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ROLL NUMBER

DESCRIPTION

1027

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1027

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1027

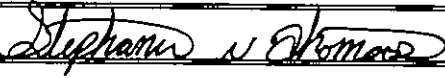
House Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: 1075

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on HB 1027.

Rep. Berg: Overview of handout A.

Jennifer Clark, Legislative Counsel: Overview of HB 1027.

Rep. Keiser: Section 1, why the limitation?

Jennifer: That was the parameter provided by the committee.

Rep. Zaiser: Who would establish the conditions for monitoring, in terms of whether they've met the application?

Jennifer: My assumption is that would be the commission in charge of forming that.

Rep. Ruby: In the interim committee we talked about BPUC, and if we model it after APUC, there was a revenue source on APUC. I don't remember if we ever came up with a source of revenue on that.

Jennifer: I don't recall there being a decision on the funding source.

Rep. Gerry Uglem, District 19: See written testimony #1.

Bill Shalhoob, ND Chamber of Commerce: In support of HB 1027, section 14 dealing with the visitor information centers, section 19, dealing with world tourism, and finally the business and tourism acceleration commission.

LeAnn Nelson, ND Education Association: In support of HB 1027, sections dealing with K/12 education, teachers, and students, Workforce Development Division career education, career promotion, and reduced calibration to study the career education needs of summer school in K/12.

Mike Anderson, ND Housing Finance Agency: See written testimony #2.

Rep. Keiser: As I understand this, temporary loans could be construction loans?

Mike: Yes.

Rep. Keiser: Who reviews the quality of the loan application, and where does the money come from, and how do they get it?

Mike: The process of underwriting a particular project as one of current programs, as we work through private lending community. We don't do any direct linking ourselves. That would be a cooperative effort, I believe, between the private sector lender and the agency of the current feasibility projects. One of our programs today is funded either through conditions of mortgage revenue bonds, as well as agency assets.

Carol Goodman, Economic Development Association of ND: See written testimony #3.

Shane Goettle, Department of Commerce: The Department of Commerce was statutorily charged with working with the interim economic development committee, and I support that. Through this initiative we conducted the 6 focus groups, and I support the expansion of that focus group for young professionals. The 6 key issues are workforce, tracking and repainting young people and families, ND's image, transportation, the role of Higher Ed in economic development, and exports. I'd like to highlight promoting the use of Higher Education internships, attracting talent from outside the state, promoting in state job opportunities for high school students, creating a talent strategy with our partner agencies to work together to ensure

coordination on duplication of programs and services, and creating a statewide intelligence coordination strategy.

Rep. Keiser: On Centers of Excellence, especially on the infrastructure issues. How do we provide primary use?

Shane: At this point it would be primary use other than any other guidance in statute; it would be up to the Centers of Excellence Commission.

Kelvin Hullet, Bismarck, Mandan Chamber of Commerce: See written testimony #4.

Eddie Dunn, ND University System: See written testimony #5.

Mark Nisbet, Centers of Excellence Commission: Strong believer in the Centers of Excellence program, and hope it can continue with the same level of excitement and growth potential for the economy. I have a few concerns about the changes in section 7 and 10.

These changes limit the flexibility of the current program that has led to successful centers across our state. The second change is contained in section 9; there may be instances where independent expert review would be warranted.

Cory Fong, Tax Commissioner: See written testimony #6.

Bob Humann, Bank of North Dakota: See written testimony #7.

Hearing Closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1027

House Industry, Business and Labor

☐ Check here for Conference Committee

Hearing Date: 30 January 2007

Recorder Job Number: 2222

Committee Clerk Signature



Minutes:

Chairman Kaiser opened discussion of HB 1027. He advised the Committee that it was his plan to go through the recommendations and amendments from the subcommittee section by section.

Representative Ruby: I have the amendments in order as they pertain to sections. I'll explain each section and invite interested parties to elaborate. Some of these areas can be pretty intensive as far as the amount of information.

He went through the proposed amendments. **The accepted amendments (12 pages) are attached.**

Section 1: No changes.

Sections 2 & 3: Amend to remove both sections. For those areas there is already SB 2120, which has passed the senate that does the same thing. The first four lines of the proposed amendment becomes the amendment the Committee voted on. (See Attachment 1)

Representative Ruby moved to adopt the amendment.

Vice Chairman Johnson: Second

A voice vote was taken and the amendment was adopted.

Section 4:

Representative Ruby: Section 4 is the biodiesel production facility and appropriates \$1.2

million in sections 41 and 42 to do that. It also allows carryover of \$801,964 dollars to be used and it includes the emergency clause. HB 1014 also allows \$4.2 carryover amount for this.

Bob Humann, Bank of ND: The language that is suggested in this bill came from the BND. (He distributed Attachment A, which tracks some of the different bills currently going through the legislative process.)

Chairman Kaiser: Then we have no amendments or problems with Section 4. It removes the 5% biodiesel. No problems?

Section 5.

Representative Ruby: This increases the reporting requirements by the State Board of Higher Education for the annual performance and accountability report, it allows for a new program start up grant. The Board of Higher Education has no problem with that.

Representative Vigesaa: I move to adopt the amendment

Representative Nottestad: Second.

A voice vote was taken and the amendments were adopted.

Representative Ruby: Continuing with Section 5.

It requires grants and matching funds for the state for the State Board of Higher Education.

Chairman Kaiser: We have to put money in if we think it's a good idea.

Representative Ruby: I move the amendment.

Representative Boe: I second.

A voice vote was taken and the amendment was accepted. (11-2-1)

Section 6:

Representative Ruby: In this section the amendment raises the funding for grants and is a dollar to dollar match.

There was no motion to adopt this amendment.

Representative Ruby: Let's take 7, 8, 9, and 10 together. This requires for awards for three categories. It requires no more than 10% of the awards can go workforce, 10% to infrastructure, and it requires pre-award reviews and post-award monitoring as well independent expert review of every project. The amendments seek to remove a lot of the restrictions and give more flexibility. This bill has no appropriation for these sections. The money was proposed in the commerce budget.

Representative Johnson: I move the amendments on Section 7, 8, 9, & 10.

Representative Vigesaa: I second.

A roll call vote was taken: Yes: 13, No: 0 Absent: 1 (Dosch)

Section 11:

Representative Ruby: Section 11 allows the housing authority to guarantee temporary or permanent loans for low to moderate homes or land to be developed in residential property. The goal of the bill is fill the value gap in areas that have housing shortages. The subcommittee had no issue with this and made no changes.

Chairman Kaiser: Let's proceed to Section 12.

Section 12:

Representative Ruby: This allows the Business and Tourism Acceleration Commission to hold patents and royalty rights. We didn't change anything on that.

Chairman Kaiser: What are examples of patents they can hold? Does anyone know?

Representative Kasper: One example is at NDSU you have the polymer section where they are developing coatings. In research and development they may come on to something new and would have the patent on it.

Section 13:

Representative Ruby: This section requires international business tradeoffs to work with the State Board of Higher Education. We had no changes to that.

Chairman Kaiser: Where is the money for that?

Shane Goettle, ND Department of Commerce: It's in the Department of Commerce budget.

Section 14:

Representative Ruby: This section allows tourism to develop a visitor information program and there is no funding in that.

Goettle: We wanted to maintain our activity and proposed a general fund appropriation to do that. It is in our budget for tourism. To reach this we would have to find additional fund.

I would strongly urge that you leave the language as it is at "may."

Section 15:

Representative Ruby: Section 15 requires the Department of Commerce to create a department of innovational technology. The amendment you see removes that requirement. It also removes that language on page that talks about it. We believe the Department already has authority to create departments or divisions as they see fit. **I move the amendment.**

Representative Boe: I second.

A voice vote was taken. The amendment on Section 15 was adopted.

Section 16:

Representative Ruby: This requires the Division of Workforce Development to develop and implement a statewide intelligence coordination strategy. We made no changes to that section.

Section 17:

Representative Ruby: This requires an image program for state agencies to assist private sector businesses and employees.

Chairman Kaiser: This is a "shall." Do we have the money?

Shane Goettle: Last session we were given the money to bring this program to various public

agencies. We have done that. The answer is the Department of Commerce has funding to do this, but we would have to delete some other project.

Section 18:

Representative Ruby: Section 18 requires the Department of Commerce to create a tax expenditure report for the legislature. The amendment removes the report from this section and establishes a pilot program to be new sections 37 and 38. The cost of the report would drop from the estimated \$500.0 to \$25.0 to the Department. No appropriation is included; the cost would have to be assumed by the Department. The amendment also addresses the concerns of the tax department in terms of privacy and record confidentiality.

(In response to funding questions Representative Ruby distributed **Attachment B** which lists the costs and reporting requirements for the Department of Commerce in HB 1027.)

Representative Nottestad: I move the amendments to section 18.

Representative Johnson: I second.

A voice vote was taken and the amendments were adopted.

Chairman Kaiser: Let's draft an additional amendment to Section 18 for a general fund appropriation for \$50,000. You can't do it for \$25,000. We'll have that as a second amendment:

(In response to funding questions Representative Ruby distributed **Attachment B** which lists the costs and reporting requirements for the Department of Commerce in HB 1027.)

Representative Zaiser: I move the amendment to add the \$50,000 appropriation.

Representative Thorpe: I second.

Chairman Kaiser: The reason I proposed the amendment is we ask departments to come forward, prepare their budget, submit it to the legislature for the governor, and submit it to the legislature for process. This is a legislative program we are requesting. I feel if we are going

to request it, we should pay for it. If we had said something to them in advance they could

have put it in their budget when it went forward. We always come forward with great ideas to spend their money. If we have a great idea we should fund it.

Representative Zaiser: I move the Amendment.

Representative Thorpe: I second.

A roll call vote was taken: Yes: 12, No: 1, Absent: 1 (Dosch)

Section 19:

Representative Ruby: This section creates 9 new sections to statute. The first amendment is for the division of workforce development to consult with workforce development partners in developing performance and accountability measures. It provides for more of a partnership for agencies and groups of people that work together rather than just the division. **I move the amendment.**

Representative Johnson: I second.

A voice vote was taken. The amendment was accepted.

Continuing on Section 19.

Representative Ruby: The next one starts on page 15 and makes the changes to the commerce program. I invite them to speak on this. This was developed from the meeting of several people. The only thing we are waiting on as of yesterday is a definition of a statewide longitudinal data system. I believe they were working on that.

Shane Goettle: The various institutions that you see identified here looked at what it takes to build a data warehouse system—a longitudinal system. The issue that needs to be address is the privacy and security of personal information. A lot of it is essential for a system like this.

Lisa Feldner, chief information officer for ND: Prior to knowing about this bill we had a group of people meet to work on a data system for the P-16 initiative for education as well as other entities. The definition of longitudinal means that you are studying an individual or a

subject over time—the same individual for a life span to see what happens. We incorporated members of the FINDIT Committee as well and have been working how we can develop a data system. Our recommendation is that it needs a lot of planning. If you just jump in to something like this, it has a tendency to fail. So we would like to plan the system over the next two years and come back to you in the next biennium with a recommendation for implementation. That's what these amendments do.

Representative Kasper: I make a motion that we amend out all of Section 19 and any pertinent parts of the bill that pertain to Section 19 and renumber accordingly.

Representative Nottestad: Would that rescind what we just did in the last amendment.

Chairman Kaiser: Yes, it would. So keep that in mind.

Shane Goettle: There are two initiatives in here which I have money for in our budget. This is the enabling language for those. We were counting on this as the enabling language for those two initiatives.

Representative Kasper: I would amend my motion delete all of Section 19 with the exception on page 16, lines 3 through 31, and page 17, lines 1 through 4.

A voice vote was taken and the amendment adopted.

Chairman Kaiser adjourned the Committee until immediately after the floor session.

Later on the same day the Committee continued with HB 1027.

Section 19, continued:

Representative Ruby: The next issue is internships. We thought there was enough flexibility to allow for kids who are from ND that are going to an out-of-state college to come back.

Goettle: We changed that because the Education Committee had some concern and we wanted to clarify that and address the issues they had. This amendment does that.

Representative Thorpe: I move the amendment.

A voice vote was taken and the amendment adopted.

Section 20: This section was already acted upon by amendment.

Section 21:

Representative Ruby: This creates a tourism acceleration commission. There is no funding in this. A couple of suggestions is to possibly recommend a percentage of revenue over the corporate income tax if there is such in the future biennium and there was discussion of a percentage increase in the corporate income tax be dedicated towards this. If there is no funding then this would just be enabling legislation until it is funded.

Chairman Kaiser: The wording is "shall."

Representative Ruby: We should make that a "may." That is a problem.

Chairman Kaiser: Shane, do you want to do this in your spare time?

Goettle: I do have the staff I could assign to this if it were created. I would not need any new FTE. It is simply an appropriations question.

Chairman Kaiser: We have to pay these people. There is no money available. I think this is an important concept, but it makes no sense to clutter pages of this bill if we're not going to fund it.

Vice Chairman Johnson: What is the anticipated cost? Committee I suggest we either put the money in or take this out. We can leave it in and make it permissive.

Goettle: If you want the similar activity as APUC, then we would need similar funding. In my judgment it would take at least 1/2 million. It will be expensive but it is worthwhile.

Representative Kasper: I move we remove Section 21.

Representative Amerman: I second.

A roll call vote was taken: Yes: 5, No: 7 Absent: 2 (Dosch and Zaiser)

The motion failed.

Representative Johnson: I move to add a \$500,000 appropriation to fund Section 21.

Representative Dietrich: I second.

A roll call vote was taken: Yes: 8, No: 4, Absent: 2 (Dosch and Zaiser)

Section 22 and 23:

Representative Ruby: This is the workforce recruitment tax credit for hard to fill positions.

Danita (?), Tax Department: The amendment makes changes as to how the credit is applied. They tie the incentive to extra ordinary recruitment methods, it ties the incentive to the salary of the new employees instead of the direct cost of recruitment.

Representative Ruby: I move the amendment for Section 22.

Representative Dietrich: I second

A voice vote was taken. The amendment was adopted.

Representative Johnson: I move the amendment for Section 23.

Representative Ruby: I second.

A roll call vote was taken: Yes: 11, No: 0, Absent: 3 (Dosch, Kasper, Zaiser) The amendment was accepted

Section 24: No changes.

Section 25: This is the tax credit for research and development.

Danita: This, as written, increases the tax credit from 8% to 25%. We have concerns about the ability to assign these credits so the amendments that prepared give us administration authority, audit authority, and deal with confidentiality issues, and assign the proceeds from the sale of these tax credits.

Representative Ruby: I move the amendments.

Representative Clark: I second.

A roll call vote was taken: Yes: 12, No: 0, Absent: 2 (Dosch and Zaiser).

Section 26: No change.

Representative Ruby: This expands the definition of an agricultural commodity facility to include the use of the byproduct for biodiesel and ethanol. We should have an amendment that changes "biodiesel" to say "biofuels."

Representative Thorpe: I move to add biofuels and add the definition below it.

A voice vote was taken, the amendment was accepted.

Section 28:

Representative Ruby: This section allows for a tax exemption for manufacturing or recycling machinery and equipment, tourism equipment, wireless service provider equipment and business computer and telecommunication equipment. The proposed amendments give definition to the broad descriptions in the bill.

Chairman Kaiser: We have four options of amendments before us. There will be fiscal impact.

Representative Vigesaa: I would move the second set of amendment which removes the wireless service provider equipment and leave in the recreation facilities.

Representative Thorpe: I second.

A roll call vote was taken: Yes: 5, No: 7, Absent: 2 (Dosch and Zaiser)

The motion failed.

Representative Kasper: I move to remove all of Section 28.

Representative Vigesaa: I second.

A roll call vote was taken: Yes: 11, No: 1, Absent: 2 (Dosch and Zaiser)

Section 32:

Representative Ruby: This requires Job Service to study the issue of chronic unemployment and soft skills.

Chairman Kaiser: Is this federal funding? Any questions? Let's go on to 33.

Goettle: This requires the Department of Commerce to do a study of commerce target industry cluster industries and report to the Legislative Council. My intent is not to work with state clusters but with community sectors. I'm going to have to realistically pick and choose. We are okay with this section.

Section 34:

Goettle: This is the workforce intelligence study and will cost \$50.0 We do not have the money in the budget. This study called for in this section could stand alone separate from the other study. We cannot do it unless we have the money.

Representative Johnson: I move we delete Section 34.

Representative Nottestad: I second.

A voice vote was taken and the amendment was adopted. Section 34 is removed.

Section 35:

Goettle: This requires the Department of Commerce to do a study of higher education internships and do a report to the Legislative Counsel. This has a cost of \$50.0 as well. It is not in our budget.

Representative Ruby: I move we remove Section 35.

Representative Vigesaa: I second.

A voice vote was taken and the amendment was adopted. Section 35 is removed.

Section 36:

Goettle: This section requires the Department of Commerce to do a study of career education and report to the Legislative Council. The cost is expected to be \$80.0.

Chairman Kaiser: Do you have that money?

Goettle: No, we do not.

Representative Clark: I move we delete Section 36.

A voice vote was taken. The amendment passed. Section 36 is deleted from the bill.

Section 37: This section provides that during the interim the legislative council shall consider studying the state's housing needs.

Chairman Kaiser: This does no harm and is needed. We can leave that in if the Committee so wishes.

Sections 38, 39, and 40:

Representative Kasper: I move we reduce the \$5 million for Section 39 to \$2.5 million and make the corresponding changes in the first section of the bill.

Representative Gruchalla: I second.

Representative Kasper: I think \$5 million is unreasonable. With half that we can get a start with one or two airports and in a couple of years we can see if it's working and put more money in it.

A roll call vote was taken: Yes: 9, No: 3, Absent: 2 (Dosch and Zaiser)

Section 45:

Representative Ruby: There is \$600.0 in here for the spider program for Job Service.

Chairman Kaiser: This is just an appropriation tagged on to this bill for Job Service. It comes from the general fund.

Representative Amerman: Can we do this?

Chairman Kaiser: You can spend your general fund money any way you want.

Are there any further questions? What are the wishes of the committee? We have HB 1027 before us as amended.

Representative Vigesaa: I Move Do Pass as Amended and Rerefer to Appropriations.

Representative Thorpe: I second.

A roll call vote was taken: Yes: 12, No: 0, Absent: 2 (Dosch and Zaiser)

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House Industry, Business and Labor

Bill/Resolution No **HB 1027**

Hearing Date: **30 Jan 07**

HB 1027 passed as amended and will be rereferred to appropriations.

Representative Ruby will carry the bill.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1027

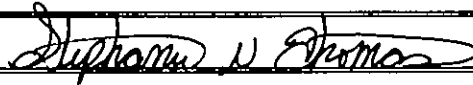
House Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2486

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on HB 1027. We need to reconsider our actions, bring it back, and put another slight amendment on it, so I would entertain such a motion.

Rep. Dietrich: So moved.

Rep. Zaiser: Second.

Rep. Ruby: We discussed the internship program, and the intent was to have that apply to students from ND who were attending an out of state university, and then coming back to do internships within the state. There's one area in section 23 that talks about the internship employment tax credit, and the language in A, it says an intern must be an enrolled full time student in a ND Institution of Higher Education. I would propose to remove ND institution, and just put an intern must be an enrolled full time student of an institution on higher learning. That way when they come back they can go to work as an intern and the person that employs them here would still qualify for that tax credit.

Rep. Ruby: I move to further amend.

Rep. Nottestad: Second.

Voice vote taken, action passes.

Rep. Ruby: I move a do pass, as amended, and rereferred to appropriations.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution No. HB 1027

Hearing Date: January 31, 2007

Rep. Gruchalla: Second.

Roll call vote was taken. 10 Yeas, 0 Nays, 4 Absent, Carrier: Rep. Ruby

Hearing closed.

FISCAL NOTE
Requested by Legislative Council
02/15/2007

Amendment to: Engrossed
 HB 1027

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			\$775,000		\$775,000	
Appropriations						

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).*

This bill is the business initiative bill sponsored by the interim Economic Development Committee to address a broad range of economic development and business climate issues. 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 2: Department of Commerce to provide staff services to Centers of Excellence Commission. (Department of Commerce)

Section 3: Changes to Centers of Excellence program including consideration of independent, expert review of complete applications and Commission responsibility to monitor Centers from six to ten years. (Department of Commerce)

Section 4: Allows the Centers of Excellence Commission to use funds for expenses including contracting for independent, expert reviews. (Department of Commerce)

Section 5: Mortgage loan financing program changes. (Housing Finance Agency)

Section 6: International business and trade office work with higher education to expand international business expertise of students of higher education. (Department of Commerce)

Section 7: Visitor information centers. (Department of Commerce)

Section 9: Expands the Division of Workforce Development's duties to include developing and implementing the state's talent strategy and a statewide intelligence coordination strategy. (Department of Commerce)

Section 10: Requires the North Dakota image information program to include the private sector. (Department of Commerce)

Section 11: A program to increase use of higher education internships and a career specialist program. (Department of Commerce)

Section 12: Internship employment tax credit. (Tax Department)

Section 14: Income tax credit for research and experimental expenditures. (Tax Department)

Section 15: Seed capital investment tax credit limits. (Tax Department)

Section 16: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)

Section 17: Business climate initiative. (Department of Commerce)

Section 18: Repeal of beginning entrepreneur income tax deduction. (Tax Department)

Section 19: Higher education report on CCBenefits. (Higher Education)

Section 20: Study of the cluster industries related to the state's target industries. (Department of Commerce)

Section 21: Tax expenditure report pilot project. (Tax Department and Department of Commerce)

Section 22: State business incentive expenditure report pilot project. (Department of Commerce)

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 12 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 13 allows the tax credits for recruitment expenses and internship programs contained in Section 14 to be claimed on the state's simplified form, Form ND-1.

