND Job Service, manufacturing employment is expected to grow to nearly 28,000 by 2012 (a total growth rate of 17.7% over ten years.) Similarly manufacturing output per worker in North Dakota has increased much faster than the national average.

The following table reflects Basic Facts about manufacturing in the Dakotas as compared to other states in the region and to U.S. averages. The potential for continued manufacturing growth in the Dakotas is reflected by their relatively low average annual pay, the average revenue per employee and average exports per manufacturer when compared to the averages of other states and the U.S.

Regional Manufacturing Basic Facts

	Iowa	Minnesota	Montana	Nebraska	North Dakota	South Dakota	Wyoming	United States
Manufacturing Employment, Firms and Wages								
Employees, Sept. 2006	235,300	348,800	20,000	103,700	26,200	42,800	9,600	14.2 M
Employees, 2000	251,400	396,500	22,500	114,300	23,900	43,800	10,400	17.2 M
Firms, 2005	4,225	8,860	1,340	2,065	824	1,032	647	370,114
Avg Employees / Firm	56	39	17	50	32	42	15	46
Avg Annual Pay, 2005	$43,072	$48,909	$36,945	$36,569	$36,377	$34,393	$39,090	$48,732
Avg Annual Pay Compared to U.S. Avg	88%	100%	76%	75%	75%	71%	80%	100%
2005 Manufacturing Contribution to National & State Product; Revenue / Employee								
Total Gross Product	$113.5 B	$234.6 B	$29.9 B	$70.7 B	$24.4 B	$31 B	$24.09 B	$12.49 TR
Mfg Gross Product	$24.7 B	$32 B	$1.5 B	$7.7 B	$2.2 B	$3 B	$.98 B	$1.5 TR
Mfg % of Gross Product	22%	14%	5%	11%	9%	10%	4%	12%
Mfg Avg Revenue Per Employee	$104,972	$91,743	$75,000	$74,253	$83,969	$70,093	$102,188	$105,690
Mfg Avg Revenue Compared to U.S. Avg	99%	87%	71%	70%	80%	66%	97%	100%
2005 Manufacturing Exports								
Total Exports	$6.88 B	$13.84 B	$ .51 B	$2.55 B	$1 B	$.88 B	$ .60 B	$782 B
Avg Exports Per Mfg	$1.63 M	$1.56 M	$1.1 M	$1.24 M	$1.22 M	$ .86 M	$ .93 M	$2.11 M

Despite lower than average labor costs, earnings in manufacturing are 23% higher than the average for all other industries ($36,377 compared to $29,577) within North Dakota. As manufacturing on average provides an additional $1.37 of indirect impact to the economy for each dollar of manufacturing output, continued growth in manufacturing would not only provide better paying jobs in manufacturing but result in additional in-direct job growth and increase the overall standard of living for all N[illegible] Dakotans.

[1] Source: Bureau of Labor Statistics – 2006.

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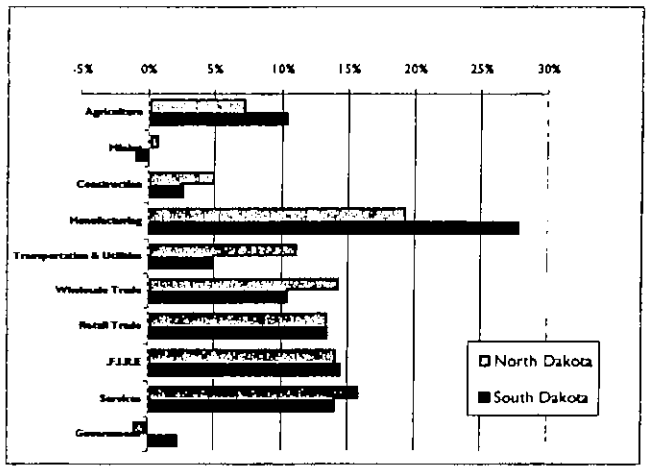
Dakota Manufacturing Extension Partnership

Dakota MEP is part of a unique, national public / private partnership providing assessment, technical assistance and training services to help manufacturers become more competitive, productive and profitable. It is the only national network dedicated to the manufacturing industry[1].

Since 1990, manufacturers have led the diversification and development of North Dakota's economy. The chart below shows the contribution for each industry sector from 1992 – 2000. Manufacturers now contribute 9% of North Dakota's gross product ($2.2 billion).

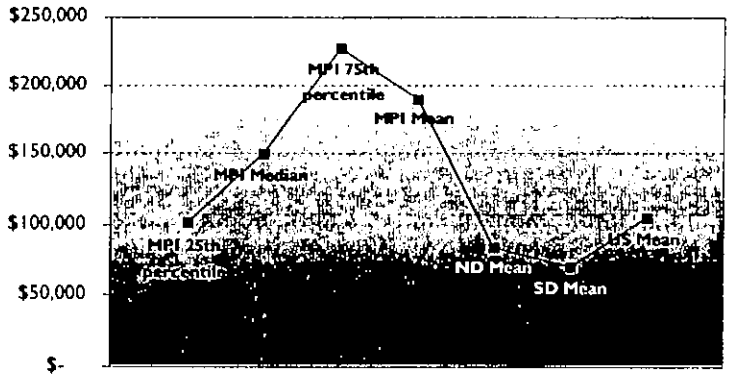


The industry in North Dakota has 26,300 employees. It added over 6,000 new jobs during the 90's and another 2,400 new jobs in this decade. North Dakota is one of only three states (Alaska and Nevada are the others) to increase its total manufacturing employment since 2000.

These jobs pay on average $36,377 per year – an amount that is 23% greater than the average for non-manufacturing jobs. ND Job Service projects manufacturing employment to grow to 28,000 over the next five years.

Through improved productivity, manufacturers are able to increase the value of each job while lessening the need for low wage / low skilled jobs. However, (see chart below) the current revenue per employee (mean) in ND manufacturing is only $83,969. The national mean is $105,690. As the value of output per employee increases so will the value of their jobs and the overall value of their companies. Improving the value of our output will greatly contribute to the strength of the state's economy.[2]

What are the approximate sales per employee for manufacturers?



Source: Manufacturing 2006 – a joint project of Industry Week and the Manufacturing Performance Institute (MPI). Each year, they conduct the largest survey of U.S. manufacturers in order to support industry benchmarks and best practices. The above chart is based on responses from over 600 manufacturers and includes all employees, not just direct labor. ND, SD & US Mean are from the 2006 Bureau of Labor Statistics.

The collective opportunity of our public and private sector partnership at Dakota MEP is to support the development of those manufacturers seeking to become; (1) providers of choice, (2) employers of choice and (3) investments of choice. Those companies will further a globally competitive, productive, profitable and

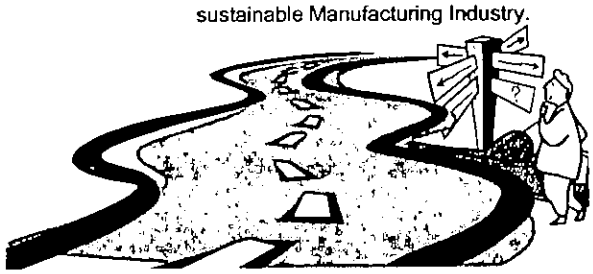
[1] Manufacturers are the overwhelming source of productivity improvements and technology innovations as they develop, design, produce, deliver and support the thousands of products we use each day. These companies create new wealth, new opportunities and grow our economy through their success in global, national and regional markets. New wealth creating companies stimulate the economic growth of a community, state, region or country by increasing the value-added per employee, use of technology, capital investment and the flow of exports. Each dollar generated in manufacturing generates another $1.37 in the economy (National Association of Manufacturers).

[2] The performance of North Dakota's economy and each of its industries were prepared for the State of North Dakota by Regional Financial Associates (now called Economy.com) in May, 2000. RFA noted the productivity gap in North Dakota as a serious detriment to long-term competitiveness for the state. Economy.com has provided North Dakota state government with economic and revenue forecasts.

sustainable manufacturing industry in North Dakota.

Our Goal

To help North Dakota develop and support a globally competitive, productive, profitable and sustainable Manufacturing Industry.



The upper 75th percentile in the preceding chart is also those manufacturers who are successful in their commitments to one or several continuous improvement methods. Assistance with continuous improvement is one of the core competencies of the MEP. In fact, over 850 MEP staff helps manufacturers with continuous improvement each day.

As Mike Ryan (current President and CEO of TUG Technologies, Marietta, Georgia and former President of IR / Bobcat several years ago) said recently in testimony to the US House of Representatives, *"During my manufacturing career, I have found MEP 5 times - in 5 states. They provide a country wide network dedicated to providing objective solutions to support the further growth and development of small to medium sized manufacturing companies. The benefits from continuous improvement in companies I've been involved in and assisted by MEP include improvement in revenue growth of 86% and operating income of 128%. We experienced large reductions in warranty expenses and improved customer satisfaction. We improved inventory turns from 5 to 25 and from 2 to 16 in two companies. We experience operating income improvements of 400, 500 and 550 basis points over a two – year period at 3 different companies."*

MEP assisted improvements manufacturers make are quantified through the benefits and impacts they report to an independent third party. Below are (1) the average benefits and impacts that each company reports as a result of the assistance provided by Dakota MEP along with (2) the average benefits and impacts reported by all companies in the national MEP system.

Benefits and Impacts	Dakota MEP	National MEP
Sales (New and/or Retained)	$766,000	$976,000
Cost Savings	$511,000	$155,000
Investment in Modernization	$383,000	$203,000
Jobs (New and/or Retained)	9.5	9.3

Net revenue per employee achieved by manufacturers partnering with the MEP is $2,334 while the net revenue per employee achieved by manufacturers not partnering with the MEP is $508. For more information on the Partnership, access the public site at http://www.mep.nist.gov/.

The requested State of North Dakota support for the 2007 – 2009 biennium is $950,000 ($475,000 per year). This amount is needed to match the federal funding already available to North Dakota from the national MEP. This baseline budget amount is further matched by manufacturers who pay for many of the services they receive. The requested State of North Dakota support is equivalent to previous levels of support that included both financial support and in-kind contributions.

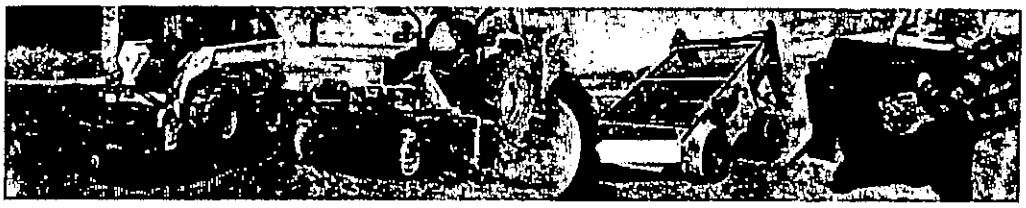
Beyond the baseline budget, Dakota MEP is developing additional opportunities to grow manufacturing. We are working with the national MEP for another $102,000 in support for North Dakota in 2007. That will require a 2:1 match. We are also bringing in opportunities from other federal agencies such as the Department of Labor. A unique supplier development program supported by large manufacturers such as Caterpillar, John Deere, Harley Davidson, IR / Bobcat and Oshkosh Truck is also assisting North Dakota manufacturers. These are examples of the proactive work to support manufacturing being led by the MEP system and MEP Centers with other federal agencies, state governments, universities and with manufacturers.