Section 14 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 15 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 16 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's biofuels plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 18 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 1, 2, 3, 4, 6, 7, 9, 10, 11, 17, 20, 21, & 22

Section 2: No additional fiscal impact as HB 1018 contains sufficient funds for the Department of Commerce to provide staff services to the Centers of Excellence Commission.

Section 3: This section adds a consideration of independent, expert review for complete Centers of Excellence applications. There is no additional fiscal impact as section 6 allows the Centers of Excellence Commission to use a portion of the Centers of Excellence funds for this purpose.

Section 6: The fiscal impact would be \$200,000 per biennium. This amount is based upon the North Dakota Trade Office hiring 12 interns as export assistants and providing them with international export training for potential placement as managers within international export companies.

Section 7: 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 9: No additional fiscal impact.

Section 10: 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.

Section 11: No additional fiscal impact beyond the funding including in HB 1018 for the Higher Education Internship and Career Specialist programs.

Sections 17 & 20: No additional fiscal impact.

Sections 21 & 22: No additional fiscal impact beyond the \$50,000 appropriated in HB 1018 for this purpose.

Contact: Justin Dever 328-7258

Housing Finance Agency Section 5

Section 5: 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 versus 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 21 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.*

As amended, this bill does not provide any appropriations.

It is estimated that the following additional appropriations would be needed for the implementation of each section:

Section 6:	\$200,000 (Department of Commerce - Trade Office)
Section 7:	\$525,000 (Department of Commerce)
Section 10:	\$50,000 (Department of Commerce)

Total: \$775,000 General Funds

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	02/15/2007

FISCAL NOTE

Requested by Legislative Council
02/05/2007

Amendment to: HB 1027

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			\$13,750,000		\$13,020,000	
Appropriations			\$12,895,000		\$12,245,000	

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).*

This bill is the business initiative bill sponsored by the interim Economic Development Committee to address a broad range of economic development and business climate issues. 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 1: Rural airport economic development fund. (Aeronautics Commission)
- Section 2: Biodiesel production facility definition for Biodiesel PACE. (Bank of North Dakota)
- Section 3: Grants for innovation. (Department of Career and Technical Education)
- Section 4: Department of Commerce to provide staff services to Centers of Excellence Commission. (Department of Commerce)
- Section 5: Changes to Centers of Excellence program including consideration of independent, expert review of complete applications and Commission responsibility to monitor Centers from six to ten years. (Department of Commerce)
- Section 6: Allows the Centers of Excellence Commission to use funds for expenses including contracting for independent, expert reviews. (Department of Commerce)
- Section 7: Mortgage loan financing program changes. (Housing Finance Agency)
- Section 9: International business and trade office to work with higher education to expand international business expertise of students of higher education. (Department of Commerce)
- Section 10: Visitor information centers. (Department of Commerce)
- Section 12: Expands the Division of Workforce Development's duties to include developing and implementing the state's talent strategy and a statewide intelligence coordination strategy. (Department of Commerce)
- Section 13: Requires the North Dakota image information program to include the private sector. (Department of Commerce)
- Section 14: Program to increase use of higher education internships and Career Specialist Program. (Department of Commerce)
- Section 15: Business and tourism acceleration commission. (Department of Commerce)
- Section 16: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
- Section 17: Internship employment tax credit. (Tax Department)
- Section 19: Corporate income tax credit for research and experimental expenditures. (Tax Department)
- Section 20: Seed capital investment tax credit limits. (Tax Department)
- Section 21: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)
- Section 22: Business climate initiative. (Department of Commerce)

Section 23: Repeal of beginning entrepreneur income tax deduction. (Tax Department)
 Section 24: Higher education report on CCBenefits. (Higher Education)
 Section 25: Chronic unemployment and soft skills training study and report. (Job Service North Dakota)
 Section 26: Study of the cluster industries related to the state's target industries. (Department of Commerce)
 Section 27: Tax expenditure report pilot project. (Tax Department and Department of Commerce)
 Section 28: State business incentive expenditure report pilot project. (Department of Commerce)
 Section 31: Transfer of \$2,500,000 from general fund to rural airport economic development fund. (Aeronautics Commission)
 Section 32: Appropriation of \$2,500,000 in the rural airport economic development fund. (Aeronautics Commission)
 Section 33: Appropriation of \$1,200,000 from the general fund for Biodiesel PACE. (Bank of North Dakota)
 Section 34: Appropriation of \$8,000,000 from the general fund for PACE. (Bank of North Dakota)
 Section 36: Appropriation of \$45,000 from the general fund for grants for innovation. (Department of Career and Technical Education)
 Section 37: Appropriation of \$50,000 from the general fund for the expenditure report pilot programs.
 Section 38: Appropriation of \$500,000 from the general fund for the business and tourism acceleration commission.
 Section 39: Appropriation of \$600,000 from the general fund for a web site spider program to identify job listings available in North Dakota. (Job Service North Dakota)

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 16 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 17 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 18 allows the tax credits for recruitment expenses and internship programs contained in Sections 16 and 17 to be claimed on the state's simplified form, Form ND-1.

Section 19 expands the corporation 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 20 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 21 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 23 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.*

Aeronautics Commission
Section 1

Section 1: No additional fiscal impact other than the \$2,500,000 transferred from the general fund in section 31 and appropriated in section 32.

Contact: Gary Ness 328-9655

Bank of North Dakota
Sections 2, 33 & 34

Section 2: No additional fiscal impact.

Section 33: The \$1,200,000 appropriation for BioDiesel PACE in Section 33 differs from the \$4,200,000 appropriation for BioFuels PACE in HB 1014.

Section 34: The \$8,000,000 appropriation for PACE in Section 34 differs from the \$4,500,000 appropriation for PACE in HB 1014.

Contact: Stan Benson 328-5682

Board of Higher Education
Section 24

Section 24: Although the bill provisions impose 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 Career and Technical Education
Sections 3 & 36

Sections 3 & 36: No additional fiscal impact other than the \$45,000 appropriated in section 36.

Department of Commerce
Sections 4, 5, 6, 9, 10, 12, 13, 14, 15, 22, 26, 27, & 28

Section 4: No additional fiscal impact as HB 1018 contains sufficient funds for the Department of Commerce to provide staff services to the Centers of Excellence Commission.

Section 5: This section adds a consideration of independent, expert review for complete Centers of Excellence applications. There is no additional fiscal impact as section 6 allows the Centers of Excellence Commission to access Centers of Excellence funds for this purpose.

Section 9: The fiscal impact would be \$200,000 per biennium. This amount is based upon the North Dakota Trade Office hiring 12 interns as export assistants and providing them with international export training for potential placement as managers within international export companies.

Section 10: The fiscal impact would be \$525,000 per biennium for the visitor information centers. This is comprised of \$100,000 for training and \$425,000 for matching grants.

Section 12: No additional fiscal impact.

Section 13: The fiscal impact would be \$50,000 per biennium to expand the image information program to the private sector.

Section 14: No additional fiscal impact as funding for the Higher Education Internship and Career Specialist programs are included in the Department of Commerce's appropriations bill HB 1018.

Section 15: No additional fiscal impact beyond the \$500,000 appropriation included in section 38. The bill allows up to ten percent of the funds provided to the Business and Tourism Acceleration Commission to be used for administrative expenses.

Sections 22 & 26: No additional fiscal impact.

Sections 27 & 28 (amended): No additional fiscal impact beyond the \$50,000 appropriation contained in section 39.

Contact: Justin Dever 328-7258

Housing Finance Agency
Section 7

Section 7: 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

Job Service North Dakota
Sections 25 & 37

Section 25: JSND will conduct a study on the issue of chronic unemployment and the issue of soft skills training for the chronically unemployed and as an element of workforce training. This would be a 12 month study with legislative council reports on the outcomes. This report will be used to consider any recommendations to be implemented to the sixty-first legislative assembly. Conducting the chronic unemployment study will require an additional 1 FTE position, with costs for salary and fringe benefits of \$60,048 (Research Analyst III for 13 months at \$3,3450 per month plus fringe benefits), and operating expenditures of \$19,952 (indirect and overhead costs related to the position) for a total fiscal impact of \$80,000.

Section 37: No additional fiscal impact other than the \$600,000 appropriated.

Contact: DeAnn Berg 328-3135

Tax Department

Section 27, as amended, 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 appropriations contained within the individual bill sections are as follows:

Sections 1, 31, & 32:	\$2,500,000 General Fund (Aeronautics Commission)
Sections 33 & 35:	\$1,200,000 General Fund (Bank of North Dakota)
Sections 34 & 35:	\$8,000,000 General Fund (Bank of North Dakota)
Sections 3 & 36:	\$45,000 General Fund (Career and Technical Education)
Sections 27, 28, & 37:	\$50,000 General Fund (Department of Commerce)
Sections 15 & 38:	\$500,000 General Fund (Department of Commerce)
Section 39:	\$600,000 General Fund (Job Service North Dakota)

Total: \$12,895,000 General Funds

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

Section 9:	\$200,000 (Department of Commerce - Trade Office)
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Section 10: \$525,000 (Department of Commerce)
Section 13: \$50,000 (Department of Commerce)
Section 25: \$80,000 (Job Service North Dakota)

Total: \$855,000 General Funds

The following sections are assumed to be on-going programs that would require future appropriations:

Sections 1, 31, & 32: \$2,500,000 General Fund (Aeronautics Commission)
Sections 33 & 35: \$1,200,000 General Fund (Bank of North Dakota)
Sections 34 & 35: \$8,000,000 General Fund (Bank of North Dakota)
Sections 3 & 36: \$45,000 General Fund (Career and Technical Education)
Sections 15 & 38: \$500,000 General Fund (Department of Commerce)

Total: \$12,245,000 General Funds

Name:	Justin Dever (See individual sections for specific contact information)	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	02/05/2007

FISCAL NOTE
Requested by Legislative Council
12/26/2006

Bill/Resolution No.: HB 1027

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			(\$13,100,000)		(\$13,100,000)	
Expenditures			\$17,472,025		\$16,562,025	
Appropriations			\$14,845,000		\$14,245,000	

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).*

This bill is the business initiative bill sponsored by the interim Economic Development Committee to address a broad range of economic development and business climate issues. 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 1: Rural airport economic development fund. (Aeronautics Commission)
Section 2 & 3: Beginning entrepreneur loan guarantee program. (Bank of North Dakota)
Section 4: Biodiesel PACE. (Bank of North Dakota)
Section 5: State board of higher education annual performance and accountability report and new program startup grant program. (Higher Education)
Section 6: Develop a program to provide grants for innovation. (Department of Career and Technical Education)
Section 8: Department of Commerce to provide staff services to Centers of Excellence Commission. (Department of Commerce)
Section 9: Changes to Centers of Excellence program including requirement for independent, expert review of complete applications and Commission responsible for monitoring Centers from six to ten years. (Department of Commerce)
Section 11: Mortgage loan financing program. (Housing Finance Agency)
Section 13: International business and trade office work with higher education to expand international business expertise of students of higher education. (Department of Commerce)
Section 14: Visitor information centers. (Department of Commerce)
Section 15: New division of innovation and technology with the Department of Commerce. (Department of Commerce)
Section 16: Expands the Division of Workforce Development's duties to include developing and implementing the state's talent strategy and a statewide intelligence coordination strategy. (Department of Commerce)
Section 17: Requires the North Dakota image information program to include the private sector. (Department of Commerce)
Section 18: Tax expenditure report. (Tax Department and Department of Commerce)
Section 19: Expands the duties of the Department of Commerce to include: administering a rural community tourism enhancement grant program; implement a program to attract out-of-state workers; assist businesses in recruitment of permanent legal immigrants; develop and implement the state's talent strategy and a system of performance and accountability measures; develop and implement the statewide intelligence coordination strategy system; report to the governor and legislative council on workforce initiatives; administer a higher education internship program; and develop and implement career education and career promotion programs. (Department of Commerce)

Section 20: State business incentive expenditure report. (Department of Commerce)
 Section 21: Business and tourism acceleration commission. (Department of Commerce)
 Section 22: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
 Section 23: Internship employment tax credit. (Tax Department)
 Section 25: Corporate income tax credit for research and experimental expenditures. (Tax Department)
 Section 26: Seed capital investment tax credit limits. (Tax Department)
 Section 27: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)
 Section 28: Sales tax exemption for tourism equipment and wireless service provider equipment. (Tax Department)
 Section 29: Business climate initiative. (Department of Commerce)
 Section 30: Repeal of beginning entrepreneur income tax deduction. (Tax Department)
 Section 31: Higher education report on CCBenefits. (Higher Education)
 Section 32: Chronic unemployment and soft skills training study and report. (Job Service North Dakota)
 Section 33: Study of the cluster industries related to the state's target industries. (Department of Commerce)
 Section 34: Workforce intelligence study and report. (Department of Commerce)
 Section 35: Higher education internship study and report. (Department of Commerce)
 Section 36: Career education study and report. (Department of Commerce)
 Section 39: Transfer of \$5,000,000 from general fund to rural airport economic development fund. (Aeronautics Commission)
 Section 40: Appropriation of \$5,000,000 in the rural airport economic development fund. (Aeronautics Commission)
 Section 41: Appropriation of \$1,200,000 from the general fund for Biodiesel PACE. (Bank of North Dakota)
 Section 42: Appropriation of \$8,000,000 from the general fund for PACE. (Bank of North Dakota)
 Section 44: Appropriation of \$45,000 from the general fund for grants for innovation. (Department of Career and Technical Education)
 Section 45: Appropriation of \$600,000 from the general fund for a web site spider program to identify job listings available in North Dakota. (Job Service North Dakota)

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 22 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. The fiscal impact of this section cannot be determined.

Section 23 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 24 allows the tax credits for recruitment expenses and internship programs contained in Sections 22 and 23 to be claimed on the state's simplified form, Form ND-1.

Section 25 expands the corporation 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 \$8.1 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 26 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 27 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's ethanol or biodiesel plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 28 provides a sales tax exemption for equipment purchased by a new or expanding tourism and wireless service provider business. The fiscal impact of this section is a reduction in state general fund and state aid distribution fund revenues of an unknown amount. This section sunsets in FY 2011.

Section 30 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.*

Aeronautics Commission
Section 1

Section 1: No additional fiscal impact other than the \$5,000,000 transferred from the general fund in section 39 and appropriated in section 40.

Contact: Gary Ness 328-9655

Bank of North Dakota
Sections 2, 3, 4, 41 & 42

Sections 2, 3 & 4: No additional fiscal impact.

Section 41: The \$1,200,000 appropriation for BioDiesel PACE in Section 41 differs from the \$4,200,000 appropriation for BioFuels PACE in HB 1014.

Section 42: The \$8,000,000 appropriation for PACE in Section 42 differs from the \$4,500,000 appropriation for PACE in HB 1014.

Contact: Stan Benson 328-5682

Board of Higher Education
Sections 5 & 31

Sections 5 & 31: Although the bill provisions impose additional reporting requirements, 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 Career and Technical Education
Sections 6 & 44

Sections 6 & 44: No additional fiscal impact other than the \$45,000 appropriated in section 44.

Department of Commerce
Sections 8, 9, 13, 14, 15, 16, 17, 18, 19, 20, 21, 29, 33, 34, 35, & 36

Section 8: No additional fiscal impact.

Section 9: The fiscal impact of having expert review of each complete application is estimated at \$500,000 for the 2007-2009 biennium. This assumes an average contractual expense of \$25,000 per application and a total of 20 applications to be reviewed. The fiscal impact for the 2009-2011 biennium would be \$250,000, assuming that having only \$10 million in Centers of Excellence funding available would produce 10 complete applications.

Section 13: The fiscal impact would be \$200,000 per biennium. This amount is based upon the North Dakota Trade Office hiring 12 interns as export assistants and providing them with international export training for potential placement as managers within international export companies.

Section 14: The fiscal impact would be \$525,000 per biennium. This is comprised of \$100,000 for training and \$425,000 for matching grants.

Section 15: No additional fiscal impact. Funding for innovation and technology is already included in the Department of Commerce's appropriations bill, HB 1018.

Section 16: No additional fiscal impact.

Section 17: The fiscal impact would be \$50,000 per biennium to expand the image information program to the private sector.

Section 18: The fiscal impact to the Department of Commerce is estimated at contractual expenses of \$500,000 for the 2007-2009 biennium and contractual expenses of \$300,000 for future bienniums.

Section 19: The fiscal impact would be \$2,042,025 per biennium of which \$1,600,000 is already included in the Department of Commerce's appropriations bill HB 1018. So the additional fiscal impact would be \$442,025. This fiscal impact consists of the following:

Rural tourism enhancement grant program: \$100,000 per biennium.

Talent attraction: No additional fiscal impact. Resources would be diverted from business recruitment efforts.

Foreign worker recruitment: \$30,000 per biennium.

Talent strategy: No additional fiscal impact.

Intelligence coordination:

Salary and Fringe Benefits: \$262,025 (2 FTE's for FINDET/Intelligence Coordination)

Operating Expenses: \$50,000

Total Cost Per Biennium: \$312,025

Higher education internships: \$400,000 per biennium which is already included in HB 1018.

Career education – Career promotion: \$1,200,000 is included in HB 1018 for a similar purpose.

Section 20: The fiscal impact to the Department of Commerce is estimated at \$150,000 for the 2007-2009 biennium and \$100,000 for future bienniums.

Section 21: The fiscal impact cannot be determined as there is not an appropriation in this bill for the Business and Tourism Acceleration Commission (BTAC). The BTAC is similar in scope to the Agricultural Products Utilization Commission which during the 2005-2007 biennium was appropriated \$4,108,503 consisting of \$1,818,939 from the general fund, \$650,000 from federal funds, and \$1,639,564 from special funds. The bill allows up to ten percent of the funds provided to the BTAC to be used for administrative expenses.

Section 29 & 33: No additional fiscal impact.

Section 34: The fiscal impact would be a contractual expense of \$50,000 for the 2007-2009 biennium.

Section 35: The fiscal impact would be a contractual expense of \$50,000 for the 2007-2009 biennium.

Section 36: The fiscal impact would be a contractual expense of \$80,000 for the 2007-2009 biennium.

Contact: Justin Dever 328-7258

Housing Finance Agency
Section 11

Section 11: No additional fiscal impact.

Contact: Pat Nagel 328-8081

Job Service North Dakota
Sections 32 & 45

Section 32: JSND will conduct a study on the issue of chronic unemployment and the issue of soft skills training for the chronically unemployed and as an element of workforce training. This would be a 12 month study with legislative council reports on the outcomes. This report will be used to consider any recommendations to be implemented to the sixty-first legislative assembly. Conducting the chronic unemployment study will require an additional 1 FTE position, with costs for salary and fringe benefits of \$60,048 (Research Analyst III for 13 months at \$3,3450 per month plus fringe benefits), and operating expenditures of \$19,952 (indirect and overhead costs related to the position) for a total fiscal impact of \$80,000.

Section 45: No additional fiscal impact other than the \$600,000 appropriated.