For your review, a list of North Dakota client companies served by the MEP program in 2005 – 06 is attached. Dakota MEP also serves clients in South Dakota and carries out the contracts for the North Dakota Small Business Development Centers in Bismarck, Fargo and Minot. These three communities have significant potential for new and existing business growth. Through the SBDC the Dakota MEP is able to assist the states smallest companies (manufacturers as well as non-manufacturers).

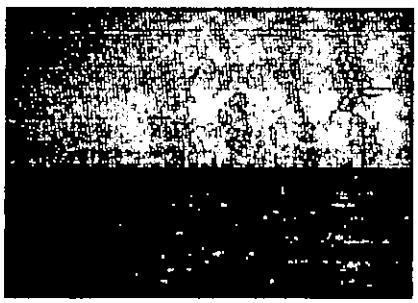
Dakota Manufacturing Extension Partnership

North Dakota Manufacturers Served 2005 – 2006

Introduction: This is a listing of North Dakota manufacturers served by the Dakota MEP in 2005 and 2006. Clients served receive assistance of value to them through assessment, training and/or technical assistance. MEP assistance is categorized by business services, quality systems, manufacturing systems, information technology, human resources / organizational development and engineering / technical services. The client served target for the North Dakota MEP in 2007 is 150. The photos are examples of products made by North Dakota manufacturers.



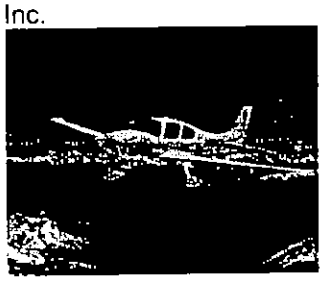
CompanyName	City	State
Ag Depot	Grand Forks	ND
Agri Cover	Jamestown	ND
Alien Technology - Fargo	Fargo	ND
Amity Technology	Fargo	ND
API Pallet	Grand Forks	ND
Arrow Tech Inc	Rolla	ND
Baker Boy	Dickinson	ND
Bed By Design	Fargo	ND
Bell Transmission Products Inc	Bismarck	ND
Bismarck Canvas	Menoken	ND
Bobcat - Bismarck	Bismarck	ND
Bobcat - Gwinner	Gwinner	ND
Bri-Ton Mfg	Lisbon	ND
Bud's Service Products	Langdon	ND
Butte Mfg	Butte	ND
Canvas Master LLC	Mott	ND
Cardinal IG	Fargo	ND



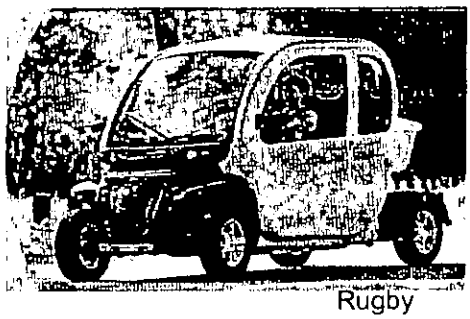
Centennial Shipping Products	Fargo	ND
Certirestore Certified Furniture Restoration	Fargo	ND
Change of View Custom Designs	Granville	ND
Cherrington Enterprise Inc.	Jamestown	ND
CHS Sunflower	Grandin	ND
Cloverdale Foods Company	Mandan	ND
CNH America	Fargo	ND
Cobra Hose	Fargo	ND

Composite America	Fargo	ND
Concrete Inc.	Grand Forks	ND
Conte Luna Foods	Grand Forks	ND
Crane Creek Gardens	Stanley	ND

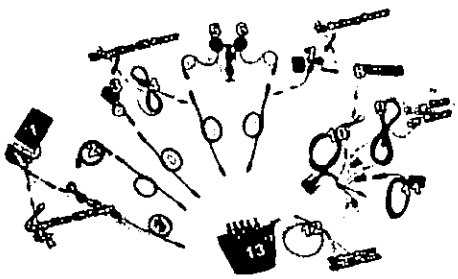
Crary Company	Fargo	ND
Cretex Concrete Products North	Grand Forks	ND
Custom Graphics	Fargo	ND
Dakota Air Parts International	Fargo	ND
Dakota Audio	Bismarck	ND
Dakota Growers Pasta	Carrington	ND
Dakota Manufacturing Inc.	Williston	ND
Dakota Micro	Cayuga	ND
Dakota Molding	Fargo	ND
Dakota Prairie Organic Flour Co.	Harvey	ND
Dakota Storage Products	West Fargo	ND
Dave's Welding and Metal Fabrication	West Fargo	ND
Davidson's Processing	Bottineau	ND
Deck Masters	Fargo	ND
Denning Fabricating, Inc.	Fargo	ND
Design a Chime	Bismarck	ND
DFC Consultants	Fargo	ND
DMI Industries	West Fargo	ND
Don's Heating	Hankinson	ND
Easy Risers, Inc.	Cooperstown	ND
Ebel Industries	Williston	ND
Engine Rebuilders	Oakes	ND
EZ Spot UR	West Fargo	ND
Family Chiropractic and Massage	Enderlin	ND
Fargo Assembly	Fargo	ND
Federal Machine Co.	West Fargo	ND
FM Ambulance	Fargo	ND
Forum Communications Printing	Fargo	ND
FRS Industries	Fargo	ND
Gates Mfg	Lansford	ND
General Equipment & Supplies	Fargo	ND
General Woodwork	Columbus	ND
G-Force Fulfillment	Fargo	ND
Global Electric Motor Cars	Fargo	ND
Goodrich Cargo Systems	Jamestown	ND

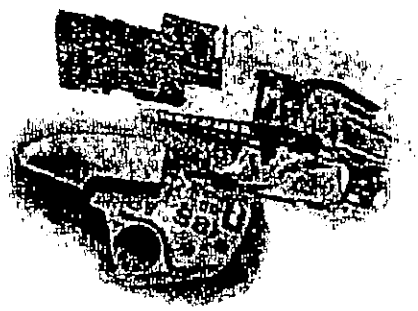


GPK Products	Fargo	ND
Great Plains Molding	Fargo	ND
Great Plains Rehab	Bismarck	ND
Gremada Industries - West Fargo	West Fargo	ND
Handi-Cabinets Etc, Inc.	Kindred	ND
Harley Attachments, LLC	Jamestown	ND
Harriston/Mayo	Minto	ND
Hawkes Nest	West Fargo	ND
Hercules Tow Rope	Fargo	ND
Horn Plastics	Fargo	ND



I Design	Rugby	Nd
Imation	Wahpeton	ND
Industrial Plating	Wahpeton	ND
Institches Embroidery	Fargo	ND
Integrity Windows and Doors	Fargo	ND
Interior Woodworks Inc	Bismarck	ND
Interstate Power Products and Services	West Fargo	ND
IR Bobcat	Gwinner	ND
Iron Unlimited, Inc.	Hillsboro	ND
John Deere Seeding Group	Valley City	ND
Johnston Culvert	Fargo	ND
Kadrmas, Lee & Jackson	Bismarck	ND
Killdeer Mountain Mfg	Killdeer	ND
King Coal	Bismarck	ND
Kokkeler Jewelry	Bismarck	ND
Kringstad Ironworks	Hoople	ND
Kustom Machines, Inc.	Oakes	ND
La Rinascente Pasta, LLC	Hope	ND
LAS International	Bismarck	ND
Lifescape Concrete Countertops	Fargo	ND

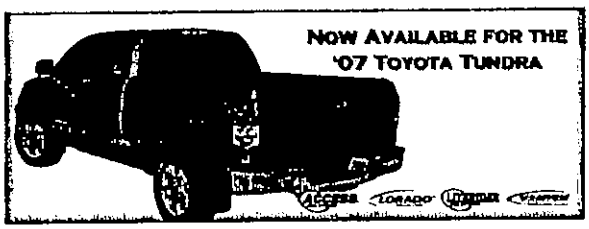




LM Glasfiber Inc	Grand Forks	ND
Luna's Rustic Woodworks	Towner	ND
Lura Enterprises	Fargo	ND
MAC Inc	Glenburn	ND

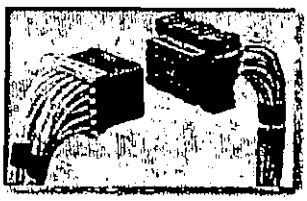
Mandan Steel Fabricators	Bismarck	ND
Manning Mechnical	Fargo	ND

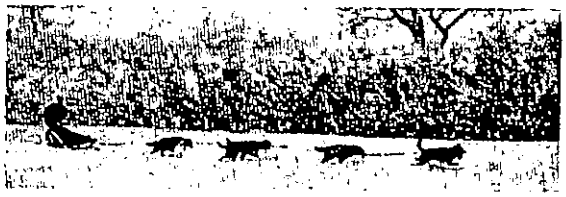
Marque Dental Labatory	Fargo	ND
Marson Manufacturing	Cooperstown	ND
Marvin Windows and Doors	Grafton	ND
MB Products Inc	Hazen	ND
McNeilus Steel	Fargo	ND
MeritCare Health System	Fargo	ND
Microlap Technologies	Rolla	ND
Microsoft Business Corp.	Fargo	ND
Minnkota Windows	Fargo	ND
MoJo Coffee	Westhope	ND
Mother of 8 Designs	Butte	ND
Newman Signs Inc	Jamestown	ND
Northern Bag & Box Company	Grand Forks	ND
Northern Documents	West Fargo	ND

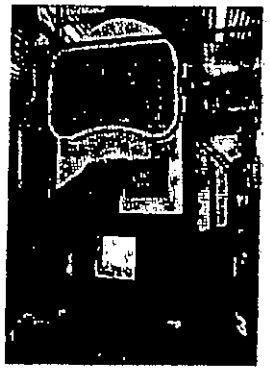


Northern Grain Equipment	West Fargo	ND
Northern Pipe Products	Fargo	ND
Northern Plains Steel Co	Fargo	ND
O'Day Equipment	Fargo	ND
Paladin Brands (Jamestown)	Cedar Rapids	IA
Pepsi Americas	Fargo	ND
Phoenix International Corp	Fargo	ND
PM Alert, LLC	Mayville	ND
Polar Ware Co	McClusky	ND
Pond Doctor	Bismarck	ND
Pond Filtration, Inc.	Fargo	ND
Premier Prosthetics	Fargo	ND
Pribbs	Grand Forks	ND
Primewood inc	Wahpeton	ND
R & S Casework, Inc.	Fargo	ND
Red River Commodities	Fargo	ND
Rick's Home & Cabin	Bottineau	ND
Rivers Edge Products	West Fargo	ND
Roll O Ramp	West Fargo	ND
Rolling Hills Premium Ranch Beef, Inc.	Medina	ND
Roman Meal Milling Company Inc	Fargo	ND

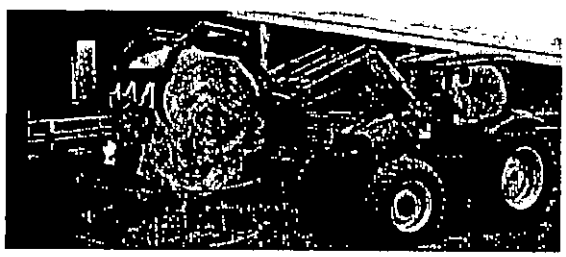
Rommesmo Companies	Fargo	ND
Rossiter Rough Outs	Kindred	ND
Royal Distributors	Sawyer	ND
Rugby Mfg Co	Rugby	ND
Sand Iron & Steel Inc	Grafton	ND
Saxerud	Lisbon	ND