Contact: DeAnn Berg 328-3135

Tax Department

Section 18 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 appropriations contained within the individual bill sections are as follows:

Sections 1, 39, & 40: \$5,000,000 General Fund (Aeronautics Commission)
Sections 6 & 44: \$45,000 General Fund (Career and Technical Education)
Section 41: \$1,200,000 General Fund (Bank of North Dakota)
Section 42: \$8,000,000 General Fund (Bank of North Dakota)
Section 45: \$600,000 General Fund (Job Service North Dakota)

Total: \$14,845,000 General Funds

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

Section 9: \$500,000 (Centers of Excellence line item in OMB appropriations bill SB 2015)
Section 13: \$200,000 (Department of Commerce - Trade Office)
Section 14: \$525,000 (Department of Commerce)
Section 17: \$50,000 (Department of Commerce)
Section 18: \$500,000 (Department of Commerce)
Section 19: \$442,025 (Department of Commerce)
Section 20: \$150,000 (Department of Commerce)
Section 32: \$80,000 (Job Service North Dakota)
Section 34: \$50,000 (Department of Commerce)
Section 35: \$50,000 (Department of Commerce)
Section 36: \$80,000 (Department of Commerce)

Total: \$2,627,025 General Funds

The following sections are assumed to be on-going programs that would require future appropriations:

Section 1, 39, & 40: \$5,000,000 General Fund (Aeronautics Commission)
Section 41: \$1,200,000 General Fund (Bank of North Dakota)
Section 42: \$8,000,000 General Fund (Bank of North Dakota)
Section 44: \$45,000 General Fund (Career and Technical Education)

Total: \$14,245,000 General Funds

Name:	Justin Dever (See individual sections for specific contact information)	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	01/13/2007

#1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1027

Page 1, line 12, remove "subdivision c of subsection 1 of section"

Page 1, line 13, remove "6-09.15-01, section 6-09.15-03,"

Page 2, remove lines 29 and 30

Page 3, remove lines 1 through 19

Page 35, line 3, remove "2, 3,"

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1027

Page 1, line 3, replace "ten" with "nine" and remove "a new section to chapter"

Page 1, line 4, remove "54-60.1,"

Page 1, line 9, remove "expenditure reports on taxes and state business"

Page 1, line 10, remove "incentives,"

Page 2, line 2, after "council," insert "expenditure reports on taxes and state business incentives pilot projects,"

Page 12, remove lines 1 through 30

Page 13, remove lines 1 and 2

Page 17, remove lines 9 through 29

Page 33, line 10, after the period insert:

"SECTION 37. TAX EXPENDITURE REPORT PILOT PROJECT.

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, or 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 adopt rules setting forth 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 adopt rules setting forth the manner in which the tax expenditure data will be analyzed, organized, and presented in the report.
5. Confidential tax information received from the tax commissioner may only be divulged by the department of commerce 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 38. STATE BUSINESS INCENTIVE EXPENDITURE REPORT PILOT PROJECT.

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. The department may adopt rules as necessary to implement this section.
5. For purposes of this section, the term business incentive does not include a tax expenditure as defined under section 37 of this Act."

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1027

Page 16, line 4, remove "1." and "higher education internship"

Page 16, line 5, after "internships" insert "and work experience opportunities for higher education students"

Page 16, line 8, after "internships" insert "and work experience"

Page 16, remove lines 9 through 18

Page 16, line 19, replace "education – Career promotion" with "specialist"

Page 16, line 20, remove "1."

Page 16, line 23, replace "providing career education" with "promoting North Dakota career opportunities" and replace "kindergarten through grade" with "grade nine through"

Page 16, line 24, replace "subsection" with "section"

Page 16, line 25, replace "counselor" with "specialist"

Page 16, line 26, remove "Each career"

Page 16, remove lines 27 through 31

Page 17, remove lines 1 through 4

Renumber accordingly

#4

WORKFORCE RECRUITMENT & INTERNSHIP
1.23.07.v.3

PROPOSED AMENDMENTS TO HOUSE BILL 1027

Page 20, line 11, remove "specified direct", and replace "associated with recruitment of" with "incurred during the tax year to recruit and hire"

Page 20, line 12, after "state" insert "for which the annual salary for the position meets or exceeds the state average wage"

Page 20, line 13, remove "the lesser of twenty-five"

Page 20, line 14, remove "thousand dollars or", and replace "direct costs incurred by the taxpayer during" with "the salary paid by the taxpayer during the taxable year to the employee hired for the hard-to-fill employment position."

Page 20, remove line 15 through 23

Page 20, line 24, replace "is identified by the" with "requires the employer to use extraordinary recruitment methods." "Extraordinary recruitment methods" means using one or more of the following:

- (1) Professional persons or firms whose sole purpose is to recruit employees and for which a fee is charged by the recruiting person or firm;
 - (2) Advertisements in professional trade journals, magazines, or other publications whose main emphasis is providing information to a particular trade or profession;
 - (3) A web site whose sole purpose is to is to recruit employees and for which a fee is charged by the web site;
 - (4) Participation in job or career fairs;
 - (5) Payment for professional licensing or certification required for the position; or
 - (6) Payment of signing bonuses, moving expenses or non-typical fringe benefits.
- (b) "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."

Page 20, remove lines 25-31

Page 21, line 3, replace "A passthrough entity that incurs direct costs associated with recruiting for" with "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"

Page 21, line 4, remove "hard-to-fill- employment positions within this state"

Page 21, line 5, remove "with"

Page 21, line 6, remove "respect to a passthrough entity's costs associated with that recruiting"

Page 21, line 16, after the period insert "To qualify for the credit under this section, the internship program must meet the following qualifications:

- a. The intern must be an enrolled full-time student in a North Dakota institution of higher education who is engaged 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; and
- c. The intern must be supervised and evaluated by the taxpayer.

Page 21, line 20, remove "For purposes of this subsection:"

Page 21, remove lines 21-23

Page 21, line 24, replace "b." with "a."

Page 21, after line 25, insert:

- "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."

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL 1027

(Tourism & Wireless Amendments to Section 28 of the Bill)

January 30, 2007, Myles Vosberg, Tax Department

Page 24, line 20, replace "tourism equipment," with "tangible personal property used to construct or expand real property of a tourism business,"

Page 25, line 8, replace "equipment" with "tangible personal property used to construct or expand real property that is an integral part" and remove "new"

Page 25, line 9, remove "or a physical or economic expansion of a tourism business"

Page 25, line 10, replace "equipment" with "property"

Page 25, line 18, overstrike "or", and after "machinery" insert ","

Page 25, line 19, after "equipment" insert ", or tangible personal property"

Page 25, line 20, after "recycler," insert "tourism business, wireless service provider"

Page 25, line 22, overstrike the first "or", after "machinery" insert "," and after "equipment" insert ", or tangible personal property"

Page 25, line 23, after "recycler," insert "tourism business, wireless service provider,"

Page 25, line 26, after "in" insert "tourism related sales, wireless service provided,"

Page 26, line 4, after "business" insert "and"

Page 26, remove lines 5 through 9

Page 26, line 10, replace "(4)" with "(3)"

Page 27, line 27, after "Tourism" insert "business"

Page 27, line 29, after "attractions," insert "Lodging and food service businesses are tourism businesses only if they are singularly and uniquely related to recreational, historical, or cultural tourism-related attractions."

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1027

Page 4, line 27, after "to" insert "elementary or secondary" and after "schools" insert "and to institutions of higher education"

Page 4, line 30, after "section" insert "to an elementary or secondary teacher or school" and after "dollars" insert "and a grant awarded to an institution of higher education may not exceed twenty-five thousand dollars"

Page 34, line 16, replace "\$45,000" with "\$65,000"

Renumber accordingly

Date: 1-30-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendments Sections 2, 8, 9, 10

Motion Made By Rep Johnson Seconded By Rep Vigesaa

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch	X		Rep. Zaiser	X	
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 13 No 0

Absent 1

Floor Assignment Rep Ruby

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

Date: 1-30-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Add 50,000 Approp to Dept of Comm

Action Taken _____

Motion Made By Zaiser Seconded By Thorpe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Rep. Amerman	✓	
Vice Chairman Johnson	✓		Rep. Boe	✓	
Rep. Clark	✓		Rep. Gruchalla	✓	
Rep. Dietrich	✓		Rep. Thorpe	✓	
Rep. Dosch	✓		Rep. Zaiser	✓	
Rep. Kasper	✓	✓			
Rep. Nottestad	✓				
Rep. Ruby	✓				
Rep. Vigesaa	✓				

Total Yes 12 No 1

Absent 1

Floor Assignment _____

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

Date: 1-30-07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amend out Section 21

Motion Made By Rep Kasper Seconded By Rep Amerman

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelser	X		Rep. Amerman	X	
Vice Chairman Johnson		X	Rep. Boe	X	
Rep. Clark		X	Rep. Gruchalla	X	
Rep. Dietrich		X	Rep. Thorpe		X
Rep. Dosch		X	Rep. Zaiser		
Rep. Kasper	X				
Rep. Nottestad		X			
Rep. Ruby		X			
Rep. Vigesaa		X			

Total Yes 5 No 7

Absent 2

Floor Assignment Rep Ruby

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

Date: 1-30-07
Roll Call Vote #: 4

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Add Approp. \$500,000 Section 21

Motion Made By Rep Johnson Seconded By Rep Dietrich

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman		X
Vice Chairman Johnson	X		Rep. Boe		X
Rep. Clark	X		Rep. Gruchalla		X
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch			Rep. Zaiser		
Rep. Kasper		X			
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigasaa	X				

Total Yes 8 No 4

Absent 2

Floor Assignment Rep Ruby

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

Date: 1-30-07
Roll Call Vote #: 5

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendment Section 23

Motion Made By Rep. Johnson Seconded By Rep. Ruby

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch			Rep. Zaiser		
Rep. Kasper					
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 11 No 0

Absent 3

Floor Assignment Rep. Ruby

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

Date: 1-30-07
Roll Call Vote #: 60

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amendment Section 25

Motion Made By Rep. Ruby Seconded By Rep. Clark

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch			Rep. Zaiser		
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 12 No 0

Absent 2

Floor Assignment Rep. Ruby

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

PROPOSED AMENDMENTS TO HOUSE BILL 1027*(Tourism Amendments to Section 28 of the Bill)**January 30, 2007, Myles Vosberg, Tax Department*

Page 1, line 24, remove "and wireless service provider equipment"

Page 24, line 20, replace "tourism equipment," with "tangible personal property used to construct or expand real property of a tourism business," and remove "wireless service provider equipment,"

Page 25, line 8, replace "equipment" with "tangible personal property used to construct or expand real property that is an integral part" and remove "new"

Page 25, line 9, remove "or a physical or economic expansion of a tourism business"

Page 25, line 10, replace "equipment" with "property"

Page 25, remove lines 13 through 15

Page 25, line 16, replace "6" with "5"

Page 25, line 17, remove "wireless service provider,"

Page 25, line 18, overstrike "or", and after "machinery" insert " ,"

Page 25, line 19, after "equipment" insert " , or tangible personal property"

Page 25, line 20, after "recycler," insert "tourism business,"

Page 25, line 22, replace "7" with "6", overstrike the first "or", after "machinery" insert " ,", and after "equipment" insert " , or tangible personal property"

Page 25, line 23, after "recycler," insert "tourism business,"

Page 25, line 25, replace "8" with "7"

Page 25, line 26, after "in" insert "tourism related sales,"

Page 25, line 31, remove the overstrike over "and"

Page 26, line 4, replace "1" with "2"

Page 26, remove lines 5 through 13

Page 27, line 5, after “;” insert “and”

Page 27, line 7, replace “; and” with “;”

Page 27, remove lines 8 through 10

Page 27, line 27, after “Tourism” insert “business”

Page 27, line 29, after “attractions.” insert “Lodging and food service businesses are tourism businesses only if they are singularly and uniquely related to recreational, historical, or cultural tourism-related attractions.”

Page 28, remove lines 17 through 19

Renumber accordingly

Date: 1-30-07
Roll Call Vote #: 7

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt amendments #60

Motion Made By Rep Vigesaa Seconded By Rep Thorpe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		X	Rep. Amerman	X	
Vice Chairman Johnson		X	Rep. Boe	X	
Rep. Clark		X	Rep. Gruchalla	X	
Rep. Dietrich		X	Rep. Thorpe	X	
Rep. Dosch			Rep. Zaiser		
Rep. Kasper		X			
Rep. Nottestad		X			
Rep. Ruby		X			
Rep. Vigesaa	X				

Total Yes 5 No 7

Absent 2

Floor Assignment Rep Ruby

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

Date: 1-30-07
Roll Call Vote #: 8

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Remove Section 28

Motion Made By Rep Kasper Seconded By Rep Vigasaa

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	☒		Rep. Amerman	☒	
Vice Chairman Johnson	☒		Rep. Boe		☒
Rep. Clark	☒		Rep. Gruchalla	☒	
Rep. Dietrich	☒		Rep. Thorpe	☒	
Rep. Dosch			Rep. Zaiser		
Rep. Kasper	☒				
Rep. Nottestad	☒				
Rep. Ruby	☒				
Rep. Vigasaa	☒				

Total Yes 11 No 1

Absent 2

Floor Assignment Rep Ruby

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

Date: 1-30-07
Roll Call Vote #: 9

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Reduce Fund Section 39 to \$2.5 million

Motion Made By Rep Kasper Seconded By Rep. Gruchalla

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman		X
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe		X
Rep. Dosch			Rep. Zaiser		
Rep. Kasper	X				
Rep. Nottestad	X	X			
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 9 No 3

Absent 2

Floor Assignment Rep Ruby

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

Date: 1-30-07
Roll Call Vote #: 10

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Vigesaa Seconded By Thorpe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch			Rep. Zaiser		
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 12 No 0

Absent 2 (Dosch + Zaiser)

Floor Assignment Ruby

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

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1027

Page 1, line 1, remove "two new sections to"

Page 1, line 2, remove "chapter 15-10,"

Page 1, line 3, replace "ten" with "two" and remove "a new section to chapter"

Page 1, line 4, remove "54-60.1,"

Page 1, line 6, remove "a state board of higher education report and grant program,"

Page 1, line 8, remove "a department of commerce"

Page 1, remove line 9

Page 1, line 10, remove "incentives, a tourism enhancement grant program, talent attraction,"

Page 1, line 12, remove "subdivision c of subsection 1 of section"

Page 1, line 13, remove "6-09.15-01, section 6-09.15-03," and remove "15-69-02,"

Page 1, line 15, remove the first "and" and replace "subsections 1 and 3 of" with "and"

Page 1, line 16, remove the first "section" and remove ", and section 57-39.2-04.3"

Page 1, line 17, remove "beginning entrepreneur loan guarantee"

Page 1, line 18, remove the first "program,"

Page 1, line 20, replace "a" with "updating" and replace "division of innovation and technology"
with "law"

Page 1, line 23, remove "sales tax exemptions for"

Page 1, line 24, remove "tourism equipment and wireless service provider equipment,"

Page 2, line 1, after the comma insert "a tax expenditure report pilot project and a state
business incentive expenditure report pilot project and reports on the pilot projects,"

Page 2, line 3, remove "to provide an expiration date;"

Page 2, remove lines 29 and 30

Page 3, remove lines 1 through 19

Page 3, remove lines 26 through 31

Page 4, remove lines 1 through 23

Page 5, line 1, remove "division of"

Page 5, line 2, remove "innovation and technology"

Page 5, remove lines 3 through 29

Page 6, remove lines 1 through 7

Page 7, line 8, replace "provide" with "consider the potential need"

Page 8, line 3, replace "shall" with "may"

Page 8, line 19, remove "If a"

Page 8, remove line 20

Page 8, line 21, remove "must have specifically designated the center as addressing infrastructure needs."

Page 9, line 5, remove "The commission may not direct distribution of funds if the private sector"

Page 9, line 6, remove "participants cease to participate."

Page 9, after line 17, insert:

"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."

Page 10, line 31, remove the overstrike over "~~and~~"

Page 11, line 1, remove "A division of innovation and technology; and"

Page 11, line 2, remove "f."

Page 12, remove lines 1 through 30

Page 13, remove lines 1 and 2

Page 13, line 3, replace "Nine" with "Two"

Page 13, remove lines 5 through 31

Page 14, remove lines 1 through 31

Page 15, remove lines 1 through 30

Page 16, remove lines 1 and 2

Page 16, line 3, replace "Workforce" with "Division of workforce" and after "Internships" insert "and work experience opportunities"

Page 16, line 4, remove "1.", after "The" insert "division of", remove "division", and remove "higher education internship"

Page 16, line 5, after "internships" insert "and work experience opportunities for higher education students"

Page 16, line 8, after "internship" insert "and work experience"

Page 16, remove lines 9 through 18

Page 16, line 19, replace "Workforce" with "Division of workforce", remove "division", and replace "education - Career promotion" with "specialist"

Page 16, line 20, remove "1."

Page 16, line 23, replace "providing" with "promoting North Dakota", replace "education" with "opportunities", replace "kindergarten" with "grades nine", and remove "grade"

Page 16, line 24, replace "subsection" with "section"

Page 16, line 25, replace "counselor" with "specialist"

Page 16, line 26, remove "Each career"

Page 16, remove lines 27 through 31

Page 17, remove lines 1 through 29

Page 20, line 11, remove "specified direct", remove the first "of", and replace "associated with recruitment of" with "incurred during the tax year to recruit and hire"

Page 20, line 12, after "state" insert "for which the annual salary for the position meets or exceeds the state average weekly wage"

Page 20, line 13, remove "the lesser of twenty-five"

Page 20, line 14, remove "thousand dollars or" and replace "direct costs incurred" with "salary paid"

Page 20, line 15, replace "associated with recruiting for a" with "to the employee for the" and remove "in"

Page 20, line 16, remove "this state"

Page 20, replace lines 17 through 31 with:

"a. "Extraordinary recruitment methods" means using one 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 a 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."

Page 21, line 3, replace "passthrough entity that incurs direct costs associated with recruiting for" with "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"

Page 21, line 4, remove "hard-to-fill employment positions within this state"

Page 21, line 5, remove "with"

Page 21, line 6, remove "respect to a passthrough entity's costs associated with that recruiting"

Page 21, line 16, after the underscored period insert "To qualify for the credit under this section, the internship program must meet the following qualifications:

- a. The intern must be an enrolled full-time student in an institution of higher education who is engaged 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; and
- c. The intern must be supervised and evaluated by the taxpayer."

Page 21, line 20, remove "For purposes of this subsection:"

Page 21, remove lines 21 through 23

Page 21, line 24, replace "b." with "a."

Page 21, after line 25, insert:

- "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."

Page 21, line 29, after "57-38-01.25" insert "and subsection 4 of section 57-38-30.5"

Page 22, line 4, after "~~million~~" insert "hundred"

Page 23, line 1, after "assign" insert "or transfer, for consideration,"

Page 23, line 7, replace "If the taxpayer elects to assign an excess credit under this" with:

- "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."

Page 23, remove lines 8 through 11

Page 23, after line 16, insert:

- "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."

Page 23, line 26, replace "Subsections 1 and 3 of section" with "Section"

Page 23, line 27, replace "are" with "is"

Page 23, replace lines 28 through 31 with:

"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."

Page 24, remove lines 1 through 31

Page 25, remove lines 1 through 31

Page 26, remove lines 1 through 31

Page 27, remove lines 1 through 31

Page 28, remove lines 1 through 19

"SECTION 27. TAX EXPENDITURE REPORT PILOT PROJECT.

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 28. STATE BUSINESS INCENTIVE EXPENDITURE REPORT PILOT PROJECT.

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 27 of this Act."

Page 32, remove lines 1 through 31

Page 33, remove lines 1 through 10

Page 33, line 23, replace "\$5,000,000" with "\$2,500,000"

Page 33, line 27, replace "\$5,000,000" with "\$2,500,000"

Page 34, line 10, replace "41" with "33" and replace "42" with "34"

Page 34, line 14, replace "41" with "33" and replace "42" with "34"

Page 34, after line 19, insert:

"SECTION 37. 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 38. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the department of commerce for the business and tourism acceleration commission, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 34, line 26, remove "- **EXPIRATION DATE**" and replace "22, 23, 24, 25, 26," with "16, 17, 18, 19, 20, 21, and 23"

Page 34, line 27, remove "27, and 30" and after the period insert "Section 19 of this Act is effective for tax credits earned and assigned after December 31, 2006."

Page 35, remove lines 1 and 2

Page 35, line 3, replace "3, 4, 11, 41, 42, and 43" with "7, 33, 34, and 35"

Renumber accordingly

Date: 1-31-07
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1027

House Industry Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO Pass, AS amended Referred to Approp.