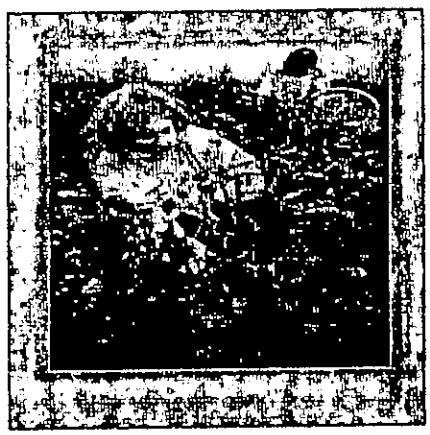




Schepp's Dakota Deli	Lansford	ND
Schmitty's Welding	Davenport	ND
Sheyenne Tooling and Mfg Inc	Cooperstown	ND
Shocker Hitch	Arthur	ND
Sioux Mfg Corp	Fort Totten	ND
Sky Creek LLC	Voltaire	ND
Smurfit Stone Container	Fargo	ND
Solid Comfort	Fargo	ND
Sonja's Old Fashioned Delicacies	Mohall	ND
Space Age Synthetics	Fargo	ND
Steel Ozone	Steele	ND
Steffes Corporation	Dickinson	ND
Summer's Harvest	Colgate	ND
Summers Manufacturing Co Inc	Devils Lake	ND
Sun Gold Foods, Inc.	Horace	ND
Sunopta Dakota Gourmet	Wahpeton	ND
Superior Grains	Crosby	ND
Surefoot	Grand Forks	ND
Swanson Health Products	Fargo	ND
Sweet Delights	Grafton	ND
Tecton Products	Fargo	ND
Telpro Inc.	Grand Forks	ND
Tenderfoot Sock Company	St. Michael	ND
The Dragon Group	Fargo	ND
The Flower House	Mohall	ND
The Storage Lift	Fargo	ND
Therma - Tek Mfg.	Minot	ND



Thermal Line Windows	Mandan	ND
TMI Systems Design	Dickinson	ND
Top Taste, Inc.	Finley	ND
Trail King Industries	West Fargo	ND
Trimlife Inc	Bismarck	ND
TSR Parts	Colgate	ND
Turtle Mountain Corp	Belcourt	ND
Ultratec Products	Dickinson	ND
Valley Specialty Foods, Inc.	Grand Forks	ND
Vanguard Mfg	Woodberry	ND
WCCO Belting	Wahpeton	ND
Weber & Weber	Mandan	ND
Wedgcor, Inc.	Jamestown	ND
Woodside Industries	Cavalier	ND
Wrestling Apparel	Fargo	ND
Young Mfg Inc	Grand Forks	ND
Zachmeier Mfg Inc	Mandan	ND
NuBuild-Rebuild Engine Corp	Lexington	OH



Alabama Technology Network's strategic marketing provided growth for Quality Filters, Inc. Read the Success Story.

MEP's SUCCESS

> Success Stories
> Previously Featured Stories
> Industry Specific Sectors
> MEP News Articles
> Manufacturing Reports

EMERGING TECHNOLOGIES

> RoHS WEEE Overview (pdf)
> DOC Resources
> NIST CSM Database on Lead-Free Solders
> Radio Frequency Identification (RFID)
> Nanotechnology

ECONOMIC INDICATORS

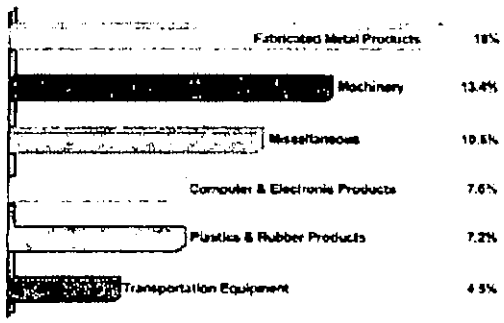
> Manufacturing Productivity increased 6.7 percent in the third quarter of 2006.
> More Indicators

Welcome to MEP

The Hollings Manufacturing Extension Partnership is a nationwide network of resources transforming manufacturers to compete globally, supporting greater supply chain integration, and providing access to technology for improved productivity.

"The Alliance was an integral part of this process. Thanks to their efforts, we have improved our production, hired new employees and made the company stronger.
Doug Yamashita
Vice President of Commercial and Industrial Markets
Acme Engineering
Muskogee, Oklahoma
> More Testimonials...

MEP SERVED 24,722 MANUFACTURERS IN 2006 BASED ON DATA SUBMITTED BY THE 59 MEP CENTERS DURING FY2006

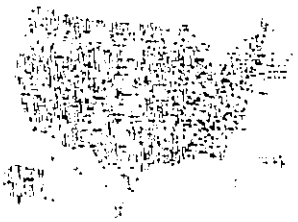


Industries Served

> More Impacts...

Search NIST Webspace

FIND YOUR MEP CENTER



MEP IN THE NEWS

The Dakota MEP held a Manufacturing Boot Camp designed to prepare entry level workers for manufacturing postions. Another Boot Camp is planned for the spring. Read the article.

TOOLS

MEP has produced tools for learning about eBusiness and for assessing the security of a company's IT infrastructure.

HURRICANE KATRINA RESOURCE

> Help Links

CENTERS OF EXCELLENCE FOR ECONOMIC DEVELOPMENT IN NORTH DAKOTA

What is a Center of Excellence for Economic Development?

A *Center of Excellence for Economic Development* is a hub of research and development around which related businesses expand and dynamic new businesses cluster. A *Center of Excellence* provides access to new technologies, specialized knowledge and an educated workforce.

The legislature has specifically designated two existing *Centers of Excellence*, the North Dakota state university center for technology and the university of North Dakota center for innovation, as continuing to be *Centers*. These two *Centers* were originally designated by the 2003 Legislative Assembly and were supported with direct funding.

A *Center of Excellence* may be an expansion of an existing center of research and development on one of our North Dakota University System campuses that meets the specific criteria or a new center established in cooperation with private industry that also meets specific criteria.

A *Center of Excellence* should:

- Create more jobs and higher-paying jobs in the private sector.
- Assist existing businesses to innovate and expand through the creation of new products and services resulting from academic or applied research and development or the application of new technology.
- Commercialize these new products and services by supporting entrepreneurship.
- Promote additional new businesses resulting from the knowledge and expertise in the Center.
- Contribute to the growth of North Dakota's economy through innovation.
- Leverage resources through collaboration among state, private and federal resources.
- Bring the academic and/or service programs associated with the *Center* to a level of performance and productivity consistent with recognized national standards for that specific type of institution.

Funding

The initiative will provide up to $50 million of state resources, with $20 million during the 2005-07 biennium and legislative intent for $30 million in future bienniums, for *Centers of Excellence* located around the campuses of the North Dakota University System. These funds will be utilized over a number of years as *Centers* are developed and established. The dollars will be leveraged with private and federal matching funds generating a total investment in new jobs and businesses of more than $150 million.

Funding Criteria

In considering whether to approve or disapprove an application, the *Centers of Excellence* Commission shall consider whether the *Center* will:

- Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;
- Create high-value private sector employment opportunities in this state;
- Provide for public-private sector involvement and partnerships;
- Leverage other funding;

Funding Criteria continued...

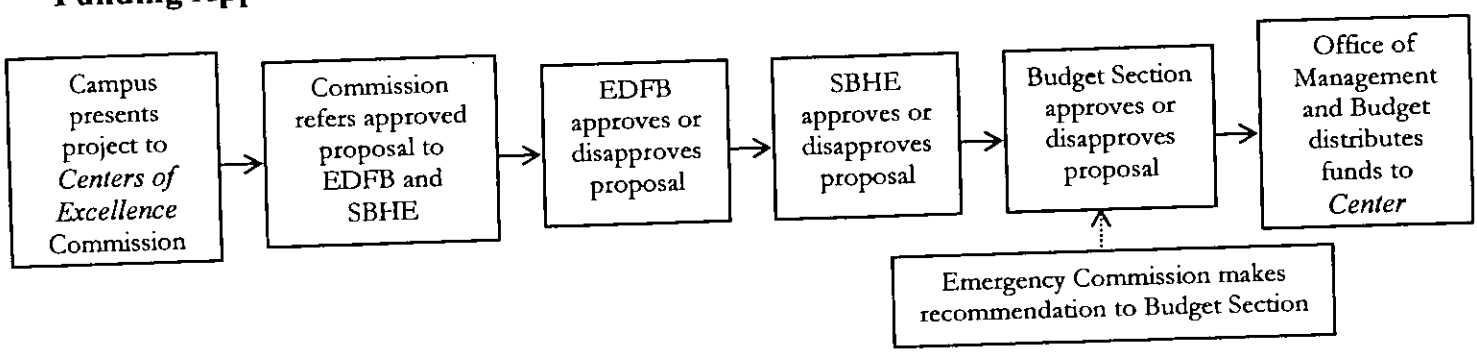
- Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
- Foster and practice entrepreneurship;
- Promote the commercialization of new products and services in industry clusters;
- Become financially self-sustaining; and
- Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.

A *Center* shall use funds awarded to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. A *Center* awarded funds may not use the funds to supplant funding for current operations or academic instructions or to pay indirect costs.

Before a *Center* is able to receive funds the *Center* shall provide the *Centers of Excellence* Commission with detailed documentation of private sector participation and the availability of two dollars matching funds for each dollar of state funds. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities and may consist of a combination of cash and in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities.

In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector. A *Center* that receives funds during a biennium is not able to receive additional funds until the following biennium.

Funding Approval Process



- Campuses may submit proposals to the *Centers of Excellence* Commission as provided in NDCC 15-69. This commission will be comprised of three members chosen by and from the State Board of Higher Education (SBHE) and three members chosen by and from the Economic Development Foundation Board (EDFB).
- The Commission will review each proposal and recommend whether it should be funded, not funded, or funded with certain conditions.
- Upon approval by the Commission, each proposal shall be referred to the Economic Development Foundation Board, the State Board for Higher Education and the Budget Section for their approval.
- Funds will be provided by the Office of Management and Budget borrowing up to $15 million from the Bank of North Dakota at the direction of the *Centers of Excellence* Commission. The loans and accrued interest will be repaid from funds transferred from the permanent oil tax trust fund. If necessary, an additional $5 million may be borrowed from the Bank of North Dakota by receiving Emergency Commission and Budget Section approval.

Centers of Excellence Summaries
2005-07 Biennium

First Round Awards
October 2005

Bismarck State College – National Energy Center of Excellence

Amount Received: $3,000,000
Amount of Match: Up to $12,232,000
Private Sector Partners: Great River Energy, Basin Electric, Reliant Energy, MDU, North American Coal, Westmoreland Coal, Minnesota Power/BNI Coal
Job Creation: Energy industry anticipates 3350 new construction jobs and 973 new technician jobs will be created as a result of new plants being constructed.
Summary: BSC through the BSC Foundation requested money to construct an Energy Technology Center of Excellence. The world-class facility will combine energy workforce training with environmental research while advancing the use of coal combustion products.

NDSU – Advanced Electronics Design and Manufacturing

Amount Received: $3,000,000
Amount of Match: Up to $9,550,000
Private Sector Partners: Crane Wireless Monitoring Solutions, Alien Technology Corporation, Clinical Supplies Management Inc. *other companies submitted letters of support:* Apparea Systems, Imation, Pedigree Technologies, Phoenix International, Killdeer Mountain Manufacturing, Pemstar Turtle Mountain
Job Creation: Upon successful outcome of research possible results include:

- AmeriPride increase of $3.6 million in product sales & 15 new high tech jobs plus 25 additional production jobs
- Clinical Supplies Management increase of up to $1 million in sales & 7 to 10 new jobs
- Pedigree Technologies potential for an additional $25-50 million in sales realized within 5 to 7 years with possible 400 new jobs.