Motion Made By Rep Ruby Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson			Rep. Boe		
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch			Rep. Zaiser	X	
Rep. Kasper					
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigasaa	X				

Total Yes 10 No 0

Absent 4

Floor Assignment Rep. Ruby

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

REPORT OF STANDING COMMITTEE

HB 1027: Industry, Business and Labor Committee (Rep. Kelser, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1027 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "two new sections to"

Page 1, line 2, remove "chapter 15-10,"

Page 1, line 3, replace "ten" with "two" and remove "a new section to chapter"

Page 1, line 4, remove "54-60.1,"

Page 1, line 6, remove "a state board of higher education report and grant program,"

Page 1, line 8, remove "a department of commerce"

Page 1, remove line 9

Page 1, line 10, remove "incentives, a tourism enhancement grant program, talent attraction,"

Page 1, line 12, remove "subdivision c of subsection 1 of section"

Page 1, line 13, remove "6-09.15-01, section 6-09.15-03," and remove "15-69-02,"

Page 1, line 15, remove the first "and" and replace "subsections 1 and 3 of" with "and"

Page 1, line 16, remove the first "section" and remove ", and section 57-39.2-04.3"

Page 1, line 17, remove "beginning entrepreneur loan guarantee"

Page 1, line 18, remove the first "program,"

Page 1, line 20, replace "a" with "updating" and replace "division of innovation and technology" with "law"

Page 1, line 23, remove "sales tax exemptions for"

Page 1, line 24, remove "tourism equipment and wireless service provider equipment,"

Page 2, line 1, after the comma insert "a tax expenditure report pilot project and a state business incentive expenditure report pilot project and reports on the pilot projects,"

Page 2, line 3, remove "to provide an expiration date;"

Page 2, remove lines 29 and 30

Page 3, remove lines 1 through 19

Page 3, remove lines 26 through 31

Page 4, remove lines 1 through 23

Page 5, line 1, remove "division of"

Page 5, line 2, remove "innovation and technology"

Page 5, remove lines 3 through 29

Page 6, remove lines 1 through 7

Page 7, line 8, replace "provide" with "consider the potential need"

Page 8, line 3, replace "shall" with "may"

Page 8, line 19, remove "If a"

Page 8, remove line 20

Page 8, line 21, remove "must have specifically designated the center as addressing infrastructure needs."

Page 9, line 5, remove "The commission may not direct distribution of funds if the private sector"

Page 9, line 6, remove "participants cease to participate."

Page 9, after line 17, insert:

"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."

Page 10, line 31, remove the overstrike over "and"

Page 11, line 1, remove "A division of innovation and technology; and"

Page 11, line 2, remove "f."

Page 12, remove lines 1 through 30

Page 13, remove lines 1 and 2

Page 13, line 3, replace "Nine" with "Two"

Page 13, remove lines 5 through 31

Page 14, remove lines 1 through 31

Page 15, remove lines 1 through 30

Page 16, remove lines 1 and 2

Page 16, line 3, replace "Workforce" with "Division of workforce" and after "internships" insert "and work experience opportunities"

Page 16, line 4, remove "1.", after "The" insert "division of", remove "division", and remove "higher education internship"

Page 16, line 5, after "internships" insert "and work experience opportunities for higher education students"

Page 16, line 8, after "internship" insert "and work experience"

Page 16, remove lines 9 through 18

Page 16, line 19, replace "Workforce" with "Division of workforce", remove "division", and replace "education - Career promotion" with "specialist"

Page 16, line 20, remove "1."

Page 16, line 23, replace "providing" with "promoting North Dakota", replace "education" with "opportunities", replace "kindergarten" with "grades nine", and remove "grade"

Page 16, line 24, replace "subsection" with "section"

Page 16, line 25, replace "counselor" with "specialist"

Page 16, line 26, remove "Each career"

Page 16, remove lines 27 through 31

Page 17, remove lines 1 through 29

Page 20, line 11, remove "specified direct", remove the first "of", and replace "associated with recruitment of" with "incurred during the tax year to recruit and hire"

Page 20, line 12, after "state" insert "for which the annual salary for the position meets or exceeds the state average weekly wage"

Page 20, line 13, remove "the lesser of twenty-five"

Page 20, line 14, remove "thousand dollars or" and replace "direct costs incurred" with "salary paid"

Page 20, line 15, replace "associated with recruiting for a" with "to the employee for the" and remove "in"

Page 20, line 16, remove "this state"

Page 20, replace lines 17 through 31 with:

"a. "Extraordinary recruitment methods" means using one 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 a 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."

Page 21, line 3, replace "passthrough entity that incurs direct costs associated with recruiting for" with "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"

Page 21, line 4, remove "hard-to-fill employment positions within this state"

Page 21, line 5, remove "with"

Page 21, line 6, remove "respect to a passthrough entity's costs associated with that recruiting"

Page 21, line 16, after the underscored period insert "To qualify for the credit under this section, the internship program must meet the following qualifications:

- a. The intern must be an enrolled full-time student in an institution of higher education who is engaged 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; and
- c. The intern must be supervised and evaluated by the taxpayer."

Page 21, line 20, remove "For purposes of this subsection:"

Page 21, remove lines 21 through 23

Page 21, line 24, replace "b." with "a."

Page 21, after line 25, insert:

- "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."

Page 21, line 29, after "57-38-01.25" insert "and subsection 4 of section 57-38-30.5"

Page 22, line 4, after "~~million~~" insert "hundred"

Page 23, line 1, after "assign" insert "or transfer, for consideration,"

Page 23, line 7, replace "If the taxpayer elects to assign an excess credit under this" with:

- "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."

Page 23, remove lines 8 through 11

Page 23, after line 16, insert:

- "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."

Page 23, line 26, replace "Subsections 1 and 3 of section" with "Section"

Page 23, line 27, replace "are" with "is"

Page 23, replace lines 28 through 31 with:

"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."

Page 24, remove lines 1 through 31

Page 25, remove lines 1 through 31

Page 26, remove lines 1 through 31

Page 27, remove lines 1 through 31

Page 28, remove lines 1 through 19

Page 31, replace lines 9 through 31 with:

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Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1027

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1027

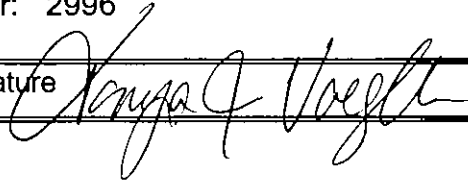
House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 2/6/07

Recorder Job Number: 2996

Committee Clerk Signature



Minutes:

Chairman Carlson opened hearing on House Bill 1027.

Representative Keiser described the bill. He stated that the purpose of the bill is for economic development.

Chairman Carlson: Why would have section one not have been in the Aeronautics Budget?

Representative Keiser: It certainly can be moved to the Aeronautics Budget. It was put into this bill during the interim. That's all I can tell you.

Chairman Carlson: This is there because they don't qualify for the other airport runway funds that are available to other airports

Representative Keiser: that is correct.

Sections 2 & 3 have been deleted from original bill.

Rep Keiser: Section 4 removes 5% biodiesel requirement.

Chairman Carlson: Why did you remove that?

Rep. Keiser: I can't answer that. I do have Rep. Ruby and Rep. Vigesaa here with me. They chaired our subcommittee and had the responsibility of bringing all these amendments.

Rep Ruby: These are not blending facilities. It gives the credit for the product that they produce

Chairman Carlson: Let's go back to the biofuels how does this tie to the programs we already have at the bank of ND?

Rep Berg: I think in this section they are just changing the definition.

Rep Keiser: This is for the production facilities.

Chairman Carlson: I understand I am just trying to follow the money.

Representative Skarphol: Did the committee think there was not enough money in the Bio PACE Fund at \$4.2 million or are there different criteria for this money opposed to what is in the budget already?

Rep. Keiser: I can't answer that. We had this bill in this form. We did not get into it because we did, not have the other bill in front of us.

Rep. Berg: The \$1.2 million should come out of this bill.

Section 3 of Engrossed Bill

Chairman Carlson: Is this the same intention that we had with the Centers of Excellence, to get the language in one place and all the money in another is that what we are doing?

Rep. Berg: Yes.

Representative Kempenich: So the Centers of Excellence Commission is moving to the Dept. of Commerce?

Rep. Keiser: With the Centers of Excellence there, it made sense.

Representative Kempenich: What did the Commission tell you about their monitoring?

Rep. Berg: Under the Centers of Excellence, we had a pre-evaluation done and a monitoring after the award was given. We also put limiters and said no more than 10% could go towards workforce development and no more than 10% to Infrastructure. So of would then go towards the core Centers of Excellence. **Chairman Carlson:** Where is that language?

Rep. Berg: It was amended out in I B & L

Rep Keiser: The reason we deleted that when ever you put an arbitrary number into the code then it becomes law. What happens if 12% has to go to the infrastructure and they have to make a deal with it? They can't do the deal because it is law.

Representative Skarphol: I don't see language that addresses in-kind I don't see anything in the bill. It talks about pre award and post award evaluations. How far in depth did you discuss with regard to in-kind?

Rep. Keiser: We did not discuss that issue at all.

Representative Skarphol: With regard to ensuring that the state dollars are used in a fashion that is appropriate to what we have said with regard to C.O.E., who is doing the audit?

Rep. Keiser: The interim committee did put in a post award analysis to make sure the dollars are used for what was described. Economic Development is very entrepreneurial. You can't put too many limitations on them or it is just not going to work.

Rep. Keiser continued with testimony with section 7 of Engrossed Bill.

Chairman Carlson: Is this the proper place for this or should it be in the Housing Finance Agency budget?

Rep. Keiser: Which bill this is appropriate in, I am not sure.

Representative Skarphol: What is the definition of a developing community?

Chairman Carlson: I would guess there is a definition somewhere in the HFA code, I am not sure.

Rep. Berg: I think it's appropriate to keep these together so we can keep track of them. Also the intent is to bridge a financing gap.

Chairman Carlson: These fall within the bonding limitations that they have available at HFA?

Rep Ruby: According to their fiscal note yes.

Chairman Carlson: They have very stringent rules as to what they can do because of their bonding regulations.

Section 8 in the Engrossed Bill

Chairman Carlson: So this allows us to get patent and royalty rights?

Representative Keiser: It is the Business and Tourism Acceleration Commission. It is modeled after APUC and the ND Development Fund as a source of money for the business and tourism industry.

Representative Glassheim: Does this already exist?

Representative Keiser: No it is new.

Representative Glassheim: Where is the language creating it?

Representative Keiser: In section 15 of the engrossed bill.

Representative Keiser continued with his testimony.

Discussion closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1027

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 2/12/07

Recorder Job Number: 3349

Committee Clerk Signature

Anya Vorcelle

Minutes:

Chairman Carlson opened the hearing on House Bill 1027.

The committee withdrew the adoption of amendment 70214.0201 as well as the vote on the bill recommendation.

Committee was in agreement that all action discussed before the motion to approve the amendment was in order.

A motion was made by Representative Glassheim, seconded by Representative Skarphol to adopt amendment 70214.0202. Motion carried by voice vote.

A motion was made by Representative Glassheim, seconded by Representative Skarphol to DO PASS AS AMENDED House Bill 1027. The committee vote was 8 Yeas, 0 Nays, 0 Absent and Not Voting. The bill will be carried by Representative Carlson.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1027

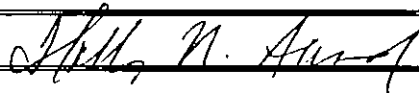
House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 12, 2007

Recorder Job Number: 3413

Committee Clerk Signature



Minutes:

Chm. Svedjan opened the hearing on HB 1027.

Rep. Carlson distributed amendment .0202. (Attachment A).

Rep. Carlson motioned to adopt amendment .0202. Rep. Skarphol seconded the motion.

Rep. Carlson reviewed engrossed bill .0200 and explained what was removed from the bill (Ref. 1:25). Rep. Carlson explained that Section 39 was taken out. In our discussions there was talk of the value of having one spot where all the jobs available could be gathered on an information system that would be dispersed to everyone and it's called the spider system. There was \$600,000 for this. We took that money out of this bill. It should be added back into the Job Service budget. But for now, the money has been removed (Ref. 9:51).

Rep. Kempenich: Wasn't there a federal grant that was coming down with that that Job Service didn't get?

Rep. Carlson: That was part of it, but this was going to be general fund monies. They still feel the need for this spider project. Not being our budget, it was hard to say where that should go. The bill is mostly technical in nature. The money is gone.

Rep. Skarphol: Section 25 was removed and the amendment reflects that (Ref. 11:34).

The motion to adopt amendment .0202 to HB 1027 carried by voice vote and the amendments were adopted.

Rep. Glassheim: I have an amendment being drafted and it's being drafted now. I'm not sure if it's worth waiting for or not (Ref. 12: 17).

Rep. Skarphol: I suggested to Rep. Glassheim that he and I would jointly sponsor an amendment to this, but I think we will do this on the Senate side.

Rep. Carson motioned a Do Pass as Amended to HB 1027. Rep. Thoreson seconded the motion. The motion carried by a roll call vote of 24 ayes, 0 nays and 0 absent and not voting. Rep. Carlson was designated to carry the bill.

Date: 2/9/07
Roll Call Vote #: _____

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

House _____ Appropriations- Government Operations _____ Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Withdraw Amendments and Action
from 2/9/07

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		

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2/9/07
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1027

House _____ Appropriations- Government Operations _____ Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment Number 70211 0201

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 8 No 0

Absent 0

Floor Assignment Carlson

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

February 9, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1027

Page 1, line 1, remove "a new section to chapter 2-05, a new section to chapter"

Page 1, line 2, remove "15-20.1,"

Page 1, line 3, replace "a new chapter to title 54, sections 57-38-01.24 and" with "section"

Page 1, line 4, remove "a rural airport"

Page 1, remove line 5

Page 1, line 6, remove "business and tourism acceleration commission,"

Page 1, line 8, remove "workforce recruitment and", after "internships" insert "and research and experimental expenditures", and remove "subsection 2 of"

Page 1, line 9, remove "section 6-09.17-01," and after "sections" insert "15-69-02,"

Page 1, line 10, after the first comma insert "and" and remove "54-34.3-08,"

Page 1, line 12, remove "the biodiesel partnership in assisting community expansion program,"

Page 1, line 13, remove "a business and tourism"

Page 1, line 14, remove "acceleration commission,"

Page 1, line 22, remove "to provide appropriations and transfers;"

Page 2, replace lines 2 through 30 with:

"SECTION 1. 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, workforce, and infrastructure needs. 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.
5. Unless otherwise provided through the appropriation process, the commission's funding awards to address workforce needs may not exceed ten percent and the commission's funding awards to address infrastructure needs may not exceed ten percent of the funds appropriated for funding centers during the biennium.

Page 3, remove lines 1 through 10

Page 5, line 22, after the period insert "If a center's primary use of funds will be to enhance infrastructure, the commission must have specifically designated the center as addressing infrastructure needs."

Page 6, line 7, after the period insert "The commission may not direct distribution of funds if the private sector participants cease to participate."

Page 7, remove lines 9 through 15

Page 9, line 21, remove "Under this section, the division shall administer a program through"

Page 9, remove lines 22 through 31

Page 10, remove lines 1 through 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 9

Page 13, line 14, replace the underscored comma with "or"

Page 13, line 15, remove ", or 57-38-30.3"

Page 14, line 8, remove "sections 57-38-01.24 and 57-38-01.25 and subsection 4 of"

Page 14, line 11, overstrike "**Corporate Income**" and insert immediately thereafter "**Income**"

Page 14, line 12, remove "A", overstrike "corporation" and insert immediately thereafter "A taxpayer", and overstrike "this"

Page 14, line 13, overstrike "chapter" and insert immediately thereafter "section 57-38-29, 57-38-30, or 57-38-30.3"

Page 15, line 1, overstrike "corporation" and after "~~which~~" insert "taxpayer"

Page 15, line 3, overstrike "corporation's" and insert immediately thereafter "taxpayer's"

Page 15, line 5, overstrike "corporation's" and insert immediately thereafter "taxpayer's"

Page 15, line 6, overstrike "corporation's" and insert immediately thereafter "taxpayer's"

Page 20, remove lines 14 through 29

Page 21, remove lines 1 through 8

Page 23, remove lines 22 through 31

Page 24, remove lines 1 through 31

Page 25, remove lines 1 through 3

Page 25, line 4, replace "16, 17, 18, 19, 20, 21, and 23" with "12, 13, 14, 15, 16, and 18"

Page 25, line 5, replace "19" with "14"

Page 25, line 10, replace "Sections 2, 7, 33, 34, and 35 of this Act are" with "Section 7 of this Act is"

Renumber accordingly

Date: 2/12/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1027

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 70214. 0202

Action Taken DO PASS As Amended

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	✓	

Total Yes 8 No 0

Absent 0

Floor Assignment Carlson

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

Date: 2/12/07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1027

House Appropriations Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 70241.0202

Action Taken No Pass as amended by 0202

Motion Made By Carlson Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleason	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 24 No 0

Absent 0

Floor Assignment Carlson

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

REPORT OF STANDING COMMITTEE

HB 1027, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (24 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1027 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "a new section to chapter 2-05, a new section to chapter"

Page 1, line 2, remove "15-20.1,"

Page 1, line 3, replace "a new chapter to title 54, sections" with "section" and remove "and 57-38-01.25"

Page 1, line 4, remove "a rural airport"

Page 1, remove line 5

Page 1, line 6, remove "business and tourism acceleration commission,"

Page 1, line 8, remove "workforce recruitment and", after "internships" insert "and research and experimental expenditures", and remove "subsection 2 of"

Page 1, line 9, remove "section 6-09.17-01," and after "sections" insert "15-69-02,"

Page 1, line 10, after the first comma insert "and" and remove "54-34.3-08,"

Page 1, line 12, remove "biodiesel partnership in assisting community expansion program,"

Page 1, line 13, remove "a business and tourism"

Page 1, line 14, remove "acceleration commission,"

Page 1, line 22, remove "to provide appropriations and transfers;"

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"SECTION 1. AMENDMENT. Section 15-69-02 of the North Dakota Century Code is amended and reenacted as follows:

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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, workforce, and infrastructure needs. 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.
5. Unless otherwise provided through the appropriation process, the commission's funding awards to address workforce needs may not exceed ten percent and the commission's funding awards to address infrastructure needs may not exceed ten percent of the funds appropriated for funding centers during the biennium.

Page 3, remove lines 1 through 10

Page 5, line 22, after the period insert "If a center's primary use of funds will be to enhance infrastructure, the commission must have specifically designated the center as addressing infrastructure needs."

Page 6, line 7, after the period insert "The commission may not direct distribution of funds if the private sector participants cease to participate."

Page 7, remove lines 9 through 15

Page 9, line 21, remove "Under this section, the division shall administer a program through"

Page 9, remove lines 22 through 31

Page 10, remove lines 1 through 31

Page 11, remove lines 1 through 30

Page 12, remove lines 1 through 30

Page 13, remove lines 1 through 9

Page 13, line 10, replace "57-38-01.25" with "57-38-01.24"

Page 13, line 12, replace "57-38-01.25" with "57-38-01.24"

Page 13, line 14, replace the underscored comma with "or"

Page 13, line 15, remove ", or 57-38-30.3"

Page 14, line 8, remove "sections 57-38-01.24 and 57-38-01.25 and subsection 4 of"

Page 14, line 11, overstrike "**Corporate Income**" and insert immediately thereafter "**Income**"

Page 14, line 12, remove "**A**", overstrike "corporation" and insert immediately thereafter "**A taxpayer**", and overstrike "this"

Page 14, line 13, overstrike "chapter" and insert immediately thereafter "**section 57-38-29, 57-38-30, or 57-38-30.3**"

Page 15, line 1, overstrike "corporation" and after "~~**which**~~" insert "**taxpayer**"

Page 15, line 3, overstrike "corporation's" and insert immediately thereafter "**taxpayer's**"

Page 15, line 5, overstrike "corporation's" and insert immediately thereafter "**taxpayer's**"

Page 15, line 6, overstrike "corporation's" and insert immediately thereafter "**taxpayer's**"

Page 20, remove lines 14 through 29

Page 21, remove lines 1 through 8

Page 23, line 10, replace "27" with "21"

Page 23, remove lines 22 through 31

Page 24, remove lines 1 through 31

Page 25, remove lines 1 through 3

Page 25, line 4, replace "16, 17, 18, 19, 20, 21, and 23" with "12, 13, 14, 15, 16, and 18"

Page 25, line 5, replace "19" with "14"

Page 25, line 10, replace "Sections 2, 7, 33, 34, and 35 of this Act are" with "Section 5 of this Act is"

Renumber accordingly

2007 SENATE APPROPRIATIONS

HB 1027

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1027

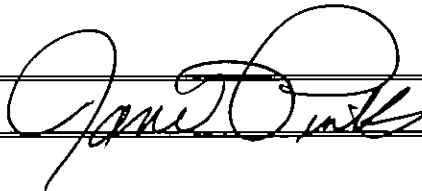
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-06-07

Recorder Job Number: 4446

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1027 with roll call.

Jennifer Clark, Legislative Council, introduced HB 1027, testifying neutrally, indicating the bill is a product of interim committee action. The interim committee worked on this with the Department of Commerce. She walked through the bill indicating the first four sections deal with the Centers of Excellence. She responded to questions and moved on describing the other sections of the bill.

Chairman Holmberg asked if there was any scientific or research basis done regarding the ten per cent for work force or infrastructure and was due diligence done on the number or is it arbitrary. The response was the number was a result of the chairman's wishes.

Senator Bowman questioned section 5, if the activities are doing what they intend to do and what happens if it doesn't do what it is supposed to do. The response was the rationale for the post award monitoring is to evaluate it before the award is given.

Chairman Holmberg indicated that some of the sections of this bill have been parceled out to other bills could we get a copy of what sections those are and where they went. The response was that this information would be provided.

Chairman Holmberg stated he had a question on this, the terminology used indicates this is an executive branch agency doing this study and they report it to the speaker of the house and

then to the Lt. Governor. Is there any reason why this is not reported to the president pro tem of the Senate because the LT. Governor is the president of the Senate. The response was she was not involved in the language of this bill.

Shane Goettle, Commissioner, Dept. of Commerce, distributed written testimony (1) and testified in support of HB 1027, describing what transpired during the interim and the five key focus areas. He indicated the department was given new responsibilities without additional funding. He requested the committee consider funding these programs, or remove them from the bill.

Chairman Holmberg indicated the subcommittee will consist of Senators Grindberg, Holmberg and Bowman.

Senator Bowman asked if there was any commitment from the companies involved that would help finance the section 6 trade office requirements of \$200,000. The response was the relationship the trade office has with these companies is that there needs to be a match of 50 cents per dollar.

Senator Grindberg indicated in every bill before us regarding workforce, I would suggest you visit with economic development association and prioritize the projects. When the conference committee meets, we will need to have this clearly thought out with priorities.

Illona Jeffcoat-Sacco, Executive Secretary, Public Service Commission, testified on behalf of Commissioner Tony Clark, indicating the point he wished to make is that the original bill Section 28 included the wireless infrastructure investment. The commission is concerned with that being deleted. If there are implementation issues, the department would be happy to work with the subcommittee.

Chairman Holmberg asked the what the appropriation was in Section 28. The response indicated she was not sure.

Cory Fong, Tax Commissioner, presented written testimony (2) and testified in support of HB 1027. He addressed the question about the original fiscal note indicating it could not be determined because of the uncertainty of the kind of equipment in the original legislation. He also indicated they would be willing to work with the subcommittee. He indicated the goals of the bills proposals include expanding the state's workforce by encouraging businesses to expand and retain more college graduates by encouraging businesses to develop internships. He offered a proposed amendment to HB 1027 (3) which reinstate the targeted workforce incentive into the bill and allow the credits to be used on the short form.

Donita Wald, Legal Counsel, Tax Department, presented the amendment .03TX (3) and a copy of what the revised HB 1027 would look like with the changes. She then discussed the amendment indicating the tax credit has a four year carry forward and is available through pass through entities.

Senator Grindberg asked about the fiscal impact of these proposed amendments. (she indicated they were not able to do the fiscal note)

Chairman Holmberg raised the question about students across the North Dakota border would be included in the new hire. The response was the bill does not stipulate the job has to be filled by a ND student.

Senator Grindberg questioned whether there was any discussion on primary sector being the eligible entity for internships-recruitment center. The response was there was talk about it and how it could be defined, so we required the actual salary minimum of \$29,500 and that the position had to be held for twelve months.

Mark Nisbet, Chairman, Centers of Excellence Commission, distributed written testimony (5) and testified expressing concerns about section 1 and 4. He indicated the changes limit the flexibility with the current program.

Chairman Holmberg indicated the State owes Mr. Nisbet gratitude for the excellent job he has done in devoting his time and energy to this project.

Gaylen Baker, Director, EDND, presented written testimony (6) in support of HB 1027, indicating their mission is to increase economic opportunities for ND residents by supporting the efforts of recruiting and retaining people, motivating people and businesses.

Eddy Dunn, Acting Chancellor, ND University Systems, distributed written testimony (7) in support of HB 1027 indicating the University systems has a dual mission focusing on the core elements of high quality education and a mission focusing on enhancing economic development in the state.

Senator Krebsbach asked if Mr. Dunn had reviewed the amendment put on by the tax department and could he comment. The response was that he did attend the meetings but has no comments to make.

Carlee McCloud, Bismarck Mandan Chamber of Commerce, distributed written testimony (8) in support of HB 1027 indicating the Chamber supports the tax department amendments but they are concerned this legislation limits awards from the Centers of Excellence.

Michael A. Anderson, Executive Director, ND Housing Finance Agency, presented written testimony (9) in support of HB 1027.

Deena Weize, Executive Director, ITD, presented written testimony (10) of Don Morton, ITC of ND who testified in support of HB 1027.

Wade Mann, ND Chamber of Commerce, presented written testimony (11) and testified in support of HB 1027 indicating he also supported the Centers of Excellence.

Chairman Holmberg asked him to be more specific on the second to the last paragraph. Are you supportive of the flexibility. The response was yes.

Senator Bowman indicated that for all of the dollars invested in the tax incentives what is the rate of return. The response was we don't know. They were asked to put that together and it was too overwhelming to that, instead they put together a pilot project to help get a sense of what it would take.

Senator Bowman asked if in the in the long scheme of things, that is the evidence you need to support more of the incentives, if it is bringing a nice return on investment over time, then you want to continue to move forward. It is basically a waste of money discontinue it. But, it has to be factual.

Mr. Mann briefly discussed the fiscal note with the research and development tax credit. He indicated the amount is a very conservative estimate and the cost has to be balanced with what we achieve with it. He stressed the concern that the committee be aware that if many new companies come in there is a cost factor.

Chairman Holmberg closed the hearing on HB 1027.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1027

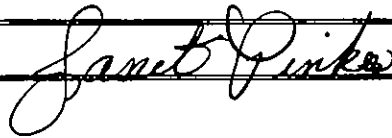
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-14-07

Recorder Job Number: 5054

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on 1027.

Senator Grindberg moved a do not pass on HB 1027, Senator Bowman seconded. A roll call vote was taken resulting in 14 yes, 0 no, 0 absent. The carrier of the bill will be Senator Grindberg.

Chairman Holmberg closed the hearing.

Date: 3/14
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1027

Senate Appropriations

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DUP

Motion Made By Grindberg

Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Ray Holmberg	✓		Senator Aaron Krauter	✓	
Vice Chairman Bill Bowman	✓		Senator Elroy N. Lindaas	✓	
Vice Chairman Tony Grindberg	✓		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) 14 No _____

Absent _____

Floor Assignment Grindberg

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

REPORT OF STANDING COMMITTEE (410)
March 14, 2007 4:27 p.m.

Module No: SR-48-5361
Carrier: Grindberg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1027, as reengrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Reengrossed HB 1027 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1027

HOUSE BILL NO. 1027 - STATUS OF FUNDING PROVISIONS

This memorandum identifies the major economic development program areas and related funding that was included in House Bill No. 1027, as introduced, and the changes made by the Legislative Assembly to the funding areas prior to crossover.

Program Area	Status
Centers of excellence	The executive budget included \$20 million from the general fund in Senate Bill No. 2015 , which the Senate removed.
Internships	The executive budget included \$400,000 from the general fund to the Department of Commerce in House Bill No. 1018 , which the House increased to \$600,000 from the general fund.
Career education for students	The executive budget included \$1,226,244 from the general fund and 10 FTE positions for the Department of Commerce in House Bill No. 1018 , which the House removed and added \$160,000 from the general fund and 1 FTE position for administering the career promotion program and the internship program in the Department of Commerce.
Tax expenditures report and business incentive report	The House added \$50,000 from the general fund in House Bill No. 1018 for the Department of Commerce.
Biodiesel/Biofuels PACE fund	House Bill No. 1027, as introduced, included a \$1.2 million general fund appropriation to the Bank of North Dakota, which the House removed; the executive budget included \$4.2 million from the general fund to the Bank of North Dakota in House Bill No. 1014 , which the House did not change.
PACE fund	House Bill No. 1027, as introduced, included \$8 million from the general fund for the Bank of North Dakota, which the House removed; the executive budget included \$4.5 million from the general fund for the Bank of North Dakota in House Bill No. 1014 , which the House increased to \$8 million. In addition, the House provided \$2 million from the general fund to the Bank of North Dakota for a medical PACE program in House Bill No. 1273 .
Job listing web site	House Bill No. 1027, as introduced, included \$600,000 from the general fund for Job Service North Dakota, which the House removed; the House added \$600,000 from the general fund to Job Service in House Bill No. 1016 .
Rural airport economic development fund	House Bill No. 1027, as introduced, included \$5 million from the general fund for this fund available to the Aeronautics Commission, which the House removed; the House added \$900,000 from the general fund to the Aeronautics Commission in House Bill No. 1006 .
Innovation grants	House Bill No. 1027, as introduced, included \$45,000 from the general fund to the Department of Career and Technical Education, which the House removed.

HB NO. 1027

(Economic Development Committee)

SECTION	TOPIC	DETAILS	RELATED	NOTES
1	Rural Airport Economic Development Fund	1 New section to chapter 2-05 (Aeronautics Commission) - Grant program & related special fund	39 & 40	
2	Beginning Entrepreneur Loan Program	Amends - Definition of "beginning entrepreneur" - Simplifies the net worth limitations	3, 47	At request of Bank
3	Beginning Entrepreneur Loan Program	Amends - Increases from \$4 million to \$8 million the amount the Bank may have in outstanding loans under the program	2, 47	At request of Bank
4	Biodiesel PACE	Amends - Definition of "biodiesel production facility"	41, 43, & 47	At request of Bank
5	State Board of Higher Education	2 New sections to chapter 15-10 (SBHE) - Provides specific topics that need to be included in annual performance and accountability report (report already required under section 15-10-14.2) - New program startup - Grant: requires SBHE to provide grants (requires matching funds/in-kind) and requires consult with DOC & JSND		
6	Department of Career and Technical Education	1 New section to chapter 15-20.1 (Dept. of Career and Technical Education) Grants for Innovation: Matching funds, for k-12, fund innovative science, technology, or innovation programs. Max \$7,500, and requires consult with DOC Division of Innovation and Technology (new division of DOC)	19, 44	
7	COEs	Amends 15-69-02 (COEs)	8, 9, & 10	

		- COE designations must distinguish between 3 types (commercialization, workforce, and infrastructure) - Commission's funding awards for workforce needs may not exceed 10% of the funds for centers for the biennium & infrastructure needs may not exceed 10% of the funds for centers for the biennium		
8	COEs	- Amends section 15-69-03 (COEs) - Provides DOC provide commission with staff services (no longer SBHE)	7, 9, & 10	
9	COEs	- Amends section 15-69-04 (COEs) - DOC provides application forms - DOC assists commission with preaward reviews and postaward monitoring - Commission is required to provide for independent, expert review of complete applications - Commission is required to conduct postaward monitoring of centers - Commission required to determine whether applicant has conducted due diligence necessary to put together a viable proposal	7, 8, & 10	
10	COEs	- Amends section 15-69-05 (COEs) - Clarifies the new infrastructure need designation requirements - Clarifies the new postaward monitoring - Clarifies commission may not direct distribution of funds if the private sector participants cease to participate	7, 8, & 9	

11	Housing Finance Agency	Amends subsections 4 & 6 of section 54-17-07.3 (HFA) - Amends the Mortgage Loan Financing Program authority (expands) - Amends Housing Grant Program authority (expands)	37 (LC Study)	At request of HFA
12	Business and Tourism Acceleration Commission (new BTAC)	Amends section 54-34.3-08 - Treats the new BTAC the same as ED & F. ND Development Fund, and APUC for purposes of holding patents and royalty rights	21	
13	ED & F Division of DOC	New section to chapter 54-34.3 (ED & F) - Requires the International Business and Trade Office to work with SBHE to implement strategies to expand international business expertise of higher ed. students		
14	Tourism Division of DOC	New section to chapter 54-34.4 (Tourism) - Allows Tourism Division to develop a visitor information program		
15	DOC	Amends section 54-60-02 (DOC) - DOC shall include a Division of Innovation and Technology - Housekeeping	19 (new division duties)	
16	DOC	Amends section 54-60-09 (Division of Workforce Development Duties) - Requires Division of Workforce Development to develop and implement the state's talent strategy and statewide intelligence coordination strategy	19 (duties explained in detail)	

17	DOC	Amends section 54-60-12 (DOC Image Info. Program) - Requires program to include private sector		
18	DOC	1 new section to chapter 54-60 (DOC) - Requires DOC to create tax expenditure report (for each legislative session)	20 (State Business Incentives Expenditure Report)	Similar to WV(?) Tax Expend. Report
19	DOC	9 new sections to chapter 54-60 (DOC) -1. Rural Community Tourism Enhancement Grant Program. (DOC) - 2. Talent Attraction. (DOC) - 3. Foreign Worker Recruitment. (Div. Workforce Dev.) - 4. Talent Strategy & Performance and Accountability. (Div. Workforce Dev.) - 5. Intelligence Coordination & Annual Report. (Div. Workforce Dev.) - 6. Reports (Commissioner) - 7. Higher Education Internships. (Div. Workforce Dev.) - 8. Career Education & Career Promotion (Div. Workforce Dev.) - 9. Division of Innovation and Technology Duties		
20	Business Incentive Accountability	1 new section to chapter 54-60.1 (Business Incentive Accountability) - Requires DOC to create state business incentive expenditure	18 (Tax Expenditure Report)	Similar to WV(?) Tax Expend. Report

		report (for each legislative session)		
21	Business and Tourism Acceleration Commission (BTAC)	New chapter to title 54 (state gov) - Creates a Business and Tourism Acceleration Commission (BTAC). Purpose is to provide assistance for the research, development, technology, and marketing needs of businesses and entrepreneurs to aid in innovation for new or existing businesses, expansion of existing and development of new tourism-based businesses, and growth of international business through trade	12	Modeled on BPUC
22	Income Tax Credit	1 new section 57-38-01.24 (income tax chapter) - Creates a workforce recruitment credit for hard-to-fill employment positions - Max. per yr. is lesser of \$25,000 or 5% of direct costs	24 (short form) & 46	
23	Income Tax Credit	1 new section 57-38-01.25 (income tax chapter) - Internship employment tax credit - 10% of stipend or salary of intern, with \$3,000 lifetime max	24 (short form) & 46	
24	Income Tax - Short Form	A new subsection to section 57-38-30.3 (Y Tx. short-form) - Allow use of short form for the workforce recruitment and internship tax credits	22, 23, & 46	
25	R & D Tax Credit	Amend section 57-38-30.5 (R & D tax credit) - 25 % credit for first \$100,000 - 20% credit for over \$100,000 - Changes how base period research expenses are calculated	46	ERROR IN BILL

		- Allows for assignment (sale) of excess credits (limit to \$100,000 lifetime)			
26	Seed Capital Investment Tax Credit	Amend 57-38.5-05 (Seed Capital Investment Tax Credit) - Increase cap from \$2.5 million to \$5 million	46		
27	Ag. Business Investment Tax Credit	Amend subsections 1 & 3 of section 57-38.6-01 (Definitions) - "Agricultural commodity processing facility" includes a livestock operation that uses as part of its operation a byproduct produced at an ethanol or biodiesel plant in ND	46		
28	Sales Tax Exemptions	Amend section 57-39.2-04.3 (Sales tax exemption) - Adds tourism equipment and wireless service provider equipment (to manufacturing or recycling machinery and equipment and primary sector business computer and telecommunications equipment)	38 (LC Study) & 48 (expires 2011)		
29	Business Climate Initiative	Amend 2005 S.L. - Amends study charge for 2007-08 interim study - Include young professionals			
30	Beginning Entrepreneur Tax Deductions & Exemptions	Repeals sections: - 57-38-71: Definitions - 57-38-72: Income tax deduction for revenue-producing enterprise sale to beginning entrepreneur - 57-38, 73: Rent from beginning entrepreneur exempt from income tax - 57-38-74: Claim for income tax deduction for revenue-producing enterprise sale or rental to a beginning entrepreneur	46		Report this is not being used

31	SBHE Report to LC	SBHE monitor implementation of CCBenefits, Inc. & Report to LC		
32	JSND Study & Report to LC	JSND study of chronic unemployment and soft skills training for chronically unemployed (including demonstration project) & Report to LC		Demonstration subject to Fed. funds
33	DOC Study & Report to LC	DOC study of target industry cluster industries & Report to LC (part of required target industries report)		
34	DOC Study & Report to LC	DOC Study of workforce intelligence & Report to LC		
35	DOC (SBHE) Study & Report to LC	DOC Study of higher ed. internships (in consultation with SBHE) & Report to LC		
36	DOC (Dept. Career & Tech Ed.; JSND; * DPI) Study & Report to LC	DOC (in consultation with Dept. of Career & Tech. Ed.; JSND; and DPI) study career education needs of K-12 & Report to LC		
37	LC Study	LC Study of state's housing needs and how unmet needs may affect economic development	11 (HFA)	
38	LC Study	LC Study of wireless service providers needs and impact on business climate in ND	28 (sales tx)	
39	Transfer	Transfer from General Fund to Rural Airport Economic Development Fund	1 & 40	
40	Appropriation	Appropriation - \$5,000,000 from Rural Airport Economic Development Fund to Aeronautics Commission	1 & 39	
41	Appropriation	Appropriation - \$1.2 million from general fund to Bank for Biodiesel PACE		At request of Bank
42	Appropriation	Appropriation - \$8 million from general fund to Bank for PACE	41	At request of Bank

43	Transfer	Transfer - Bank transfers funds to the Biodiesel PACE & PACE funds	41 & 42	At request of Bank
44	Appropriation	Appropriation - \$45,000 from general fund to Department of Career and Technical Education for innovation grants	6	
45	Appropriation	Appropriation - \$600,000 from general fund to JSND for enhanced web site spider program to identify job listings in ND		
46	Effective Date & Expiration Date	Effective Dates for sections 22, 23, 24, 25, 26, 27, and 30. Expiration Date for section 28	22, 23, 24, 25, 26, 27, 28, & 30	
47	Emergency	Emergency for Beginning Entrepreneur Loan Program, Biodiesel PACE, & PACE	2, 3, 4, 41, 42, & 43	At request of Bank

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DEPARTMENT OF COMMERCE TESTIMONY ON HB 1027

MARCH 6, 2007, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

SHANE GOETTLE – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman, and members of the committee. I am Shane Goettle, Commissioner of the North Dakota Department of Commerce and I am here before you today in support of HB 1027.

House Bill 1027 is an accumulation of several efforts during the interim. First, the Department of Commerce worked cooperatively with the interim Economic Development Committee in the Business Climate Initiative. As part of this initiative six focus groups were held across the state about a year ago with business leaders and local economic developers. Information on issues facing our businesses and possible solutions was collected from these focus groups and a business congress was held in April to recap what was learned and further brainstorm possible solutions. From this process it was determined to focus on five key issue areas:

1. Workforce
2. Attracting & Retaining Young People & Families
3. North Dakota's Image
4. Transportation
5. Higher Education

Throughout the Business Climate Initiative process, as well as in our everyday dealings with businesses, it has become clear that workforce development is now one of the top issues in economic development. House Bill 1027 address workforce issues in a number of ways including:

- Promoting the use of higher education internships.
- Promoting in-state career opportunities to high school students.

The funding for these two initiatives are included in House Bill 1018 – the Department of Commerce's appropriations. I look forward to working with this committee in aligning this statutory language with the funding that is ultimately approved in HB 1018.

In addition to the Business Climate Initiative, other studies were conducted and the results and recommendations reported to the interim Economic Development Committee.

The Department of Commerce and the University System commissioned a joint Intellectual Property and Technology Commercialization study. This study was conducted by the Research Triangle Institute and some of the key recommendations are contained in House Bill 1027 including:

- Amending the R&D tax credit to the highest rate in the nation.
- Cluster-based economic development – included as an additional study as part of Commerce's target industry report.

Also, a study of North Dakota's economic development incentives was conducted. Recommendations from this study are contained in House Bill 1027 including:

- A tax expenditures report pilot project.
- A business incentive expenditures report pilot project.
- Increasing the Seed Capital Investment Tax Credit limit from \$2.5 million to \$5.0 million per year.
- Repeal the Beginning Entrepreneur Income Tax Deduction, as it had limited use.

House Bill 1027 contains many initiatives that I believe will move North Dakota's economy forward. I do, however, think that it could be improved by restoring the flexibility in the Centers of Excellence program that the current version of HB 1027 takes away. I believe the Centers of Excellence program is working and has been a step forward in better utilizing our universities and colleges for economic development purposes. I hope you will agree that preserving the flexibility in the program is the way to go.

If you take a look at the fiscal note, you will notice that there are three sections in HB 1027 that give new responsibilities to the Department of Commerce without additional funding. These include:

- Section 6 requires the Trade Office to work with higher education to expand international business expertise of students. To implement this initiative we would need \$200,000 which would allow the trade office to hire 12 interns as export assistants and provide them with export training for potential placement as managers within international export companies.
- Section 7 allows the division of Tourism to develop and implement a visitor information center assistance program. We estimate a successful visitor information center assistance program would require \$525,000 – \$100,000 for training and \$425,000 for matching grants.
- Section 10 requires the Department to expand the image information program to the private sector. This language is mandatory and in order to accomplish it we would need \$50,000.