Summary: When funded, the Center will start research on highly-marketable products identified by two of NDSU's established private sector partners: Radio Frequency Identification (RFID) sensor tags for the cold-chain shipments market (Alien Technology), and advanced sensors utilizing a new global wireless standard (Crane Aerospace and Electronics). A third project with Clinical Services Management utilizing RFID technology will also begin. Products from these projects can be made in ND's highly-capable electronics manufacturing companies, such as Killdeer Mountain Manufacturing, Pemstar Turtle Mountain, and Phoenix International.

UND Energy and Environmental Research Center – National Center for Hydrogen Technology

Amount Received: $2,500,000
Amount of Match: Over $23.4 million in hydrogen contracts in place (as of December, 2006)
Private Sector Partners: ePower, Kraus Global Inc., Basin Electric Power Cooperative, Phoenix Industries
Job Creation: 100
Summary: The 15,000-square-foot facility will allow the EERC to capitalize on the tremendous growth in hydrogen-related projects at the EERC. The facility will significantly enhance the strategic research, development, testing, and commercialization of hydrogen and fuel cell technologies and result in 50 to 100 new, high-paying private sector equivalent jobs at the EERC. An additional 50 to 100 new private sector jobs in the greater Grand Forks region will also evolve as these projects progress.

Lake Region State College – Technology Optimized Research
Amount Received: $450,000
Amount of Match: Up to $1,319,650
Private Sector Partners: Agri ImaGIS, Total-Crop Farming Systems, Summers Manufacturing
Job Creation: Jobs will be created at three different levels of activity: product development work at the technology companies participating in the center; testing and evaluation work carried out at the farm and experiment station sites; and expanded manufacturing jobs in Devils Lake resulting from new product enhancements.
Summary: The vision is "to become the premier center for technological applications in North American agriculture" while fulfilling its mission to birth technology-optimized products which increase net margins of North Dakota's farmer/ranchers, respond to the need for technological inputs which preserve fragile eco-systems, and create an entrepreneurial platform.

Second Round Awards
January 2006

North Dakota State University - Agbiotechnology: Oilseed Development
Amount Received: $2,000,000
Amount of Match: $10,750,000
Private Sector Partners: Monsanto, Archers Daniel Midland, and Dakota Skies Biodiesel
Job Creation Projection: Potential to create 2,472 direct and indirect jobs based on economic impact analysis.
Summary: The Agbiotechnology Center will make available conventional and/or deregulated biotechnology lines of soybeans and canola with unique oilseed traits that have potential as biofuels, specialty lubricants and health care products. The Center will develop and evaluate these lines for their use in biodiesel and special oils, conduct marketing, and new product strategies. Lines with commercial value will be released through suitable channels.

North Dakota State University - Surface Protection
Amount Received: $2,000,000
Amount of Match: $4,000,920
Private Sector Partners: Gremada Industries, Tecton, Marvin Windows & Doors, Gamry, and Akzo Nobel.
Job Creation Projection: approximately 40-45
Summary: The NDSU Center for Surface Protection will perform market-driven research and development of surface protecting coatings that will enhance the durability of manufactured products and address industrial problems for companies located in North Dakota and elsewhere.

University of North Dakota Research Foundation - Life Sciences and Advanced Technologies
Amount Approved: $3,500,000
Amount of Match: $10,000,000+
Private Sector Partners: Alion, Avianax, Agragen, BORDERS, Ideal Aerosmtih, Intraglobal Biologics, MC Strategies, Prologic, Cangene, Cirrus, SEI, ImClone
Job Creation Projection: 100-150
Summary: The Center of Excellence in Life Sciences and Advanced Technologies (COELSAT) will create new jobs through the commercialization of research innovations into high-value products that are developed and made in North Dakota. COELSAT, a 60,000 sq ft state-of-the-art secured facility, will reside on the 80 acre Research Enterprise and Commercialization Park (REAC) and will have 38,000 sq ft of laboratories and 22,000 sq ft of office space. At the end of 5 years, COELSAT/REAC will bring in over $50 million in combined funding and revenue with 80 percent of the jobs employed in new markets that will diversify and strengthen North Dakota's economy.

University of North Dakota - UAV and Simulation Applications

Amount Received: $1,000,000

Amount of Match: $4,200,000

Private Sector Partners: Lockheed Martin, Alion Science and Technology, Frasca International, and Cirrus Aircraft

Job Creation Projection: 15 private sector & 10 public sector

Summary: The Unmanned Aerial Vehicle (UAV) Center of Excellence will provide the conduit for private industry to bring new UAV and related business ventures to North Dakota. The UAV Center of Excellence will provide 1) human factors flight performance research on UAVs and simulation applications; 2) research and development of UAV payload sensors and ground-based cockpits; and 3) education and training development for the integration of UAVs into the civilian aviation industry.

Valley City State University - Institute for Customized Business Solutions

Amount Received: $1,000,000

Amount of Match: $4,919,046

Private Sector Partners: Eagle Creek Software Services, Eide Bailly Technology Consulting, GEM Car, MeritCare

Job Creation: 40 by June 2007, 80 by 2008, and 200 by 2010

Summary: The Institute for Customized Business Solutions (ICBS) is a public-private partnership that will co-develop new enterprise applications consulting jobs in North Dakota. The Enterprise Application Model (EAM) is a unique approach to high-end information technology services, jointly developed by a private company and VCSU. The ICBS will use the EAM to attract, grow, and create information technology businesses to meet spiraling national demand for high quality and reasonable cost in enterprise IT services.

Williston State College - Petroleum Safety and Technology Center

Amount Received: $400,000

Amount of Match: $1,343,198

Private Sector Partners: Amerada Hess, Halliburton Energy Services, Sanjel, S & S Chemical, Baker Oil Tools, Nabors Well Service, Penkota Wireline Services, Sun Well Service, Schlumberger, Nabors Drilling, Natco, Encore, Tioga Gas Plant, Basint Tubin' Testin', Bear Paw Energy, Double EE, Enbridge Pipelines, Key Energy, Red River Supply, and SK & S Oilfield Services.

Job Creation Projection: 400 jobs per year / 1,600 jobs by 2010

Summary: The Center will co-develop and apply new oilfield technologies to meet the critical workforce and technological needs of the Oil and Gas industry in the Williston Basin. A new training site will offer hands-on experience with an actual rig and Williston State College's Workforce Training Division will advance methods and educate individuals on the latest technology needed in the oilfield industry. The Petroleum Safety and Technology Center will enhance the region's quality of life by focusing on new technologies to create higher paying, skilled jobs.

Third Round Award
May 2006

Dickinson State University – Center for Entrepreneurship and Rural Revitalization – Institute for Technology and Business

Amount Approved: $1,150,000

Amount of Match: $2,981,442

Private Sector Partner: Killdeer Mountain Manufacturing

Job Creation Projection: Up to 120 jobs over five years.

Summary: The mission of the Center for Entrepreneurship and Rural Revitalization is to promote economic development through entrepreneurial strategies. The Institute for Technology and Business will support the Center's mission by focusing on the commercial application of technology to help technology-based businesses start or expand in rural North Dakota communities. The Institute will seek to identify new technology-related opportunities and will provide technical assistance to help businesses adapt and implement new technologies. The Institute will begin with a keystone project that will help an existing business, Killdeer Mountain Manufacturing, expand its high-tech aerospace manufacturing.

HB 1018 (1)
Sub com. Hearing 3/13/07

Testimony on Centers of Excellence
March 13, 2007
Senate Appropriations Subcommittee

Mark Nisbet – Chairman of the Centers of Excellence Commission

Mr. Chairman and members of the committee, my name is Mark Nisbet. I serve as chairman of the Centers of Excellence Commission and as part of the Economic Development Foundation. I'm also the principal manager for Xcel Energy in North Dakota.

The Centers of Excellence Commission provided recommendations to the interim Economic Development Committee last summer on possible improvements to the program. The committee adopted some of our recommendations in HB 1027. These include formalizing the role of the Department of Commerce and granting the Commission the ability to provide for independent, expert review of applications as needed.

Other provisions in this bill also strengthen the program by specifically listing post-award monitoring requirements in the statute. The Centers of Excellence Commission has, with the help of the Department of Commerce, already started the process of monitoring each of the eleven approved Centers. This monitoring consists of an in-depth annual report from each Center and quarterly updates on their progress.

HB 1027 also contains other changes that the Centers of Excellence Commission have specifically come out against. This includes creating three separate designations for Centers; commercialization, workforce, and infrastructure. These changes also limit the amount of funds that can go to workforce or infrastructure Centers to 10% each of the total amount appropriated during a biennium.

These changes severely limit the flexibility of the current program that I believe has lead to successful Centers across our state. Let me be clear, I do not think the Centers of Excellence is about funding normal, everyday workforce training. Nor is it about constructing buildings for the sake of just another building on campus. Centers of Excellence are about partnering our universities & colleges with the private sector to create jobs and grow our economy. In order to do this our universities & colleges need to be responsive to the needs of the private sector.

I ask for your continued support of the Centers of Excellence program. This program is starting to have an impact and with your help it will keep getting better.

Thank you for your time and attention. I would be happy to answer any questions.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 10, 2007, 8:30 A.M.
HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION
GREAT PLAINS ROOM
REPRESENTATIVE AL CARLSON, CHAIRMAN

SHANE GOETTLE – COMMISSIONER, ND DEPARTMENT OF COMMERCE

During the interim, the Department of Commerce, along with the University System, sponsored a joint study of Intellectual Property and Technology Commercialization. This study was conducted by the Research Triangle Institute out of North Carolina. One of the finds of the study was that North Dakota was one of only three states that did not have some type of science and technology office for economic development. The other two states were Montana and South Dakota. In response to this, we are moving forward with a focus on Innovation and Technology with dedicated resources.

We currently have two programs that fit into Innovation and Technology: a program called Innovate ND and the Centers of Excellence program. Innovate ND is an initiative designed to help entrepreneurs turn business ideas into functional business. It was kicked off in November, 2006 and so far nearly 40 people have signed up to participate. The Governor's recommended budget includes $100,000 in general fund appropriations to support this initiative and another $150,000 in special funds. A flyer is included that gives some details about this program. Please spread the word about this program to anyone you know that might have a business idea he or she would to take from concept to reality. Registration for this inaugural round runs through the end of this month.

The Department of Commerce is playing in integral role in the Centers of Excellence program. In this biennium, we provided the staff necessary to administer the program. The State of North Dakota has already invested $20 million in 11 new projects around the state and the Governor has proposed another $20 million for the upcoming biennium. I believe we ought to view the existing $20 million, and the potential additional $20 million, like an investment portfolio. With such a large investment, it is important that measures are put in place to make sure the funds are utilized correctly and that the results are maximized. With that in mind, the Centers of Excellence Commission has asked the Department of Commerce to assist them in the monitoring and follow-up of approved Centers. Our hope is that by assisting the Commission in this manner, we will not only assist in the monitoring, but will also be in a position to find additional linkages between the Centers and the private sector to encourage further economic growth. In order to do this, we have dedicated existing resources for this purpose. These resources are included in the proposed Innovation and Technology budget.