All three of these items are things that the Department could do without specific legislation. Additional resources are what are needed to make these programs successful. I'm asking you to either consider funding these programs as I outlined or remove them from this bill.

I look forward to working with this Committee in improving House Bill 1027.

Thank you for your time and attention this morning. I will be happy to respond to your questions.

Department of Commerce Studies & Reporting Requirements contained in HB 1027

§34 – Workforce Intelligence Study and Report (estimated cost of \$50,000)

Requires the Department of Commerce to study the workforce intelligence needs of the state and report before July 1, 2008 to the legislative council on the outcome of the study.

§36 – Career Education Study and Report (estimated cost of \$80,000)

Requires the Department of Commerce, in consultation with workforce partners, to study the career education needs of public school students in kindergarten through grade twelve and how to improve the career education services provided to these students. Requires report to the legislative council by July 1, 2008.

§35 – Higher Education Internships Study and Report (estimated cost of \$50,000)

Requires the Department of Commerce, in consultation with the University System, to study the state of higher education internship opportunities in the state and strategies to increase higher education internships in the state. Requires report to the legislative council by July 1, 2008.

§33 – Target Industry Cluster Industries Study and Report

Requires the Department of Commerce to include in its biannual Target Industry study a specific study of cluster industries. This includes an inventory of innovation assets which may be relevant to the target industries and related cluster industries.

§20 – Business Incentive Expenditure Report Requirement (estimated cost of \$150,000)

Requires the Department of Commerce to report biannually to the legislature on business incentive expenditures and the corresponding benefits to the state.
(Proposing to reduce this project to a pilot limited to the Development Fund—estimated cost of \$25,000)

§18 – Tax Expenditure Report Requirement (estimated cost of \$500,000)

Requires the Department of Commerce, in cooperation with the Tax Department, to report biannually to the legislature on state revenue loss due to tax expenditures and the corresponding benefits to the state. ***(Proposing to reduce this project to a pilot limited to the Seed Capital Investment Tax Credit—estimated cost of \$25,000)***



Testimony of Carol Goodman
Economic Development Association of North Dakota
House Bill 1027
January 15, 2007

Chairman Keiser and members of the House Industry, Business and Labor Committee:

My name is Carol Goodman. I am currently 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. We are asking that you support HB 1027 and thus, North Dakota's economic growth.

These are exciting times to be working in economic development in North Dakota, due to a positive economy, emerging opportunities in agriculture and energy, technology, and the development and marketing of each community's unique characteristics. While this positive atmosphere does not in any way reduce the challenges of rural communities, we are fortunate to have in place the resources of a comprehensive economic development system to get the job done.

We have all worked hard in the past several years to create our economic development network consisting of visionary legislation that provided incentive programs, the establishment of the Department of Commerce, the cooperation of state agencies, such as the Bank of North Dakota, and community partnerships with the North Dakota University System. EDND would like you to know that this partnership is working.

EDND has provided you with its 2007 Legislative Agenda, which reflects the diversity of our membership. Our members were involved in the economic development meetings that resulted in the interim economic development committee legislation. Therefore, you will notice that several of our legislative agenda items are also included in HB 1027.

We are particularly interested in the funding for the PACE programs, which is one of our best development tools. We also like the workforce and talent development programs, such as operation intern, the career promotion program and the web site spider program. Housing is a big issue in our communities and any support in that area is greatly appreciated. HB 1027 includes language to help us address housing needs in our communities as well as many other business development incentives that support the work of economic developers.

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 created and supported throughout the last few years.

The initiatives in HB 1027 will play a significant role in North Dakota's economic development. We urge you to support House Bill 1027.



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**Testimony of Gaylon Baker
Economic Development Association of North Dakota
House Bill 1027
March 6, 2007**

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Gaylon Baker. I am currently director 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. We are asking that you support HB 1027 and thus, North Dakota's economic growth.

These are exciting times to be working in economic development in North Dakota, due to a positive economy, emerging opportunities in agriculture and energy, technology, and the development and marketing of each community's unique characteristics. While this positive atmosphere does not in any way reduce the challenges of rural communities, we are fortunate to have in place the resources of a comprehensive economic development system to get the job done.

We have all worked hard in the past several years to create our economic development network consisting of visionary legislation that provided incentive programs, the establishment of the

Department of Commerce, the cooperation of state agencies, such as the Bank of North Dakota, and community partnerships with the North Dakota University System. EDND would like you to know that this partnership is working.

EDND has provided you with its 2007 Legislative Agenda, which reflects the diversity of our membership. Our members were involved in the economic development meetings that resulted in the interim economic development committee legislation. Therefore, you will notice that several of our legislative agenda items are also included in HB 1027.

We are particularly interested in the workforce and talent development programs, such as Operation Intern and the Career Specialist program. The development of these programs means the further development of a skilled, knowledgeable and experienced workforce to continue meeting businesses' needs. Housing is another big issue in our communities and any support in that area is greatly appreciated. HB 1027 includes language to help us address housing needs in our communities. It also includes other business development initiatives, such as the Centers of Excellence, increasing the seed capital tax credits and expanding the research and development tax credit. These are all tools that support the work of economic developers.

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 created and supported throughout the last few years.

The initiatives in HB 1027 will play a significant role in North Dakota's economic development. We urge you to support House Bill 1027.

Bismarck Mandan Chamber of Commerce
Committee Testimony
House Industry, Business and Labor Committee
Monday, January 15, 2007

Mr. Chairman and Members of the Committee, good morning, I am Kelvin Hullet, President of the Bismarck Mandan Chamber and I come before you today to support House Bill 1027. Many of the provisions represent a step forward in promoting and advancing the economic development and job creation efforts of our communities and our state. Mr. Chairman, I would like to note a few of the sections that we believe will be beneficial to our community and the state.

First, in the area of workforce development, our organization strongly supports any additional tools that can be provided to our employers in the recruitment of talent. Our community and our region are in a state of transition as it moves into a more competitive stance in the national and international marketplace. The one issue that is of great concern to our employers is recruiting and retaining talented employees to fill the available jobs. We applaud the measures in Section 19 related to talent attraction and internships and in Section 23 to allow for an internship employment tax credit.

Our organization also supports Section 22 that will provide credit to employers for hard-to-fill employment positions. Our community, in cooperation with the state, and through its own initiative, is traveling to communities in the region to seek qualified employees to fill jobs in Bismarck Mandan. At this time, those positions most in need are engineers, "technical trades" such as welders, pipe fitters and boilermakers and skilled "general labor".

Mr. Chairman, the expectation is that over the next decade, the central-west region of North Dakota will continue to expand at a rapid pace because of development of our natural resource base, technical services, healthcare and manufacturing. It is imperative that we do all we can to find labor to maintain this period of growth.

In Section 17, our organization specifically applauds the proposed legislation for including the Young Professionals into the focus group discussions for the interim economic development study. In 2005, the Bismarck Mandan Chamber assisted a group of Young Professionals to incorporate in the community under the umbrella of the Chamber. This group has grown from a small core of 7 people to over 500 on the database in the course of about 18 months. Understanding how these individuals think as a group is imperative to our success as a state.

Mr. Chairman, before I conclude my testimony, I would like to address some concerns about the proposed legislation. Specifically, our organization has some concerns regarding Section 7 and the Centers of Excellence.

Over the last few years, chamber members of the energy industry sector have worked closely with Bismarck State College to create the National Energy Center of Excellence on the BSC Campus. The goal of this center is to create a public, private partnership to further energy development and research and assist in addressing the workforce needs of the energy industry.

In 2006, construction of the Energy Center was started. A key component to our community and our region's ability to assist the energy industry as a whole is to ensure there are qualified employees. The center will assist in addressing this need. In Section 7, the legislation proposes to limit awards from Center of Excellence funding to address workforce development needs to 10% of the funds appropriated during the biennium. Our organization would advocate that this limit is too restrictive and would ask for further discussion on this issue.

A second area in which our organization would ask for discussion is in working with the Workforce Development Division in creating a program to address career promotion programs for students. Over the last three years, our organization has worked closely with the local school systems to move forward in creating programs to address this issue. In addition to creating a student chamber board of directors and creating a student career fair, we have expanded on the use of the Junior Achievement program. I would submit to you that we believe there is a synergy between these programs and the intent of the legislation. We would ask for further discussion on this issue.

Mr. Chairman, I thank you for the attention of the committee and would be happy to answer any questions you might have regarding our testimony.



TESTIMONY OF WADE MANN
North Dakota Chamber of Commerce
HB 1027
March 6, 2007

Chairman Holmberg and members of the Senate Appropriations Committee, I am Wade Mann, V.P. of Governmental Affairs of the North Dakota Chamber of Commerce.

During this legislative session, 16 local chambers of commerce in North Dakota are part of a coalition representing 7,236 business members that support the Legislative Policy Statements of the North Dakota Chamber. As a group we support HB 1027 and request a do pass vote from the committee.

The North Dakota Chamber of Commerce recognizes the importance of a trained workforce for continued economic growth. It is critical that we continue to support workforce development and related programs that generate interest in employment in our state and increase the pool of skilled and experienced workers. Workforce development and retention programs promote growth and are vital to the success of our business community.

Our members support the focus on internships for targeted industries and the internship employment tax credit. We also support programs that will generate interest and alert

students in our public schools to the tremendous opportunities available to them in their home state. The North Dakota Chamber has a legislative policy of supporting workforce training systems and recruiting employees to the state. The career specialist program, the internship programs and the associated internship employment tax credit will help achieve these policy objectives.

The North Dakota Chamber also supports the concept and development of Centers of Excellence. The Centers are vital to the development of business in the state and we hope that the Centers will continue to be supported in a way that they can facilitate economic development.

Thank you for the opportunity to appear before you. I would be happy to answer any questions.



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www.bismarckmandan.com HB 1027 Testimony

Senate Appropriations Committee
Tuesday, March 6, 2007

Mr. Chairman and Members of the Committee, I am Carlee McLeod of the Bismarck Mandan Chamber of Commerce, and I come before you today to support House Bill 1027. Many of the bill's provisions represent a step forward in advancing the economic development and job creation efforts of our communities and our state. I would like to note a few of the sections that we believe will be beneficial to our community and the state.

First, in the area of workforce development, our organization strongly supports any additional tools that can be provided to our employers in the recruitment of talent. Our community and our region are in a state of transition as we move into a more competitive stance in the national and international marketplace. The one issue that is of great concern to our employers is recruiting and retaining talented employees to fill the available jobs. We applaud the measures in Section 12 to allow for an internship employment tax credit.

Our organization also supported the section of the bill that has now been removed that would have provided a tax credit to employers for workforce recruitment. Our community, in cooperation with the state, and through its own initiative, is traveling to communities in the region to seek qualified employees to fill jobs in Bismarck Mandan. At this time, those positions most in need are engineers, "technical trades" such as welders, pipe fitters and boilermakers and skilled "general labor". We would support any effort to restore that previous section to this bill.

The expectation is that over the next decade, the central-west region of North Dakota will continue to expand at a rapid pace because of development of our natural resource base, technical services, healthcare and manufacturing. It is imperative that we do all we can to find labor to maintain this period of growth.

Mr. Chairman, before I conclude my testimony, I would like to address some concerns about the proposed legislation. Specifically, our organization has some concerns regarding the limitations placed on Centers of Excellence. Section 1 of this proposed legislation limits awards from Center of Excellence funding to address workforce development needs to 10% of the funds appropriated during the biennium. Our organization would advocate that this limit is too restrictive. We would prefer greater flexibility to address the needs of the state and private industry.

Mr. Chairman, I thank you for the attention of the committee and would be happy to answer any questions you might have regarding our testimony.

TESTIMONY TO THE
HOUSE INDUSTRY, BUSINESS & LABOR COMMITTEE
HOUSE BILL 1027
BOB HUMANN – SVP OF LENDING
BANK OF NORTH DAKOTA
JANUARY 15, 2007

Sections 2 & 3 of House Bill 1027 relate to the Bank of North Dakota's Beginning Entrepreneur Loan Guarantee program. Section 2 simplifies the definition of the eligible applicants and Section 3 increases the total outstanding loans that BND may guarantee from \$4 million to \$8 million. An emergency clause is also attached to these sections with only \$255,515 of guarantee availability remaining as of December 31, 2006. It is recommended to remove these sections from the bill. Senate Bill 2120 has the same changes and has already been approved by the Senate. Separate legislation was introduced only because of concerns related to having to stop the program because of hitting the maximum outstanding loan threshold. It is anticipated that SB 2120 approval will happen faster as a "stand alone" bill.

Section 4 relates to the definition of an eligible facility under the Biodiesel PACE program and Section 41 appropriates \$1,200,000 for the Biodiesel PACE fund. It should be noted that two other separate bills are in the process of being introduced as Biofuels PACE at the \$5,000,000 level and with expanded uses. It should also be noted that in the Industrial Commission's appropriation bill, House Bill 1014, that \$4,200,000 is proposed for Biofuels PACE along with transfer of the remaining \$800,000 from unused Biodiesel PACE funds.

Section 42 appropriates \$8,000,000 for the PACE fund. House Bill 1014 proposes an appropriation of \$4,500,000 for the PACE fund. For the 2005-2007 biennium, the PACE fund received \$5,700,000. With the addition of a new concept titled Flex PACE and increased PACE demand, the PACE funds were fully committed 9 months into the biennium. To keep the PACE program going, a one time transfer of \$2,000,000 was made from the Beginning Farmer Revolving Loan Fund.

Your approval of the \$8,000,000 PACE appropriation amount is recommended to ensure adequate funding is available for the State of North Dakota's most successful economic development program.

A

TO: House IBL Sub-Committee
FROM: Bob Humann - SVP of Lending, BND
DATE: January 24, 2007
SUBJECT: BND PACE Programs Information

Appropriation amounts for the PACE Programs:

	<u>PACE</u>	<u>Biodiesel PACE</u>
<u>2005-2007 Biennium:</u>	\$5,700,000	\$1,200,000
Total General Fund Appropriation:	\$6,900,000	
<u>Proposed for 2007-2009 Biennium:</u>		
HB 1014: * (IC Appropriation Bill)	\$4,500,000	\$4,200,000 (Biofuels PACE) \$ 801,964 plus Biodiesel Balance \$5,001,964
Total Impact on the General Fund:	\$9,501,964	(\$4,500,000 + \$5,001,964)
HB 1027: (EDC Bill)	\$8,000,000	\$1,200,000
Total Impact on the General Fund:	\$8,398,036	(\$8,000,000 + \$1,200,000 - \$801,964) **
Total Difference Between the Two Bills:	\$1,103,928	

* In HB 1014, BND will have the ability to transfer any unobligated funds between the Biofuels PACE and PACE. SB 2180 creates Biofuels PACE, but the appropriation is found in HB 1014. SB 2288 also creates Biofuels PACE and this bill appropriates \$5,000,000 for Biofuels PACE. If SB 2288 is approved with \$4,500,000 for PACE (HB 1014), the cost to the General Fund is \$8,698,036 (\$4,500,000 + \$5,000,000 - \$801,964). If SB 2288 is approved with \$8,000,000 for PACE (HB 1027), the cost to the General Fund is \$12,198,036 (\$8,000,000 + \$5,000,000 - \$801,964). It should be noted that there are 5 biofuels projects on the drawing board at this time that would use \$1,250,000 of PACE funds and \$2,500,000 of Biofuels PACE funds.

** Existing N.D.C.C. 6-09.17-02 requires that any unused Biodiesel PACE funds be returned to the General Fund at the end of the 2005-2007 biennium.

Additional Information on the Flex PACE Program:

Flex PACE does not have a separate appropriation and interest buydown is provided by PACE funds. Flex PACE is an extension of PACE that came about at the request of North Dakota Economic Developers and Lenders that wanted more flexibility in providing interest buydown funds to businesses that did not fit the PACE eligibility definition and did not meet the job creation requirement. The beauty of Flex PACE is the local community decides what type of business they want to support. The funds have currently been used to support essential community businesses such as hospitals and grocery stores. The North Dakota Economic Development Association is a strong supporter of both PACE and Flex PACE.

It should be noted that BND's plan was to use \$2 million of the 2003-2005 PACE carry-forward balance for Flex PACE, but legislation mandated \$2,200,000 be returned to the General Fund (the funds were earmarked for the Centers of Excellence program). Because of this scenario and with increased demand for eligible PACE projects in the 2005-2007 biennium, the PACE funds were committed 9 months into the biennium. With the shortage in PACE funds, a \$2 million transfer from the Beginning Farmer Revolving Loan Fund was necessary. This transfer was justified by the number of agricultural related projects that were receiving PACE funds in the form of value-added processing operations primarily consisting of renewable energy projects.

The following page details activity levels for the PACE programs for the last two bienniums.

2005-2007 Biennium	PACE	Flex PACE	BioDiesel PACE
Available Buydown Funds *	\$ 7,194,840	\$ 1,751,087	\$ 1,200,000
Loans Funded 2005-07 Biennium	47	14	1
Original Loan Amount Funded	\$ 21,953,304	\$ 8,700,324	\$ 3,420,560
Buydown Funds	\$ 3,892,474	\$ 1,205,450	\$ 398,036
Loans Pending as of 12-31-06	8	1	0
Loan Commitments Outstanding	\$ 3,713,945	\$ 850,000	\$ -
Buydown Funds	\$ 1,169,412	\$ 94,622	\$ -
Flex PACE Reserved Buydown Funds		\$ 447,923	
Remaining Buydown as of December 31, 2006	\$ 2,132,955	\$ 3,092	\$ 801,964

* Breakdown of Available PACE and Flex PACE Buydown Funds

\$5,700,000	Legislative Appropriation
\$ 244,972	Carry Forward from Previous Allocation
\$1,000,955	Adjustments on Defaulted or Prepaid PACE Loans
<u>\$2,000,000</u>	Transfer from the Beginning Farmer Revolving Fund
\$8,945,927	Of this amount, \$2 million was earmarked for Flex PACE, but as PACE funds were quickly committed, the total available for Flex PACE was reduced to \$1,751,087.

2003-2005 Biennium Buydown Fund	PACE
Available Funds **	\$ 6,390,448
Loans Funded 2003-05 Biennium	66
Original Loan Amounts Funded	\$ 37,706,624
Buydown Funds	\$ 4,935,484
Loans Pending as of 6-30-05	16
Loan Commitments Outstanding	\$ 14,495,990
Buydown Funds	\$ 1,169,412
Remaining Buydown as of June 30, 2005	\$ - 14,339

** Breakdown of Available PACE Buydown Funds

\$5,700,000	Legislative Appropriation
\$2,441,163	Carry Forward from Previous Allocation
\$1,449,285	Adjustments on Defaulted or Prepaid PACE Loans
\$1,000,000	Transfer to the Ag PACE Fund
<u>\$2,200,000</u>	Transfer to the General Fund
\$6,390,448	Carry Forward to the 2005-2007 Biennium

#5

Testimony on Closer Connections Between Economic Development Initiatives and the University System HB 1027

**By Chancellor Eddie Dunn
North Dakota University System**

House Industry, Business and Labor Committee

January 15, 2007

Chairman Keiser and members of the House Industry, Business and Labor Committee. For the record, I am Eddie Dunn, Chancellor of the North Dakota University System.

House Bill 1027 has a number of elements in it that encourage a closer connections between economic development initiatives, primarily within the Department of Commerce and the University System. The University System supports those efforts. I believe legislators, economic developers and community leaders expect higher education and the Department of Commerce to work together to help make economic development and quality of place a reality. I believe we have made strong progress in that area in the past year and much of the credit is due to Commissioner Goettle. We look forward to continuing to work with Department of Commerce and others involved in implementing a number of initiatives in House Bill 1027.

I do need to mention that at a recent chancellor's cabinet meeting, which includes the college and university presidents, HB 1027 was discussed and concerns were expressed regarding certain provisions in the bill. Since then, a copy of the bill has been distributed to each of the colleges and universities and the appropriate people at each of the institutions are reviewing it to identify the specific provisions of the bill that would be troublesome and to offer solutions. After I hear back from the colleges and universities and since most of the initiatives in the bill relate to the Department of Commerce, I would then like to meet with Commissioner Goettle to work on drafting of amendments that would achieve the intent and objectives of the legislation while removing any concerns we might have.

That concludes my comments and I would be pleased to respond to any questions you might have.

**Testimony to Senate Appropriations Committee
On HB 1027**

**By Eddie Dunn, Chancellor
North Dakota University System**

March 6, 2007

Chairman Holmberg and members of the Senate Appropriations Committee, for the record, I am Eddie Dunn, Chancellor of the North Dakota University System. Thank you for the opportunity to provide testimony in support of House Bill-1027.