CONCLUDING REMARKS

Mr. Chairman and members of the committee, the Department of Commerce works to facilitate growth in businesses and jobs; provide resources to strengthen communities; and attract visitors to the state. We should all be proud of what our economy is producing:

- For 2005 North Dakota led the nation in per capita personal income growth. In fact we have moved from 84% of the national average in 2000 to about 91% in 2005. (Bureau of Economic Analysis)
- Since 2000, wages have grown 21% in North Dakota, compared to just 15% growth for the nation as a whole. (Job Service of ND and Bureau of Labor Statistics)
- North Dakota also gained more than 640 new businesses in 2005 alone, and more than 7,100 new jobs. (Job Service of ND)
- North Dakota's exports are increasing at 18 percent per year and have grown to $1.2 billion. (International Trade Administration)

We have made great strides in the past six years and there is still more work to do. Our vision for the future is to provide a better quality of life for everyone who chooses to call North Dakota their home.

With your help we are taking advantage of the opportunities before us to move North Dakota's economy forward and bring more opportunity to our citizens. We are seizing the opportunity to take our economic development efforts to a higher level. Our state is strong and with your help we will continue to make North Dakota an even better place to live, to work, to play, to be in business, and to raise a family.

Thank you for your time and attention this morning and I once again urge your support for HB 1018. I will be happy to respond to your questions.

innovate
north dakota

See reverse side for entry details.

NORTH DAKOTA
Governor's
innovation
forum

1018.1.10.07 I

What is the purpose of innovate North Dakota? The goal of **Innovate ND** is to launch new businesses within North Dakota.

ou have the opportunity to work with entrepreneur coaches and mentors. n addition to the possibility of winning seed capital, entrants also benefit from access to media attention and professional services as well as the ability to network with some of the state's premiere entrepreneur leaders and angel investors.

What are your benefits and expected outcomes? **Innovate ND** is a comprehensive program of entrepreneur education and follow-up assistance that incorporates the following components:

- Web-based entrepreneur and financial education
- Entrepreneur toolkit
- Innovative idea plan competition
- Consulting, coaching and entrepreneur assistance services

Who is eligible? **Innovate ND** is open to all North Dakotans, former North Dakotans or other entrepreneurs, including students, who have an innovative idea, product or business service and want to grow their venture in North Dakota. If you have been in business less than five years and have not reached $1 million in revenue in a year, you are also eligible.

What is your reward? The top winners in various categories will receive cash prizes and are eligible for the New Venture Capital Fund through the Bank of North Dakota. Throughout the process, valuable entrepreneurial advice from a panel of judges and financial education is available. In addition, award winners will receive substantial media exposure at the wards ceremony. Cash awards totaling $20,000 will be given in arious categories.

How will the competition be judged? Your venture will be judged on the following criteria:

- Innovation
- Commercial viability
- Investment opportunity
- Entrepreneur team
- Presentation quality

Judging will involve three rounds: the preliminary online executive summary round; the preliminary online feasibility plan judging, and the final judging and event. The top 20 advancing to the second round of judging will be required to submit electronic versions of their business plans. Participants will be selected to give oral presentations for the final judging round.

How will winners be recognized? The finalists will be honored in Spring 2007 at an event to introduce the award-winning ventures to the state.

How do you enter? Log on to www.innovatend.com and complete the online registration before Jan. 31, 2007. Registration includes a $100 sign-up fee that provides you with an entrepreneurial toolkit nd online education valued at $600. You will also need to include brief summary of your innovative idea. Entries may be submitted individually or as a group of up to four people and must be the original work of the entrants.

innovate north dakota

NORTH DAKOTA Governor's innovation forum

Our Mission:

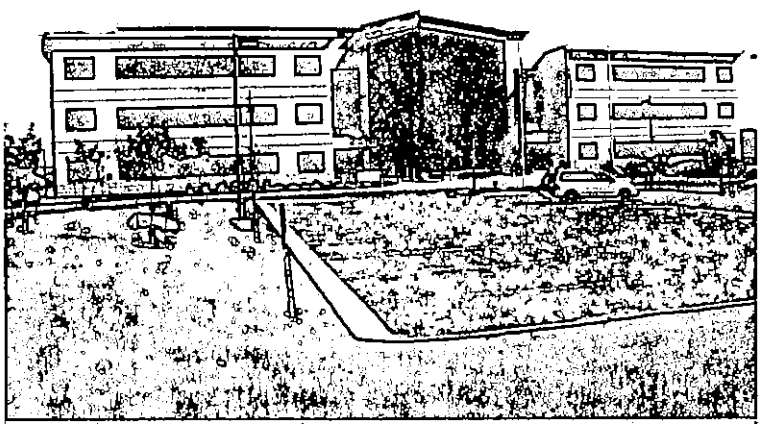
To identify, support, launch and promote North Dakota's newest and most innovative ventures and ideas through a comprehensive program that connects entrepreneurs with valuable educational and informational resources.

North Dakota

DEPARTMENT OF COMMERCE

2004-2006

BI-ANNUAL REPORT



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We lead North Dakota's efforts to attract, retain and expand wealth

Message from the Governor

North Dakota is Making Economic Progress

Six years ago, we set a course designed to expand our economy and create quality jobs for our people. Working with the legislature and others, we laid the foundation for economic growth through a strategic plan for aggressive economic development statewide.

Governor John Hoeven

We targeted five industry sectors — industries where North Dakota has natural advantages because of our resources and our citizens. These include value-added agriculture, energy, advanced manufacturing, technology and tourism.

We also added benchmarks — concrete measures to assess our progress. We're working to build the strongest possible business climate. Together, we've simplified our tax code, reduced regulatory red tape, and made it as easy as possible for businesses to start-up, expand and grow in North Dakota.

These measures are working. In 2005 alone, we gained more than 640 new businesses, and more than 7,000 new jobs. In fact, we're growing faster than the national average. North Dakota's gross state product grew at a rate of 5.3 percent in 2005, the highest rate in our region.

North Dakota's per capita personal income grew 9 percent between 2004 and 2006.

In 2004, Moody's Investment Services raised the state's credit rating, and last year, Standard & Poor's followed suit, reflecting our growing financial strength.

These, and other indicators of North Dakota's economic progress, demonstrate that our approach to economic development is working. We have exciting plans and initiatives in place to continue this progress so together we will build a brighter future for ourselves and our children.

Benchmarks for Growth (2004-2006)

- 12,350 new jobs (net).
- 1,264 new private sector businesses.
- Exports increased 18 percent in 2004 and 17.6 percent in 2005.
- Per capita personal income increased 9 percent.

Commerce Department Spearheading State's Community and Economic Development

North Dakota's economy is growing at a strong and steady pace. People and communities throughout our state are seeing new construction, low unemployment, increasing wages and strong demand for housing. This is an exciting time for North Dakota!

Commissioner Shane Goettle

At Commerce, we believe our mission is to lead North Dakota's efforts to attract, retain and expand wealth. Ultimately our work is focused on improving the quality of life for North Dakota people.

During the last two years, each of the four divisions in Commerce has contributed significantly to this mission.

- Tourism is blazing new trails with the "Legendary" brand, which has helped tourism maintain its status as the state's second-largest industry. Tourism generates approximately $3.4 billion in economic activity annually.
- Community Services leads the state's efforts to build, maintain and resurrect community infrastructure including some vital services to many of our most needy people. During the past two years, this division has directed millions of grant dollars into our communities to improve the quality of life for hundreds of thousands of people.
- The Division of Workforce Development is spearheading efforts to address the top concern of North Dakota business people today: attracting and retaining workers and our state's youth.
- The Division of Economic Development and Finance is working in partnership with businesses and local developers to grow North Dakota's five target industries. ED&F is focusing additional resources on the energy and value-added agriculture industries and hired a business developer with special expertise in value-added agriculture.

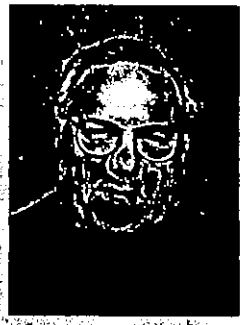
Commerce also works closely with a number of partner programs that extend our reach into local communities throughout the state. Our partners include Community Action Agencies, Regional Councils, the Center for Technology and Business, the Rural Development Council, Dakota Manufacturing Extension Partnership, North Dakota Trade Office, Small Business Development Centers and the American Indian Business Development Office. Through these programs Commerce is able to provide very specific, personalized services to

Commerce Division Directors

Paul Govig
Community
Services Director

Sara Otte Coleman
Tourism Director

Paul Lucy
ED&F Director



Jim Hirsch
Workforce
Development Director

In 2001, Governor Hoeven and the state legislature created the North Dakota Department of Commerce by bringing together four state entities under one umbrella. Commerce is charged with leading North Dakota's efforts to attract, retain and expand wealth in the state. Benchmarks for measuring the success of the state's economic development efforts have been established and are included as an appendix to this report.

individuals living throughout North Dakota.

We are constantly seeking ways to more effectively achieve our mission. In the last year we launched several new initiatives, for example:

■ *Experience North Dakota* is a new workforce recruitment effort aimed at attracting former North Dakotans to fill openings in our state's growing companies. We held our first event in November in St. Paul and the feedback was very positive. We will host another Experience North Dakota event this spring.

■ *Innovate ND* is a new program Commerce launched this fall in partnership with the Governor's office, the UND Center for Innovation and the NDSU Research and Technology Park. The program aims to grow North Dakota from within by providing intensive assistance to entrepreneurs. Participants will access a six-month venture building process that includes online entrepreneur education, business planning tools, and coaching and mentoring from proven business owners. A panel of private investors will review each business idea, provide feedback, and select winners to receive a wide variety of business services and potential seed capital investments to launch their businesses.

The results of Commerce programs are outlined in more detail throughout this report. Because Commerce is a collection point for a wide variety of programs, the best way to describe our results is through success stories. We hope you enjoy reading more about efforts under way at Commerce to attract, retain and expand wealth in this state in order to improve the quality of life for North Dakota people.

Ambassadors Open Business in Bismarck

In May 2003, Evan and Ganya Anderson attended a North Dakota business gathering in Denver and first began thinking about moving back to North Dakota.

Today, the couple is operating two businesses in Bismarck and couldn't be happier about the decision.

In the spring of 2006, Evan officially opened the doors at his new company, Widget Works (www.widgetworksllc.com), a design, prototype and manufacturing company specializing in one-off prototypes. Ganya is a Six Sigma business consultant with corporate clients located throughout the country. Her consulting practice, Proactive Business Solutions, is located with Widget Works.

"We had thought about moving back conceptually for a couple of years to be closer to our families," Ganya said, "but after that first North Dakota business event we attended, we were strongly reminded of just how good-hearted, welcoming and warm the people of North Dakota are."

Ganya's practice has never been busier, and Evan has created two full-time jobs and a part-time internship through his business. Both participate in North Dakota's nationally recognized Ambassador program.

Ambassador Program Getting Results

- *Business Facilities* magazine named it 2005 Program of the Year.
- Since the program began in 2001, 1,200 people nationwide spanning 26 states and six countries have signed up to be North Dakota Ambassadors.
- Businesses created as a result of the Ambassador program generated $3.8 million in personal income in 2005 and are projected to infuse the state with $4.3 million in state tax revenues over a three-year period.

Evan Anderson, right, moved back to Bismarck from Denver to start Widget Works.

Helping Businesses Expand in Rural North Dakota

Dave and Charissa Rubey, who reside near Cayuga, N.D., are living a rural dream through their business, Dakota Micro, Inc.

The husband-and-wife team manufactures and markets AgCam systems, which are miniature camera systems designed to give equipment operators a "rear view" without physically turning and looking behind them.

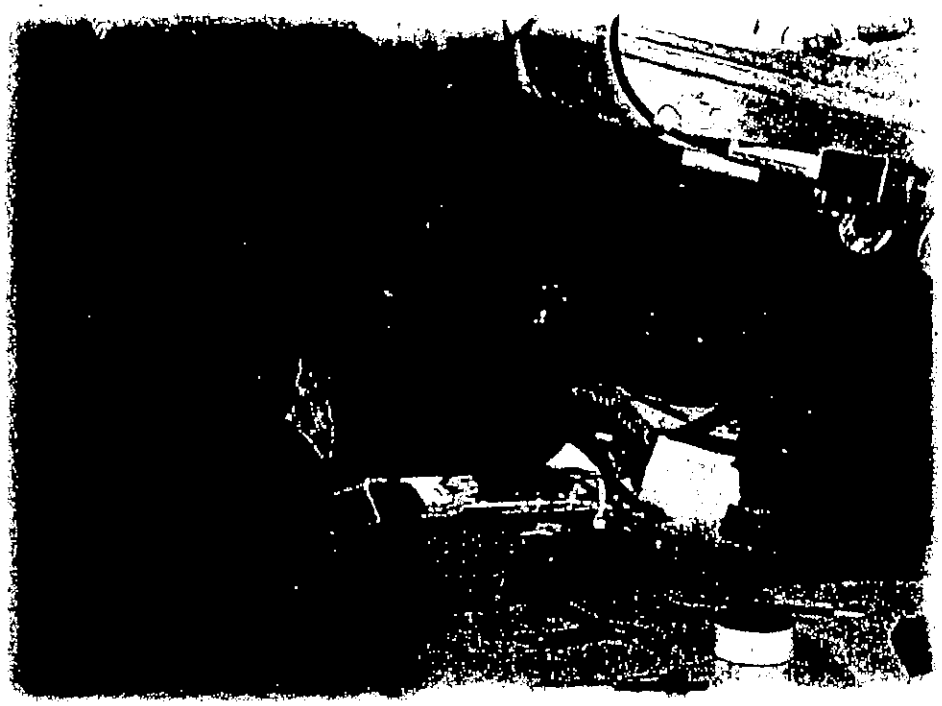
The company employs 13 people, and works with 20 distributors and 600 dealers in the United States and Canada.

In 2005, Dakota Micro had outgrown its facility and made plans for a 7,200-square-foot expansion. The Rubeys approached the North Dakota Development Fund to access Rural Development Loan fund available for primary sector businesses located in communities of 8,000 people or less.

The Development Fund provided a $50,000 loan for the expansion project.

Development Fund Getting Results

- The program has funded 100 projects totaling nearly $13 million in 2004-2006.
- Since its inception in 1991, the Development Fund has invested in 283 primary sector businesses.
- Every dollar invested from the Development Fund has leveraged $3.53 in funding from other public and private sources.



Manufacturing company Dakota Micro Inc. employs 13 people in rural North Dakota.

North Dakota DEPARTMENT OF COMMERCE

Expanding Health Care in Rolette County

The Rolette County Public Health District was established in 2001 with only one nurse working in a 500-square-foot apartment and offering very limited services.

Today, thanks in part to a grant from the North Central Planning Council made possible through the Community Development Block Grant program, the Rolette County Public Health District purchased and renovated a larger facility and has a staff of 11 who offer a comprehensive set of health programs.

CDBG Program Getting Results

- Within the past two years, 160 grants have been awarded totaling $18,805,084.
- Nearly $11 million was allocated to economic development projects.
- $6.5 million was awarded to public facility projects.
- $1.3 million was awarded for housing projects.
- Grant dollars are projected to create approximately 1,510 jobs.
- Public facility projects are expected to impact 71,000 people.
- 429 households were assisted with housing grants.
- CDBG funds leveraged an additional $185 million in matching dollars.

Community Development Block Grants helped support expanded healthcare facilities and services in Rolette County.

Providing Hope in the Midst of Despair

After sleeping under a bridge for two nights, a single mother and her 11-month-old baby were homeless, sick and hungry.

They came to a regional Community Action Agency where a self-reliance case manager immediately got them food and diapers.

During that first day, the agency staff coordinated food, shelter, clothing, medication and a doctor's appointment for the baby.

Community Services Block Grant funds provided the family with food and personal necessities, medication, the security deposit for an apartment, taxi vouchers, clothing and furniture. The mother has since maintained a safe and stable housing environment for herself and her child.

CSBG Program Getting Results

- CSBG has helped more than 17,200 individuals from 12,400 low-income families address a wide variety of poverty-related issues in 2005.
- Between the fourth quarter of 2004 and the third quarter of 2006, $6.9 million in CSBG funds was allocated through seven community action agencies serving all 53 North Dakota counties.

Griffin-Eckart recognized for work with CSBG program

Since 1981, the Community Service Block Grant program has helped thousands of North Dakota people fight poverty and address low-income needs, as has its program director, Carol Griffin-Eckart.

In 2006, Carol was recognized nationally with an award from the National Association for State Community Services Programs.

Addressing Demands for Affordable Housing

Several low-to-moderate income Dickinson families have an apartment to rent thanks in part to the North Dakota HOME program. Prairie Avenue Townhomes in Dickinson is a newer facility with 24 living units of varying sizes.

North Dakota HOME provided $255,000 in funding for this housing project. Four apartments are accessible or adaptable to physically challenged people, addressing a need that was identified in the state housing plan.

HOME Program Getting Results

- In the past two years, the North Dakota HOME program has provided approximately $6 million for home and rental acquisition, rehabilitation and construction.
- Nearly 590 separate living units (single family homes or apartments) were given funding through the HOME program from August 2004 through October 2006.

Affordable town homes in Dickinson made possible by funds from the HOME Program.

Downtown Fargo Gets New Life from Renaissance Zone

The face of downtown Fargo is seeing remarkable change due in part to it being designated a Renaissance Zone.

This incentive program has encouraged reinvestment and redevelopment of downtown property on a scale not seen in decades.

The programs are providing incentives to investors to find new uses for existing buildings, to attract new businesses to downtown and to increase housing in the downtown area.

In October 2006, Fargo received an award for its Renaissance Zone from the International Downtown Association.

The HoDo in downtown Fargo is one of the many new restaurants, cafes, shops and businesses triggered by Fargo's award-winning Renaissance Zone project.

Renaissance Zones Getting Results

North Dakota currently has 29 Renaissance Zones. From Oct. 1, 2005 through July 31, 2006, 108 new projects were approved and 47 projects were completed. Those 47 projects accrued a host of accomplishments including:

- 18 new businesses
- 22 business expansions
- 62 new jobs
- 14 new rental units constructed
- 19 rental units rehabilitated
- 10 existing commercial buildings purchased
- 25 new single family homes constructed
- 28 new residents in the state

Food, Shelter and Steps Toward Independence

On any given night in North Dakota more than 700 people are homeless.

Ruth Meiers Hospitality House, Inc. in Bismarck is one of 28 homeless shelters that provide emergency housing and support services, helping thousands of homeless and low-income North Dakotans address basic needs for food and shelter and take steps toward self-sufficiency.

Ruth Meiers operates an emergency homeless shelter for men, Joanne's Healthcare Clinic and a Stone Soup kitchen that serves a hot meal every weekday at noon.

Ruth Meiers also manages the Baby Things Boutique, operates a food pantry, provides adult education programs and runs the New Beginnings Transitional Housing.

Partial funding for Ruth Meiers' services comes from Emergency Shelter grants and Shelter Plus Care programs in the Division of Community Services.

Emergency Services Getting Results

- The program awarded more than $550,000 in Emergency Shelter grants to more than 25 homeless shelters during 2004 and 2005.
- The program provided more than $400,000 from the Shelter Plus Care program for housing assistance grants to more than 40 families with disabilities for 2004 and 2005. These grants are matched with support services and case management to help people become self-sufficient.

Volunteers at the Stone Soup Kitchen help provide hot meals to homeless people in Bismarck every day as part of the Ruth Meiers Hospitality House.

GoE Promotes Ethanol Use

North Dakotans are better educated about ethanol thanks to the dynamic "GoE" campaign, now in its third year.

The goal of the campaign was to increase the percent of ethanol-blended motor fuel sold in the state from under 30 percent to over 50 percent. In the past 12 months, the average percent of ethanol-blended fuel sold has been 47 percent and the high use recorded was 50 percent.

As part of the campaign, three energetic college students, the "GoE Guys," participated in community events and parades across the state during the summers of 2005-2006 to promote the use of ethanol.

The GoE program is one of a wide range of state and federal programs the Office of Renewable Energy and Energy Efficiency manages.

Renewable Energy and Energy Efficiency Getting Results

- During the past two years, the State Energy Program (SEP) received $567,000 from the U.S. Department of Energy, matched with $113,400 in state funds. The funds support over 40 energy conservation and renewable energy activities statewide.
- The Low Income Weatherization Assistance program increases the energy efficiency of housing for low-income people, serving approximately 1,200 dwellings annually and saving people an average of 25 percent on their home heating bills.

The "GoE Guys" promote ethanol use as part of a statewide "GoE" campaign.

North Dakota DEPARTMENT OF COMMERCE

Attracting North Dakotans Home for Good Jobs

With an unemployment rate hovering at 2 percent in North Dakota's larger cities, bringing back qualified people for quality jobs in growing North Dakota companies is a top priority.

Commerce coordinated and hosted the first "Experience North Dakota" event in November 2006 in St. Paul, Minn., in an effort to draw a talented workforce back to the state.

Private businesses, economic development professionals, and communities partnered with Commerce to showcase the state and high-level job opportunities.

Experience North Dakota Getting Results

- 439 people attended the first Experience North Dakota event held in St. Paul.
- 100 percent of the companies and organizations hosting booths at the job fair said they would partner with Commerce on similar events in the future.

More than 400 people participated in the event and many employers walked away with dozens of potential candidates for available jobs.

A large majority of attendees at Experience ND were young families who were looking for excellent jobs so they could return home to North Dakota.

Increased Funding Blazes New Trails for Tourism

North Dakota's legendary scenery, activities and culture continued to draw visitors to the state in record numbers during 2004-2006.

The "Legendary" brand has helped tourism maintain its status as the state's second-largest industry, with approximately $3.4 billion spent by visitors annually.

The Lewis and Clark Bicentennial celebration was a major draw for the state, boosting visitors along the trail, as well as statewide. Approximately 3.9 million visitors stopped at Lewis and Clark events and sites through the end of the bicentennial.

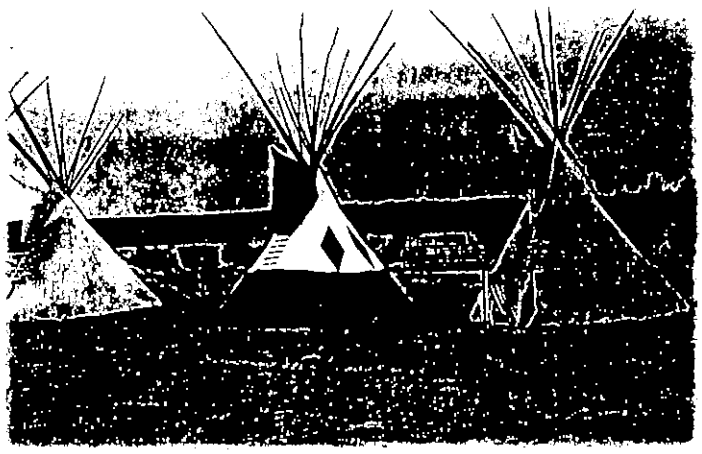
The additional money appropriated for Lewis and Clark not only funded new programs such as hospitality training and new infrastructure like improved signage, but the funds also enabled the Tourism Division to triple its annual advertising budget for marketing North Dakota.