House Bill-1027 has a number of elements in it that encourage a closer connection between economic development initiatives, primarily with the Department of Commerce and the University System. The University System supports those efforts. I believe legislators, economic developers and community leaders expect higher education and the Department of Commerce to continue working together to help make economic development and quality of place a reality. We have made significant progress in that area in the past year, and much of the credit is due to the current leadership at the Department of Commerce. The University System looks forward to continuing to work with the commissioner and others involved in implementing a number of initiatives included in House Bill-1027.

When this bill was in the House, we worked closely with the Department of Commerce and with the subcommittee of the House, Industry, Business and Labor Committee, which was chaired by Representative Dan Ruby, in developing amendments that would achieve the overall objectives of the legislation while removing the concerns the colleges and universities initially had with the bill. We were very pleased with the cooperation and responsiveness of the Department of Commerce and Representative Dan Ruby's subcommittee in making amendments to the bill which help compliment the efforts already underway in the University System while further strengthening the role of the System – in cooperation with the DOC and other agencies – in enhancing the economy of the state.

The University System is especially supportive of the centers of excellence program, which is included in this legislation. In addition to the significant economic impact already being experienced and anticipated from the centers of excellence, the concept has stimulated extensive discussions on how the colleges and universities can become even more engaged in helping enhance the economy in their respective regions and throughout the state.

In addition to supporting the COE funding, the University System also supports the position of the Centers of Excellence Commission to continue the flexibility provided to the COE Commission in reviewing and selecting proposals to be funded. That flexibility is essential in encouraging great ideas to come forward from the private sector for at least consideration by the commission in achieving the fundamental desired outcome of the COE initiative – to expand and create new private sector businesses and high quality employment throughout the state.

That concludes my comments and I would be pleased to respond to any questions you have.

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Testimony on HB 1027
March 6, 2007
Senate Appropriations

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.

In my role as chairman of the Centers of Excellence Commission I have had the opportunity to witness many of the exciting things happening as a result of the Centers of Excellence program. Private businesses are stepping up to the plate to partner with our colleges and universities to create Centers that are generating high-value employment opportunities and growing and diversifying North Dakota's economy. In fact the original \$20 million appropriated for the 2005-07 biennium is leveraging a match approaching \$80 million. What was required to be at least 2-to-1 match is in fact approaching a 4-to-1 match.

I believe very strongly in the Centers of Excellence program and I hope it can continue with the same level of excitement and potential growth for our economy. That being said I do have a concern about one of the changes contained in House Bill 1027.

The change I'm concerned about is contained in Sections 1 & 4. Section 1 creates a distinction among Centers designed to address commercialization, workforce, and infrastructure needs and limits workforce and infrastructure Centers to only ten percent of the total appropriated during the biennium. Section 4 says if a Center's primary use of funds will be for infrastructure, the Center must be designated as addressing infrastructure needs. 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.

House Bill 1027 also contains other provisions dealing with Centers of Excellence that I support. This includes having the Department of Commerce assist the Commission. The Commission has already requested their help and this would formalize it in statute. This is also a good opportunity for me to mention our appreciation for all the help that the ND University System has provided. Chancellor Eddie Dunn has been especially supportive of Centers of Excellence and has been great to work with. We will continue to seek cooperation with the University System.

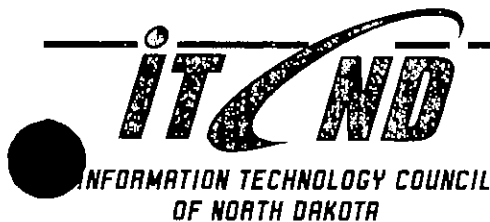
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I also agree with specifically listing the post-award monitoring in the statute. The Centers of Excellence Commission has, with the help of the Department of Commerce, already started the process of monitoring each of the 11 approved Centers. This monitoring will consist of an in-depth annual report from each Center and quarterly updates on their progress.

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.

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Testimony of Don Morton
Information Technology Council of North Dakota
HB 1027
March 6, 2007

Mr. Chairman and members of the Senate Appropriations Committee:

My name is Don Morton, and I am the Site Leader for the Microsoft Campus in Fargo. I also serve as the Information Technology Council of North Dakota (ITCND) Public Policy Committee Chair and would like to voice support for HB 1027 on behalf of ITCND.

ITCND was formed in 2000 by North Dakota business, government and education leaders who recognized the need to strengthen the state's information technology infrastructure and position the state as a national leader in information technology. ITCND has grown to nearly 100 members that believe in growing a stronger North Dakota through information technology excellence and development. We thank you for your leadership and support in the past. This support has made North Dakota a leader in creating the infrastructure necessary for the creation of technology-based businesses throughout the state.

ITCND strongly encourages you to support HB 1027. We support this bill in its entirety, but are especially interested in the research and development tax credit and the workforce development initiatives.

As one of the major driving forces behind innovation, the information technology industry is very supportive of the research and development tax credit provided in this bill. Research and development is the key to innovation, which, in turn, leads to

commercialization. This bill will help drive innovation by providing an incentive to invest in the research and development of new ideas. In its current form, the tax credit would be one of the most generous research and development tax credits in the nation. This will be another tool for economic development and the promotion of North Dakota as a leader in research and development.

As you know, the Centers of Excellence remain important institutions of innovation. We hope you will help them remain as such by returning flexibility to the programs.

As stated, with innovation comes commercialization and economic development, and this, in turn, will stimulate growth in the workforce. HB 1027 provides several initiatives to help train and educate our workforce, especially our younger students. Operation Intern and Career Specialists will provide our younger citizens the guidance and experience needed to succeed—and help our state succeed—in an increasingly competitive work environment.

We appreciate your support in the past and encourage your continued support of economic and workforce development by supporting HB 1027.

Thank you.

Don Morton

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#2



North Dakota
Housing Finance Agency

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INDUSTRIAL COMMISSION
JOHN HOEVEN, GOVERNOR
WAYNE STENEHJEM, ATTORNEY GENERAL
ROGER JOHNSON, AGRICULTURE COMMISSIONER

MICHAEL A. ANDERSON, EXECUTIVE DIRECTOR

HB 1027

January 15, 2007

**North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Michael Anderson, Executive Director
House Industry, Business, and Labor Committee**

Chairman Kaiser and members of the Industry, Business, and Labor Committee, my name is Mike Anderson, executive director of the North Dakota Housing Finance Agency ("North Dakota Housing"). I am providing this testimony in support of Section 11 of HB 1027. Section 11 of HB 1027 amends Section 54-17-07.3 of the North Dakota Century Code which authorizes the establishment of the various housing programs of North Dakota Housing. These amendments would expand North Dakota Housing's mission, its public purpose, to include assisting North Dakota's developing communities in addressing their unmet housing needs, thus, helping to alleviate a housing shortage across much of the state.

In May of last year North Dakota Housing established its 2006 Housing Priorities (see attached report). These priorities are intended to begin addressing the state's housing challenges identified in the Statewide Housing Needs Assessment published in 2004. These priorities are 1) expand new housing in developing communities; 2) housing for our aging population; 3) revitalizing our aging housing stock; 4) housing our Native Americans; and 5) homelessness. Several initiatives that we have already developed with respect to these priorities are also contained the attached report. Although not limited to, thus far much of North Dakota Housing's efforts with respect to these priorities have been focused on North Dakota's rural areas and communities. We are finding that much of these areas do not have the resources or expertise to begin meeting the challenges that goes along with identifying and solving local unmet housing needs.

When considering the amendments in Section 11 of HB 1014 it is important to understand the necessity for change. Housing today is much more complex than it was over two decades ago when the Agency was first created. Back then the primary focus was to provide low cost financing for the state's low and moderate income first-time home buyers. Since then our mission has been expanded to include other things like rental assistance for the state's low income tenant households. Through



the years North Dakota Housing has always stayed compliant with its public purpose clearly defined in N.D.C.C. 54-17 of providing housing assistance to the state's low and moderate income citizens.

As we began working on developing the priorities and the various initiatives resulting from them, it became evident early on that the housing challenges in rural North Dakota were not limited to the low and moderate income households. Rural North Dakota is challenged when it comes to its housing whether in pursuit of economic and workforce development or whether just trying to maintain its population by keeping its housing stock viable and offering alternative housing solutions for its citizenry. They are challenged in attracting private investment in housing; challenged in attracting housing developers and builders; and, they typically lack the resources needed to contend with value gap, aka appraisal gap, that is common in rural areas.

When visiting with many of these communities, many of whom have experienced economic development successes, we continually hear that they do not need more affordable housing. Rather, there is an even bigger need today for workforce and market rate housing. They need housing for the industry workers and management that are coming to their communities. For these new members of the community affordability is not necessarily the issue. As well, in these communities there is a challenge for starting younger family households in finding housing that does not always equate to affordability.

Another common concern that we hear among communities is being able to provide alternative housing situations for their aging citizens. These households no longer want to worry about or have the capacity to deal with lawn care, snow removal, maintenance, etc., and, like workforce housing, is not necessarily an issue of affordable housing. Unfortunately, if alternatives are not available locally these elderly households, they will likely move to where alternatives are available, meaning likely another community.

In all corners of the state communities are asking North Dakota Housing for assistance in addressing their unmet housing needs. However, today N.D.C.C. 54-17 limits us to targeting our programs to low and moderate income households. In addition, we are limited in the type of housing assistance we can offer to these communities. Section 11 of HB 1027 provides three key new elements to North Dakota Housing's mission or public purpose that will allow for the flexibility to address the needs of individual communities. The first is to expand the targeting of our programs beyond low and moderate income households to include assist developing communities address an

unmet housing need or alleviate a housing shortage regardless of the cause of such unmet need or shortage.

The second element would allow North Dakota Housing to provide financial assistance for the development of raw land. Communities are looking for low cost assistance for creating a housing development hoping this will attract a developer/builder. This includes pre-development soft costs, site development, etc. Today, if our assistance does not include financing the construction of the home(s) we cannot provide assistance. This means we would be providing construction financing for speculative building. We believe this would significantly limit the flexibility for communities in planning their projects; substantially increase North Dakota Housing's capital requirements to fund the program, and may be even beyond our capabilities; and likely increase the risk of repayment beyond North Dakota Housing's expectations.

The final element is to authorize North Dakota Housing to guaranty loans. This would allow North Dakota Housing to spread the risk by encouraging participation from private lenders, as well as serve to reduce the cost of developing new housing. In addition, providing guarantees would also increase North Dakota Housing's capacity to assist rural communities by reducing its dependency on raising capital for its loan programs.

In conclusion, North Dakota Housing remains committed to serving the state's low and moderate income population through its long standing marquee programs, both homeownership and rental. Today, it is equally committed to meeting the complex housing challenges facing the state. This means doing our part in assuring the state's rural areas and communities are not only postured to realize the economic successes they seek, but, remain viable for all their citizenry by providing decent, safe, adequate, and affordable housing. With the changes proposed in Section 11 of HB 1027 I am confident that North Dakota Housing will be able to accomplish this.

Thank you for your time and attention!



North Dakota
Housing Finance Agency

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INDUSTRIAL COMMISSION
JOHN HOEVEN, GOVERNOR
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ROGER JOHNSON, AGRICULTURE COMMISSIONER

MICHAEL A. ANDERSON, EXECUTIVE DIRECTOR

HB 1027

February 6, 2007

North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Michael Anderson, Executive Director
Senate Appropriations Committee

Chairman Holmberg and members of the Senate Appropriations Committee, for the record my name is Mike Anderson, executive director of the North Dakota Housing Finance Agency ("North Dakota Housing"). I am providing this testimony in support of Section 5 of HB 1027. Section 5 amends Section 54-17-07.3 of the North Dakota Century Code which authorizes the establishment of the various housing programs of North Dakota Housing. These amendments will expand our mission and provide flexibility as we go about our business of providing safe, decent and affordable housing.

When considering these amendments it is important to understand the necessity for change. Housing today is much more complex than it was over two decades ago when the Agency was first created. Back then the primary focus was providing low cost financing for the state's low and moderate income first-time home buyers. Since then our mission has been expanded to also include rental assistance for the state's low income tenant households. Today, North Dakota's housing challenges are not limited just to income challenged households.

I have previously testified before this committee about the housing priorities North Dakota Housing established last year (see attached report). These priorities are intended to begin addressing the state's housing challenges identified in the Statewide Housing Needs Assessment published in 2004. These priorities are 1) expand new housing in developing communities; 2) housing for our aging population; 3) revitalizing our aging housing stock; 4) housing our Native Americans; and 5) homelessness. Several initiatives that we have already developed with respect to these priorities are also contained the attached report.

As we began working on developing the priorities and the various initiatives resulting from them, it became evident early on that the housing challenges in rural North Dakota were not limited to the low and moderate income households. Rural North Dakota is challenged when it comes to its housing whether in pursuit of economic development and workforce recruitment or whether just trying to maintain its population by keeping its housing stock viable and offering alternative housing solutions for its citizenry. They are challenged in attracting private investment in housing; challenged in attracting housing developers and builders; and, they typically lack the resources needed to contend with value gap, aka appraisal gap, that is common in rural areas.

Many of these communities are telling us that they do not need any more affordable housing. Rather, the need today is for workforce and market rate housing. Whether single family or multi family, they need housing for the new workers coming to their communities. For these new members of the community affordability is not necessarily the issue.

Another common concern that we are hearing almost universally is the need for alternative housing for their aging citizens. These households are no longer capable or interested in property maintenance and yard care. Many are seeking more of community living environment. And, like

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workforce housing, it is not necessarily an issue of affordability. If alternatives are not available locally for elderly households, they will likely move to community where alternatives are available. And they will likely take their financial assets and retail trade with them.

In all corners of the state communities are asking North Dakota Housing for assistance in addressing their unmet housing needs. However, today Section 54-17 of the N.D.C.C. limits us to assisting low and moderate income households only. In addition, we are limited to how we provide that assistance. Section 5 of HB 1027 provides three key new elements that will give us the flexibility necessary to address the individual needs of a community. The first is to expand the targeting of our programs beyond low and moderate income households to include assisting developing communities address an unmet housing need or alleviate a housing shortage.

The second element would allow North Dakota Housing to provide financial assistance for the development of raw land. Communities are looking for low cost assistance for creating a housing development project in hopes of attracting a developer/builder to their community. They need help with pre-development soft costs, land acquisition, site development, etc. Today, we cannot provide this unless it includes construction financing. In the case of single family this means we would be financing speculative building. This would substantially increase our capital requirements to fund such a program - perhaps beyond our capabilities. It would also significantly increase the risk of repayment - likely beyond tolerance levels of our capital sources. And, it could limit local flexibility by requiring the community to get into the housing development business.

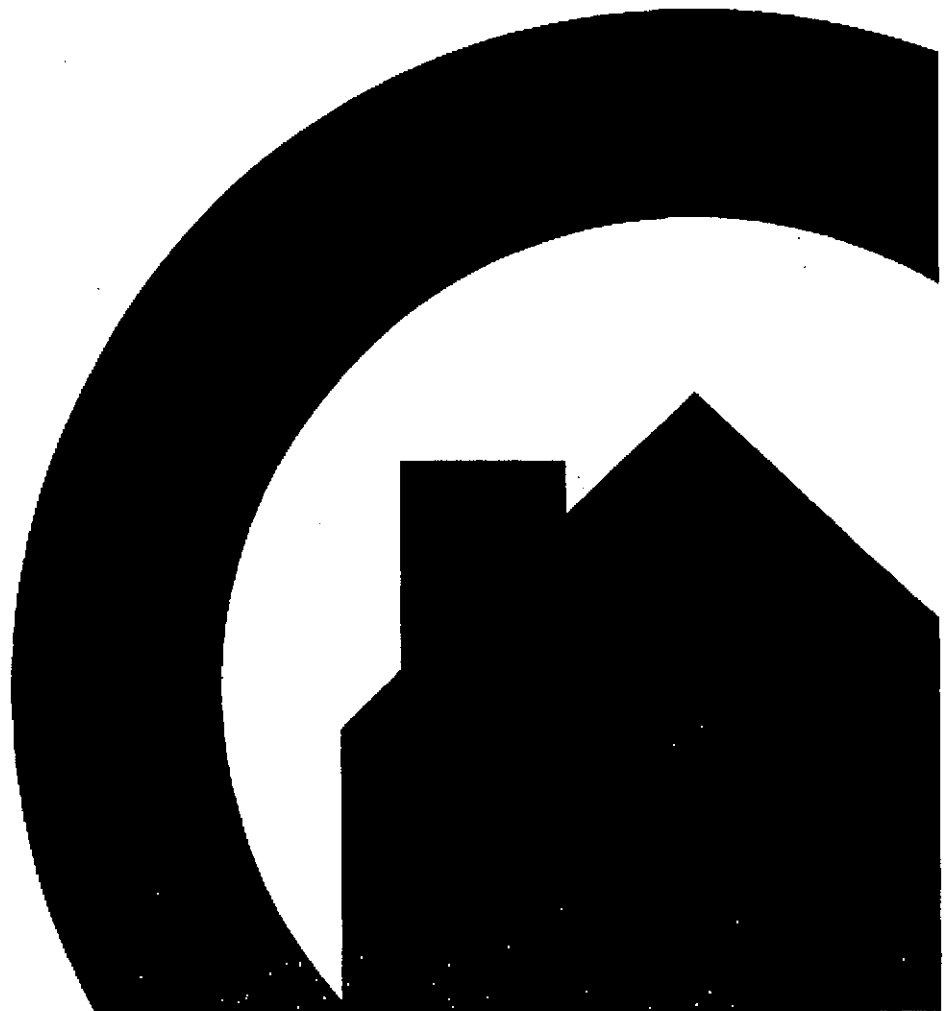
The final element is to authorize North Dakota Housing to guaranty loans. This would allow for spreading the risk by encouraging participation by private lenders, thus, serving to reduce the financing costs of developing the housing. Most importantly, providing guarantees rather than actual funding for loans would increase North Dakota Housing's capacity by reducing its dependency on raising capital for its various loan programs.

Finally, North Dakota Housing is NOT requesting an appropriation of General Funds with respect to the provisions of Section 5 of HB 1027. Section 5 only changes how and to whom we provide housing assistance.

In conclusion, North Dakota Housing remains committed to serving the state's low and moderate income population through its long standing marquee programs, both homeownership and rental. Today, it is equally committed to meeting the complex housing challenges facing the state. This means doing our part in assuring the state's rural areas and communities are not only postured to realize the economic successes they seek, but, remain viable for all their citizenry by providing decent, safe, adequate, and affordable housing. With the changes proposed in Section 5 of HB 1027 I am confident that North Dakota Housing will be able to accomplish this.

HB 1027
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● 2006 NDHFA Housing Priorities



2006 North Dakota Housing Finance Agency Housing Priorities

The 2006 Housing Priorities proposal is intended to begin addressing the housing challenges outlined in the Statewide Housing Needs Assessment conducted by the North Dakota State Data Center in 2004. In addition to the needs assessment, these priorities take into account input from major housing professionals in North Dakota, the North Dakota Housing Finance Agency's (NDHFA) staff priorities, and discussions with the Agency's Advisory Board.

NDHFA's goal is to establish priorities that could be successfully completed or have measurable successes within one to two years. Each priority has more than one initiative listed. Where appropriate, a working group will be created to assist in refining listed initiatives when necessary to achieve targeted results; defining additional initiatives along the way; and to play a role in accomplishing the initiative(s) themselves. Working group members will be selected by the NDHFA with consultation from our Advisory Board and other housing professionals.

It is anticipated the core working group participants will include, but not be limited to, representatives from NDHFA, North Dakota Department of Commerce-Division of Community Services, USDA Rural Housing, Housing and Urban Development, Fannie Mae, the North Dakota Indian Affairs Commission, and CommunityWorks North Dakota. Individual working groups may vary depending on the initiative.

The priorities are listed in order of importance, with number one being the most important. The initiatives under each priority were also ranked with the first objective listed given the highest priority. The NDHFA does not have the capacity to take on each and every objective from the onset. The Agency intends to begin working on the initiatives with the highest priority first. Other initiatives will be worked on as time and resources become available. An annual review and update of the housing priorities will be made.

1. Expanding New Housing for Developing Communities

Many medium and small (rural) communities are experiencing a shortage of housing mostly due to, but not limited to, economic successes. These communities lack the expertise necessary to be able to define their specific housing needs, develop necessary housing projects, or see a housing project through completion. Additionally, many lack the financial resources to keep the housing affordable, attract developers, or overcome certain financial and value gap. NDHFA staff has identified several initiatives upon which the Agency could focus.