Public relations efforts gained attention for North Dakota in publications such as *USA Today, Arizona Daily Star, Chicago Tribune, Reader's Digest, SHAPE magazine* and *Golf Digest*, to name a few.

New marketing strategies that focus on attracting outdoor adventure seekers and group travelers continue to show results in niches such as bikers: both motorized and non-motorized. The results are good for North Dakota, providing new dollars, new attractions and new awareness.

Tourism Getting Results

- During 2004-2005, the Tourism Division spent $2,358,050 on advertising in the United States and Canada.
- In 2004, every dollar invested by the state on tourism advertising returned $55 in visitor spending.
- In 2005, every $1 invested in advertising returned $81 in visitor spending.
- The combined campaigns alone generated nearly 1.2 million new trips to North Dakota, more than double our state's population.
- Dagbladet, Norway's largest daily newspaper, rated North Dakota as a Top five destination in the U.S.



Tipis on display at the Lewis and Clark Bicentennial National Signature Event at New Town.

ED&F Partners with Locals to Develop New Businesses

In February 2005 the Division of Economic Development and Finance submitted a Request for Proposal (RFP) to economic development organizations and communities statewide. A Canadian metal fabrication company had decided to expand into the United States.

Sixteen communities responded to the RFP and ED&F personnel facilitated eight initial community visits and three follow-up visits. Champ Industries selected Jamestown as its first U.S. location earlier this year. The company manufactures bus frames at its 9,000 square-foot Jamestown facility.

From beginning steps to end, only nine-months passed from the RFP phase to full production.

ED&F Getting Results

- ED&F generated 41 new business leads in 2004-2005.
- Nearly 30 companies conducted site visits in North Dakota in 2004-2005.
- ED&F has played a part in the location or announcement of 11 new companies in North Dakota since July 2005.
- 78 percent of local economic development organizations participated in the state marketing strategy in 2005.

"We are pleased to have our first location in the United Sates be in neighboring North Dakota, and Jamestown is the right community for our company," said Lise Baker, general manager for Champ Industries. "The community has worked hard to meet our business needs, and we look forward to a long-term relationship."

The company currently has 11 employees and expects to grow to 40 employees in five years. When operating at full capacity, the company will run five days a week and 16 hours per day. Champ has already rented its second space to handle overflow welding jobs.

Employees at Champ Industries in Jamestown.

Partners on the project include: Champ Industries, Jamestown Stutsman Development Corporation, North Dakota Department of Commerce, and Job Service North Dakota.

"Champ Industries shows commitment to Jamestown and Stutsman County as it grows," said Christina Wiederrich of the Jamestown Stutsman Development Corporation. "The employees and owners of the business show valued community support and loyalty. They have shown business and industry the meaning of community pride."

Workforce Development

Developing a Talent Force for the Future

North Dakota is facing a wide variety of workforce challenges. Retirement is one of them.

Currently, 40 to 50 percent of the workforce in many industries will be eligible to retire in the next three to 10 years. Some sectors of the business community face labor shortages for people with specific skills.

The Workforce Development Division is concentrating on expanding, attracting and retaining workers in North Dakota and in the last year developed a new "Talent Initiative" strategy.

Talent Initiative Goals

- Increase the quantity and quality of North Dakota's workforce.
- Transition from a workforce to a talent force through a workforce improvement focus.
- Reduce unemployment to the state average in counties and areas of the state with rates much higher than the state's average.

It calls for improving the quality and quantity of training and education programs so North Dakota can gain the skills needed to fill available job opportunities. Marketing North Dakota as a great place to live, work, play and do business will also help bring back native North Dakotans and non-natives who want good jobs and an excellent quality of life.

AmeriCorps

Domestic Peace Corps for North Dakota

With North Dakota school districts facing cuts in funding at a time when "No Child Left Behind" is increasing expectations for student performance, AmeriCorps volunteers in Grand Forks, Fargo, Cooperstown, Jamestown and Bismarck are providing much-needed tutoring services to students in their communities.

The results are showing that these services are making a difference in student's self-esteem and grades. Many of the students receiving these services are markedly increasing their testing scores and a number of students are receiving scores noticeably above those not receiving the services. These services are so well received by one project that The Fargo-Moorhead Family YMCA went from eight members to 29 members who can provide these services.

AmeriCorps Getting Results

- Dozens of North Dakotan's throughout the state are involved in the AmeriCorps of North Dakota and are helping to address critical community needs in education, public safety, health and the environment.
- Currently there are 122 AmeriCorps positions within six communities with $500,000 funding available.

North Dakota DEPARTMENT OF COMMERCE

Advancing North Dakota's Ag-Based Businesses

Earth Harvest Mills, also known as Dakota Prairie Organic, is a North Dakota agri-business success story. The company produces more than 25 different milled organic flour products made from wheat, spelt, rye and many other grains. The Harvey-based business began commercial production in 2004, and today is selling products throughout the nation. A majority of the grains come from North Dakota farmers, with the exception of a few specialty varieties. APUC has provided more than $50,000 in the last two years to help this North Dakota agri-business market product and expand operations.

The North Dakota State University Department of Agribusiness and Applied Economics was hired in July 2006 to evaluate APUC's success in attaining its goals. Between 1995-2004, APUC awarded $9.3 million to 396 projects, including $751,769 in federal funds which were USDA Rural Business and Enterprise grants.

APUC Getting Results

- Between 1995-2004, APUC awarded $9.3 million to 396 projects.
- APUC supported nine ag processing projects supported from 1995-2004, which are expected to:
  - Contribute more than $157 million annually to the state economy.
  - Support nearly 2,300 new jobs.
  - Result in $2.4 million in added state sales and use and personal income tax revenues annually.

The study found that the larger and more successful projects assisted by APUC have made substantial economic contributions. For example, nine ag processing projects supported by APUC from 1995-2004 (when fully operational) are estimated to contribute more than $157 million annually to the state economy. They will support nearly 2,300 new jobs and are estimated to result in $2.4 million in added state sales and use and personal income tax revenues annually.

Several of the APUC-funded projects contacted during the study had been discontinued or deemed not commercially viable. While disappointing to the proponents of these projects, the APUC findings may well have saved potential investors from substantial losses.

APUC provides funds to help launch ag-related businesses like Earth Harvest Mills, which produces 25 different milled organic flours that can be used in a wide variety of products.

Rural Development Council Addresses Small-Town Needs

Rugby is one of an increasing number of small North Dakota communities that is growing in every direction.

As a result, senior citizens, young families, as well as baby boomers, are challenged with finding suitable housing options.

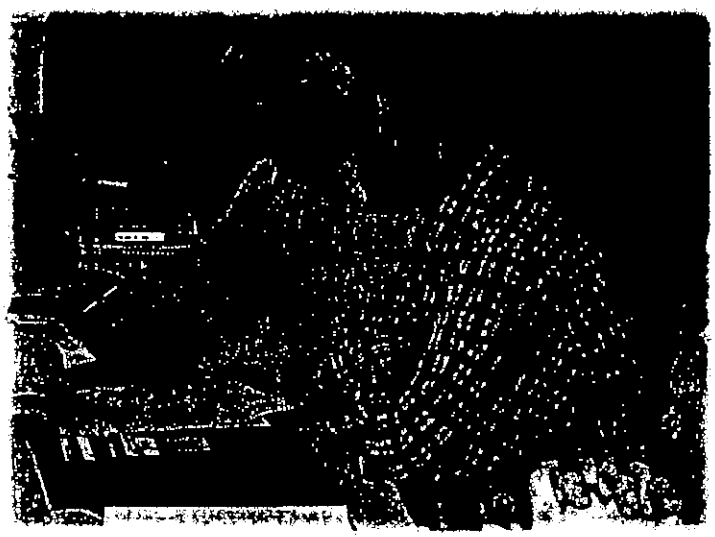
The North Dakota Rural Development Council helped Rugby leaders develop innovative and cost-effective strategies for overcoming housing shortages by conducting targeted research about the retirement plans of area residents.

They surveyed nearly 600 residents using an innovative palm surveying tool. Results revealed that 65 percent of residents were currently retired or would retire within 12 years, and 37 percent would most likely retire away from Rugby. The survey results foreshadowed a critical exodus of senior citizens from Rugby who might stay if senior housing was available.

RDC Getting Results

- Rural communities assisted: 37
- Federal and state agencies supported: 70
- North Dakota residents assisted: 1255

These findings paved the way for planning a new senior cottage complex that will move seniors citizens into smaller, low maintenance homes, making existing homes available to younger families as more jobs are created. The initial survey results are being used to analyze the community's needs as economic development efforts continue to pay off.



The Rural Development Council uses an innovative palm surveying device to assess the needs of people in small North Dakota communities.

Improving High-Tech Skills in Rural Areas

Since 1999, the Center for Technology and Business has been working to fulfill the dreams of North Dakota farm wives seeking opportunities to work from home and eliminate the stress and expense of lengthy commutes to larger cities for employment.

In preparation for future telecommuting opportunities, the Center for Technology and Business has trained more than 17,000 adults in rural North Dakota with simplified computer learning courses. This training paved the way for the Verety (SEI) Work@Home Pilot Project.

Verety looked to communities where a significant number of adults had completed the computer training courses and held the skills necessary to fill their jobs.

CTB Results

- People served: 3,314
- Jobs created: 148
- Increased rural workforce: 372
- Jobs retained: 311

Prior to the Verety project in late 2005, rural North Dakotans had very few home-based business opportunities. Now, just 18 months later, Verety employs more than 115 North Dakotans in 26 communities.

Fessenden, Wishek, Steele, and Rugby host storefront training and hub centers. These jobs have increased rural payrolls by $1.2 million, which helps support the overall rural economy.

Verety provides jobs that allow rural North Dakotans to work at home using the telephone and innoative computer technology.

Growing Manufacturing in North Dakota

In 1999, Gates Manufacturing was recognized as the "Small Business Exporter of the Year" and the "North Dakota Global Enterprise of the Year."

However, as the company grew, problems of lead time, cost estimating and plant layout also grew. Gates Manufacturing contracted with Dakota MEP to help implement "lean manufacturing" principles.

Dakota MEP involved all employees in the improvement process. Production meetings, previously held once a week, were changed to take place daily for 10 minutes.

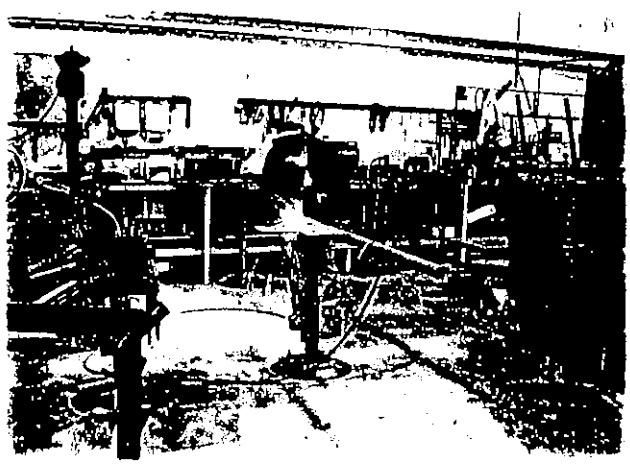
An erasable display board was erected to post production schedules for everyone to see. Dakota MEP completed method studies to determine how the number of steps an employee took between machines and supplies factored into material and time costs.

Simply moving equipment in line with the product flow reduced the number of steps each employee took by the equivalent of 30 hours per week and $70,000 a year. An employee was charged with equipment maintenance to help Gates stay ahead of repairs and make equipment last longer.

Dakota MEP Getting Results

- ☐ North Dakota was one of only three states to show growth in manufacturing between 2000 and 2005.
- ☐ North Dakota manufacturers have added 2,050 new jobs since 2000.
- ☐ Between July 2004 and June 2006, the Dakota MEP working with the North Dakota Small Business Development Center has served 2,705 North Dakota clients.
- ☐ These companies have realized the following new and retained sales of $69.1 million.
  - Cost savings of $4.5 million
  - New or retained jobs of 916
  - Investments in modernization of $48.4 million

As a result of these and other changes, Gates Manufacturing increased sales by 7.7 percent from December 2004 to 2005 and increased net income by 77 percent.



The Dakota Manufacturing Extension Partnership helped Gates Manufacturing implement lean manufacturing principles that increased net income by 77 percent.

Partner Programs: SBDC

Helping New Businesses Get Rolling

Former teacher Shelley Mansavage of Jamestown had been thinking about opening an educational supply store for five years. The Jamestown Small Business Development Center helped Mansavage develop a business plan and, through workshops geared toward training entrepreneurs and small business owners, gave Mansavage the skills she needed to be successful.

Today, she owns and operates the Education Station, an education supply store in Jamestown that also operates on the Internet. "My business would never have become a reality without the help of Jim Lees and the Jamestown SBDC," Mansavage said.

SBDC Getting Results

SBDCs have achieved to following:

- For every state dollar invested: $303.06.
- ND tax dollars generated for every dollar invested: $40.06.
- 1,962 clients served.
- 14,562 counseling hours provided.
- 214 businesses started.
- 159 businesses expanded.
- 77 businesses purchased.

Partner Programs: NDAIBDO

American Indian Business Office Provides Hands-on Service

In June 2006, Commerce launched the North Dakota American Indian Business Development Office. The office was created by the 2005 Legislature in an effort to help American Indian businesses leverage government procurement opportunities, access state and federal resources and facilitate partnerships between Indian and non-Indian businesses.

The American Indian Business Development Office provides a wide variety of hands-on confidential services, such as feasibility studies, business and marketing plans, record keeping, pre-venture planning, personnel issues, general management and strategic planning. The office also provides free one-on-one government procurement assistance that prepares businesses to sell services to the government.

NDAIBDO Getting Results

- The office established three local offices to provide in-person service to clients in New Town serving the Three Affiliated Tribes; Belcourt serving the Turtle Mountain Indian Reservatio; and in Fort Yates serving the Standing Rock Indian Reservation.
- The office gained approval to coordinate the Trickle Up Program on a statewide basis. Trickle Up is a private, philanthropic grant program aimed at helping needy entrepreneurs.
- The office secured 69 clients throughout North Dakota, primarily on reservations.

Trade Office Boosts Exports by $42 million in 2006

Mid-America Aviation in West Fargo recently announced plans to more than double the size of its current facility in order to handle increasing shipments of aircraft parts in need of service and repair.

Tom Kenville of Mid-America Aviation

The move was driven in part by international business that Mid-America Aviation found with the help of the North Dakota Trade Office.

During a trade mission to Taiwan in June 2006, owner Tom Kenville secured a contract to rebuild gear boxes for Taiwan's military helicopters. The deal is worth between $1 million and $3 million in the first year.

Mid-America may have to hire as many as 15 skilled workers to handle the increased workload.

About one of every six manufacturing workers in North Dakota depends on exports for their jobs, the U.S. Census Bureau reports.

North Dakota exported to 127 foreign destinations in 2005. The state's largest market last year was by far NAFTA member Canada, which received exports of $538 million (45 percent) of North Dakota's total exports that year.

NDTO Getting Results

- Officials from 25 companies that have worked with the Trade Office for at least one year report increased annual export sales of 35 percent.
- North Dakota companies are increasing annual export sales by 18 percent, compared to a national average of 11 percent. (Source: U.S. Department of Commerce)
- The Trade Office has worked to increase exports among its members by nearly $42 million in 2006 compared to 2005, generating $1.8 million in new tax revenue.
- In 2005 North Dakota exports of manufactured or processed goods totaled nearly $1.2 billion, an 18 percent increase from 2004.
- Exports during the first six months of 2006 are outpacing those of the same period in 2005 by 29 percent. (Source: U.S. Department of Commerce)

Five years ago, Fargo-based Amity Technology wouldn't have passed a business viability test, Amity Vice President Brian Dahl said. The domestic market had dried up. Only 36 beet harvesters were sold in all of North America that year and 23 were built by Amity, Dahl said.

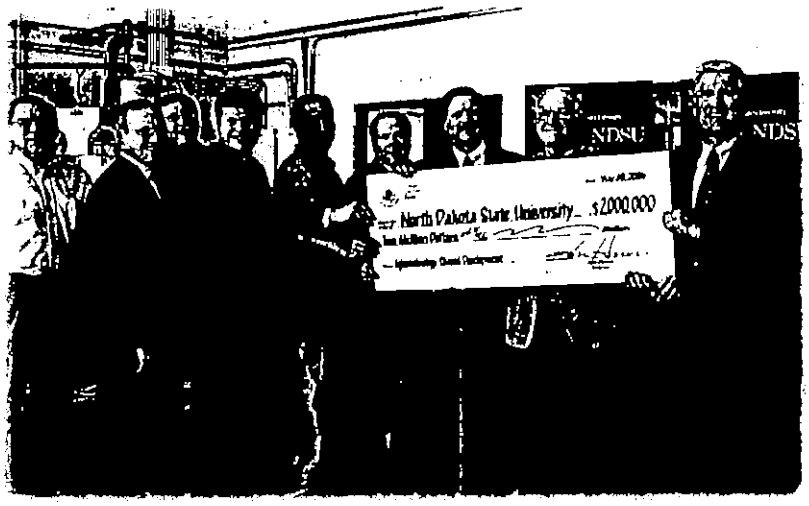
Exports helped keep Amity in business and now account for most of its sales, he said. In July 2006, Amity built and exported 36 harvesters and 36 defoliators in just three weeks. The manufacturing company has sold about 200 harvesters this year, Dahl said.

Centers of Excellence Support Research, Development

Gov. John Hoeven initiated the Centers of Excellence concept in 2002 and worked with legislators to fund the earliest projects in the 2003 session. These included funding for the Center for Innovation at UND and the Center for Technology Enterprise at NDSU.

During the 2005 session Gov. Hoeven proposed expanding the program to all North Dakota University System (NDUS) campuses through a $50 million Centers of Excellence fund, and the Legislature approved an initial $20 million. Hoeven has included an additional $20 million in funding for Centers of Excellence in his budget for the 2007-09 biennium.

A Center of Excellence is a hub of research and development on the (NDUS) campuses around which related businesses expand and dynamic new businesses cluster. The $50 million in funding for the program will be leveraged with private and federal matching funds to generate a total investment in new jobs and businesses of more than $150 million.



Governor John Hoeven and state legislators present a check to NDSU for the Center of Excellence in Agbiotechnology.

Centers of Excellence Receiving Funding

- NDSU's Center of Excellence in Advanced Electronic Design and Manufacturing
- Lake Region State's Dakota Center for Technology
- Bismarck State's National Energy Center of Excellence
- Energy and Environmental Research Center's National Center for Hydrogen Technology
- North Dakota State University Agbiotechnology Center
- NDSU Center for Surface Protection
- University of North Dakota Center of Excellence in Life Sciences and Advanced Technologies
- University of North Dakota Unmanned Aerial Vehicle (UAV) Center of Excellence
- Valley City State's Institute for Customized Business Solutions
- Williston State's Petroleum Safety and Technology Center
- Dickinson State University's Center for Entrepreneurship and Revitalization

Innovate ND Nurtures Ideas

In November 2006, Gov. John Hoeven and Commerce Commissioner Shane Goettle kicked off the first Governor's Innovation Forum, Innovate ND, a new statewide economic development initiative designed to help entrepreneurs turn business ideas into functional businesses.

"North Dakota's future growth depends to a large degree on our ability to grow businesses and our economy from within," Commerce Commissioner Shane Goettle said. "Innovate ND is a way to cultivate the budding entrepreneurs among us."

In the first month, nearly 40 people had signed to participate in the first of what is intended to be an annual program. Innovate ND is an intensive, six-month program that will provide direct assistance to North Dakota people who have business ideas. Participants gain access to a venture-building process that includes online entrepreneur education, business planning tools, and coaching and mentoring from proven business owners. Ultimately, a panel of private investors will review each business idea, provide feedback, and select winners to receive a wide variety of business services and potential seed capital investments to launch their businesses.

In organizing the program, the Governor and North Dakota Commerce Department have joined forces with the UND Center for Innovation, the NDSU Research and Technology Park, as well as public, private and tribal entities statewide.

Innovate ND sponsors include the Nash Foundation, Otter Tail Corporation, Impact Foundation, Gremada Industries, Great River Energy, Dakota Growers Pasta Company and Headwaters Inc. Other resources providers include Atlas Business Solutions, Dorsey & Whitney, Eide Bailly, Reichert, Fisher & Co., University of North Dakota Entrepreneurship Department, and Small Business Development Centers. The private sector is supporting the program with $250,000 in cash and in-kind services.

Program information and registration are available on-line at www.innovatend.com.

2005-07 Budget

	General Funds	Federal Funds	Special Funds	Carryover	Total
Commerce Admin	$1,652,506		$1,932		$1,654,438
Discretionary Grants	$1,450,127			$652,102	$2,102,229
Workforce Development	$313,729	$2,378,477	$200,000		$2,892,206
Community Services	$1,122,033	$44,424,249	$6,522,714		$52,068,996
Tourism	$3,728,821		$365,954		$4,094,775
Lewis & Clark	$3,933,103				$3,933,103
&F	$4,990,972	$234,854	$1,485,025		$6,710,[illegible]
APUC	$1,444,922	$650,000	$921,078	$1,092,503	$4,108,503
ED Grants	$150,000				$150,000
ED Initiatives	$394,568		$250,000		$644,568
Total	**$19,180,781**	**$47,687,580**	**$9,746,703**	**$1,744,605**	**$78,359,669**

ND Economic Development Foundation Members

Foundation members are appointed by the Governor for two-year terms. Current members are:

Chairperson:	Judith Paukert	Grand Forks
	Philip Boudjouk	Fargo
	Duaine Espegard	Grand Forks
	Elaine Fremling	Fargo
	Bruce Furness	Fargo
	Kathy Gaddie	Minot
	Tim Hennessy	Bismarck
	Chuck Hoge	Fargo
	Marlowe Johnson	Jamestown
	Frank Keogh	Williston
	Bob Mau	Kenmare
	Guy Moos	Dickinson
	Harold Newman	Jamestown
	Pamela Schmidt	Bismarck
	Bill Shalhoob	Bismarck
	Bruce Smith	Grand Forks
	Linda Steve	Dickinson
	Bruce Thom	Fargo
	Daniel M. Traynor	Devils Lake
Student Member:	Craig Kilber	Fargo