Technical Assistance This would involve three related efforts. The first would be to create models or schematics for the appropriate process. These models or schematics could assist each community with creating its own blueprint for determining and addressing its housing needs. The second effort would be to organize a Statewide Technical Assistance Team (STAT team) that would: 1) Go on-site to assist a community in developing its blueprint, 2) Continue to provide necessary support throughout the process, and 3) Develop a proactive educational forum or forums to orientate all communities on anticipating their housing needs.

Financial Gap Most rural communities lack affordable funding resources for project start-up costs, site development, construction, etc. A low interest bridge/interim loan program could be created to assist in the development and construction of affordable housing in rural communities. The loan would be repaid as the homes are sold (single family) or permanent financing is closed (multifamily).

Rural Value Gap Previous efforts to solve rural value gap have been largely unsuccessful. There is no easy solution for the gap between the cost of creating and the market value of rural housing. Compromises in underwriting standards with respect to the property can have some measurable success as long as there is a viable secondary market for the first mortgage loans. NDHFA will explore expanding secondary market options.

2. Housing for the Aging Population

There are several possible avenues to be considered with respect to elderly housing. They included:

Owner-Occupied Aging In Place Many seniors prefer to remain in the homes they own. However, they may lack a monthly income for this to be a viable option. There have been several inquiries recently about Reverse Equity Mortgages, including lenders asking if the NDHFA could offer such a program. These mortgages, utilizing the homeownership equity, can provide a monthly income to the elderly homeowner. The Agency will explore the feasibility and demand for a Reverse Equity Mortgage program.

Empty Nesters Also referred to as pre-elderly or pre-retirement, these households are often looking at life-style changes that involve changing their housing situation. This may mean downsizing and/or different housing environment such as condo/townhouse or rental unit. If the housing they are looking for is not available, they may move out of their current community or even out of state. NDHFA will explore what role it could play in developing a housing niche for empty nesters.

Assisted Living There continues to be a debate as to whether there are enough beds for those in need of assisted living. NDHFA will explore what role it could play in encouraging the creation of additional affordable capacity. There has been some success in using the Low Income Housing Tax Credit (LIHTC) program in this venue, although bringing in services seems to be the biggest hurdle.

Congregate Housing Like assisted living, congregate housing could play a significant role in meeting the state's growing demand for elderly housing. The Agency will explore what role it could play in developing affordable congregate housing.

3. Aging Housing Stock

Due to the challenges of building new housing, rural areas of the state are forced to continue to rely heavily on existing aging housing stock. Much of this housing needs to be updated and/or maintained in order to remain viable. There are several avenues to be considered with respect to rehabilitation/revitalization of the state's housing stock.

Single Family NDHFA will explore expanding and making more accessible our special rehab programs — Helping HAND, RAP, and HARP. Additional funds will be dedicated to our single family program with an emphasis on lower income households. In addition, the Agency will explore creating a revolving low interest rehab loan program for moderate income households that could be either soft second and/or amortizing mortgages.

Multifamily The LIHTC program currently has a ten percent set-a-side for preservation of existing affordable housing properties. The Agency will explore whether this set-a-side is sufficient. Also like for single family, the NDHFA could explore creating a revolving low interest rehab/revitalization loan program for rehab projects for affordable multifamily housing projects. It has also been suggested that some of these rural projects could become more viable if converted to other uses, such as assisted living facilities.

4. Native Americans

Housing on the state's Indian reservations has been called an anomaly. Although some of them are realizing significant successes in creating housing for tribal members, others continue to struggle to make progress. All have a long way to go in meeting their housing needs. One could argue there is not sufficient funding for Native American housing needs, but resources that are or could be available to the reservations are plentiful. Therefore, in addition to the initiatives undertaken to provide housing assistance in other parts

of the state, an emphasis will be placed on providing technical assistance that will aid the tribes in more efficient and timely resource utilization.

Technical Assistance The Agency will explore a technical assistance initiative similar to the suggestion in priority number one.

Education The broad observation is that there continues to be a significant need not only for homebuyer education, but for financial literacy in general within the state's reservations. If this remains true, the Agency should posture itself and offer necessary resources and services to substantially address this shortcoming.

5. Homelessness Including Ex-Criminals

Even though this priority is an activity NDHFA is already involved in, because it is ranked high in the priorities listed in the needs assessment, it is articulated in the NDHFA's 2006 Housing Priorities. The Agency's efforts with respect to this priority will be to continue to actively participate in the current initiatives already in progress and to be committed to support whatever initiatives come out of these groups. Current initiatives include:

Governor's North Dakota Interagency Council on Homelessness NDHFA is an active participant in the Council which is charged with creating a ten-year plan for eliminating chronic homelessness. One of the initiatives being discussed by the Council that is gaining broad support is the creation of a statewide Housing Trust Fund that would supply critical funding resources to this effort, as well as similar needs involving other special populations. Although the Agency should not take the lead on lobbying for a trust fund, it could provide support and resources for that effort.

Transition From Prison to Community Initiative A committee, including an NDHFA staff person, has been meeting and discussing the problem of preventing ex-criminals from becoming homeless upon release from prison. These individuals have difficulty finding employment and, depending on the nature of their crime, are not eligible for assisted housing.



North Dakota
Housing Finance Agency

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North Dakota Housing Finance Agency Housing Market Survey Grant Criteria

The Housing Market Survey Grant Program is a cost sharing incentive program for rural communities to develop a local housing strategy. A housing strategy or plan is essential for a community striving to maintain or expand its population. This is true whether the community is pursuing economic and workforce development, or whether it is just trying to maintain its population by keeping aging housing stock viable and offering alternative housing solutions for its citizens. The critical first step to establishing a successful housing strategy is to conduct a market survey/analysis to determine the status of existing housing as well as, future housing needs.

1. Eligible applicants are communities or non-profit organizations representing or working in partnership with communities.
2. Eligible communities must meet the USDA-Rural Development definition of rural (populations of 20,000 or less).
3. The maximum grant will be 50% of the out-of-pocket costs of the market survey, not to exceed \$5,000.
4. Applicant should submit written notification to NDHFA indicating intent to conduct a market survey and request participation in the Housing Market Survey Grant Program by completing the **Housing Market Survey Grant Pre-Application form**.
5. NDHFA will issue a written commitment letter, as appropriate. Market survey should be completed within six months from the date of approval to proceed.
6. Upon completion of the market survey, the eligible applicant will submit the **Housing Market Survey Grant Request for Payment**. The request for payment should be made within 60 days following completion of the survey.

NDHFA has committed \$50,000 in aggregate for this housing initiative.

Rural Community Housing Development Pilot Program

Funding Source: \$2,000,000 from Agency General Fund

Type of Assistance: Low Interest Revolving Loan Fund

Pilot Period: Earlier of one year or funds utilized

Eligible Borrower: Communities located within an area meeting the USDA Rural Development definition of rural (population of less than 20,000) and non-profit organizations working in partnership with a community located within an area meeting the USDA Rural Development definition of rural. The Agency will seek a local lender or a non-profit to originate and sell the loan to the Agency.

Maximum Loan Amount: 75% of project cost not to exceed \$200,000. If the loan purpose includes construction financing and there is no permanent loan take out commitment, the maximum loan amount will be 50% of project cost not to exceed \$200,000.

Term of Loan: Maximum three years with, extensions available on a case by case basis and at the sole discretion of the Agency.

Interest Rate: 4.0%

Proceeds Usage: Planning and project design, including, soft costs such as engineering, architectural, legal, title work, etc.; land acquisition; site development, and construction financing.

Repayment Terms: Periodic (quarterly, semi-annual, or annual) interest payments only. Principal repayment tied to housing units placed into service (i.e. as single family lots are sold or the permanent financing for multi-family project or single family home is closed.)

Collateral: First lien preferred, but, no less than second lien.

Underwriting: The Agency will establish underwriting and documentation standards that reserves its right to determine the long term viability of the project and reasonable assurances that loan will be repaid.

Rural Housing Rehabilitation Loan Pilot Program

Funding & Source: \$1,000,000 from Agency General Fund

Type of Assistance: Low Interest Revolving Loan Fund

Pilot Period: One year

Eligible Borrower: Homeowners with household income of 100% of area medium income or less and located within an area meeting the USDA Rural Development definition of rural (population of less than 20,000). Owner, general partner or other authorized agent for multi-family projects located within an area meeting the USDA Rural Development definition of rural.

Maximum Loan Amount: For single family 75% of project costs not to exceed \$25,000.
For multi-family 75% of project costs not to exceed \$100,000.

Term of Loan: For single family a maximum of 20 years or minimum payment of \$50.
For multi-family projects a maximum of 25 years or minimum payment of \$150. In the case of multi-family the loan may include a 5 year balloon and provisions for renewal.

Interest Rate: 4.0%

Proceeds Usage: Any improvement to the property to a decent, safe and sanitary condition, requiring more than routine or minor repairs or improvements that may vary in degree from gutting and extensive reconstruction to cosmetic improvements combined with cure of substantial accumulation of deferred maintenance, the construction of additions, the rehabilitation of an attached or detached garage, driveway, and sidewalks, improvements to achieve energy efficiency. Ineligible uses include the construction or rehab of sheds, storage facilities or other buildings or facilities attached to or adjacent to the property, swimming pools, decks, patios, saunas, spas or other purely recreational facilities.

Repayment Terms: Monthly amortization. See also Terms of Loans.

Collateral: No less than second lien on subject property preferred (exceptions at sole discretion of the Agency).

Underwriting: The Agency will establish underwriting and documentation standards that reserves its right to determine the long term viability of the project and reasonable assurances that loan will be repaid.

Homeless Technical Assistance Grant

Purpose:	Provide financial assistance to eligible local and state governments to develop and implement a 10-year plan to end long-term homelessness.
Total Grant Funds:	\$52,000 (\$36,000 for Primary Recipients and \$16,000 set aside for Other Recipients)
Maximum Grant:	\$ 4,000
Eligible Uses:	Out of pocket costs for point-in-time survey data analysis (to be completed by NDCHP) and facilitator for planning meetings and writing the plan document.
Eligible Recipients:	<u>Primary Recipients:</u> Cities of Bismarck/Mandan, Grand Forks, Minot, Jamestown, Dickinson, Devils Lake, Williston, the Turtle Mountain Reservation and North Dakota Coalition for Homeless People, Inc. <u>Other Recipients:</u> Fort Berthold Indian Reservation, Spirit Lake Indian Reservation, Standing Rock Indian Reservation, and the Trenton Indian Service Area (Note: eligibility for Other Recipients is contingent upon participation in the 2007 point-in-time survey).
Application Deadline:	January 1, 2007 (June 30, 2007, for Other Recipients).
Application Requirement:	Letter of commitment to complete and implement a 10-year plan to end long-term homelessness signed by the Mayor (Tribal Chairman in the case of an Indian Reservation) must accompany letter of request.
Project Completion Deadline:	The plan document must be completed and approved by the city/tribal council no later than December 31, 2007 (June 30, 2008, for Other Recipients).
Payout Method:	Funds will be disbursed in no more than two installments and following submission of paid vouchers and progress report to NDHFA. Twenty-five percent of total grant will be held back as final payment. Final payment will be made following receipt of final plan document and evidence of approval by the city/tribal council. Submit Request for Payment form to receive funds.



#6

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

HOUSE INDUSTRY, BUSINESS & LABOR COMMITTEE
Representative George Keiser, Chairman
Testimony from Tax Commissioner Cory Fong Re: House Bill 1027
January 15, 2007

I am here today in support of the efforts that have culminated in House Bill (HB) 1027. I followed the work of the Economic Development Committee and the Business Congress closely during this last interim. Their efforts, under the leadership of Representative Rick Berg, Commerce Commissioner Shane Goettle, and other state and business leaders from across the state should be commended.

Today I wish to focus my comments on three of the several tax-related proposals contained in HB 1027. They are related to incentives for targeted workforce recruitment and internship programs and expansion of the research and development tax credit.

Let me begin with tax incentives for businesses that create targeted workforce recruitment programs and internships, which are contained in Sections 22, 23, and 24 of HB 1027. The goals of these proposals, as I see them, are simple and straightforward.

1. Expand our state's workforce by encouraging businesses to be more aggressive and targeted in their recruitment efforts.
2. Retain more of our college graduates by encouraging businesses to develop meaningful internships, thereby creating a bridge from a positive higher education experience directly into the work place.

Businesses, in my opinion, are in the best position to know and understand their recruitment and workforce needs and what it takes to create meaningful internship programs. We should give them tools to do both.

Since the introduction of HB 1027, I have had several discussions with members of the Tax Department staff, along with Job Service North Dakota, concerning the application and administration of Sections 22 and 23. Based upon those discussions, the Tax Department will be coming forward with proposed amendments for this committee to consider that are aimed at tightening up these two proposals and making them more manageable administratively, while ensuring the spirit of the proposals is still achieved.

Let me also address the expansion of the research and development tax credit, contained in Section 25.

(cont.) Testimony from Tax Commissioner Cory Fong Re: House Bill 1027

At a time when we are looking for ways to expand North Dakota's research capacity and the commercialization of research through programs like the Centers of Excellence Initiative, now is certainly the time to encourage more companies to conduct research on and around our campuses. Meaningful research opportunities, resulting in good paying careers following graduation, will encourage young people to attend our colleges and universities and stay right here in North Dakota.

The goal, as I understand, is to offer the most generous research and development tax credit in the nation in hopes of attracting more science and technology, advanced manufacturing, and research driven companies to North Dakota, resulting in more research opportunities for our college students and more, higher paying jobs for our people.

The Tax Department has administrative concerns and questions about aspects of the proposal contained in HB 1027, most notably the ability to "assign" the excess credit. However, the department stands ready and willing to assist this committee and make certain the proposal can successfully be administered by the department and contains the appropriate safeguards to ensure tax compliance. To that end, the Tax Department will be offering amendments to Section 25 for the committee's consideration as well.

Finally, concerning the several other tax-related proposals contained in HB 1027, including tax expenditure reporting, the Tax Department looks forward to working closely with this committee to ensure all tax-related proposals can be efficiently and effectively managed by the department and contain the appropriate safeguards to ensure tax compliance.



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

Memorandum

To: Representative George J. Keiser, Chairman, North Dakota House of Representatives' Industry, Business and Labor Committee

From: Mary Loftsgard^{md}, Supervisor, Corporate Taxes

Date: January 31, 2007

Subject: House Bill 1027

At yesterday's committee meeting regarding House Bill 1027, Representative Jim Kasper requested information on the computation of the fiscal note for Section 25 of the bill. This section relates to the income tax credit for research and experimental expenditures.

I have attached two schedules for the committee's review. The first supports the fiscal note of \$ 8.1 Million for the original bill. The second schedule revises the fiscal note computation for the amendment to page 22, line 4. If you recall, Jennifer Clark, Legislative Council, testified there had been a drafting error and the line should have read "...the first one hundred thousand...." Making that correction yields a fiscal note of \$ 8.4 Million.

The fiscal note was computed using actual returns of taxpayers who claimed a research credit in tax years 2003 and 2004, the most recent years for which we have complete filings. The schedules show: 1) the amount of credit allowed under the law as it exists now, and 2) the credit that would have been available under the terms of HB 1027. The difference between those amounts is the amount used in the fiscal note.

If there are any questions in regard to this information, I can be reached by telephone at 328-2045 or by email at mloftsgard@nd.gov.

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

Credit Claimed Under Existing Law

Credit Claimed Under HB 1027

Taxpayer Name	Tax Form Year			Tax Form Year		
	2004	2003		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

Gap in bill (\$1,000<>\$100,000)

Less: Amount Under Current Law

(\$1,318,857) (\$1,575,268)

Impact of Bill

\$3,471,439 \$4,922,596

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.

Note 4: The highlighted area ("Gap in bill") relates to the error in drafting. The amendment corrected this. The result of the correction is to increase the fiscal note from \$8.1Million to \$8.4 Million.

Breakdown of Fiscal Impact by Provision and Taxpayer

Name	Two-Year T/P Totals
1	\$45,381
2	\$868,100
3	\$42,840
4	\$710,714
5	\$235,223
6	\$43,992
7	\$0
8	\$3,453
9	\$5,845,853
10	\$124,023
11	\$0
12	\$120,289
13	\$58,907
14	\$318,478
15	\$895
Totals	\$8,394,035

2004 Rate Change	2003 Rate Change
\$45,381	\$0
\$424,518	\$443,582
\$42,840	\$0
\$360,686	\$350,028
\$103,556	\$131,667
\$17,258	\$25,934
\$0	\$0
\$0	\$3,453
\$2,004,602	\$3,841,251
\$51,082	\$72,941
\$0	\$0
\$75,934	\$44,355
\$0	\$8,907
\$318,478	\$0
\$417	\$478
\$26,687	\$0
\$3,471,439	\$4,922,596

Fiscal Note Analysis of R&D Credit Provision - HB 1027

Provisions

1. Change rate from 8% / 4% to 25% / 20%
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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 HB 1027

Tax Form Year		
	2004	2003
	\$75,602	\$0
	<u>\$605,635</u>	<u>\$629,465</u>
	\$71,367	\$0
	\$525,845	\$512,522
	<u>\$172,560</u>	<u>\$219,412</u>
	\$28,730	\$43,190
	\$0	\$0
	\$0	<u>\$5,722</u>
	<u>\$2,580,740</u>	\$4,876,551
	\$85,103	\$121,535
	\$0	\$0
	\$126,523	\$73,892
	\$0	\$14,812
	<u>\$473,085</u>	\$0
	\$661	\$763
	\$44,445	\$0
Totals	\$4,790,296	\$6,497,864
% Increase	363%	412%

Total Credits For Year - Bill	\$4,790,296	\$6,497,864
Gap in bill (\$1,000 < \$100,000)	(\$139,011)	(\$159,147)
Less: Amount Under Current Law	(\$1,318,857)	(\$1,575,268)
Impact of Bill	<u>\$3,332,428</u>	<u>\$4,763,449</u>

Impact on 2003 and 2004 Together

\$8,095,877

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.

Note 4: The highlighted area ("Gap in bill") relates to the error in drafting. The amendment corrected this.

Breakdown of Fiscal Impact by Provision and Taxpayer

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\$0	\$8,907
\$318,478	\$0
\$417	\$478
\$26,687	\$0
<u>\$3,471,439</u>	<u>\$4,922,596</u>



(2)

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

SENATE APPROPRIATIONS COMMITTEE

Senator Ray Holmberg, Chairman

Testimony from Tax Commissioner Cory Fong Re: House Bill 1027

March 6, 2007

I am here today in support of the efforts that have culminated in House Bill (HB) 1027. I followed the work of the Economic Development Committee and the Business Congress closely during this last interim. Their efforts, under the leadership of Representative Rick Berg, Commerce Commissioner Shane Goettle, and other state and business leaders from across the state should be commended.

Today I wish to focus my comments on several tax-related proposals contained in HB 1027 that have seen some changes as the bill has made its way to the Senate. They are related to incentives for targeted workforce recruitment and internship programs and expansion of the research and development (R&D) tax credit.

Let me begin with tax incentives for targeted workforce recruitment and internships. Both of these proposals were contained in the original introduced bill. However, the House removed the workforce recruitment incentive from the bill and reduced the usability of the internship incentive by restricting it to Form ND-2, also known as the long form.

The goals of these proposals, as I see them, are simple, straightforward, and important for the future of our state.

1. Expand our state's workforce by encouraging businesses to expand and target their recruitment efforts.
2. Retain more of our college graduates by encouraging businesses to develop meaningful internships, thereby creating a bridge from a positive higher education experience directly into the work place.

Businesses, in my opinion, are in the best position to know and understand their recruitment and workforce needs and what it takes to create meaningful internship programs. We should give them tools to do both.

That's why I am offering amendments today that reinstate the targeted workforce recruitment incentive into HB 1027 and allows the credit, along with the internship credit, to be used on Form ND-1, also known as the short form. In addition, our amendments strengthen the incentives in the following ways:

- Tightening up the workforce recruitment incentive by requiring the use of at least two or more extraordinary recruitment methods in order to qualify for the credit;

- Ensuring the workforce recruitment credit may only be used for the first twelve months of a new recruit's salary;
- Broadening the definition of a qualified internship program to include part time students seeking a degree and students pursuing a certificate of completion through a vocational technical education program; and
- Ensuring that the credits only apply to positions and internships located in ND

Let me also address the expansion of the research and development tax credit, currently contained in Section 19 of HB 1027.

At a time when we are looking for ways to expand North Dakota's research capacity and the commercialization of research through programs like the Centers of Excellence Initiative, now is certainly the time to encourage more companies to conduct research on and around our campuses. Meaningful research opportunities, resulting in good paying careers following graduation, will encourage young people to attend our colleges and universities and stay right here in North Dakota.

The goal of HB 1027, as I understand, is to offer the most generous research and development tax credit in the nation in hopes of attracting more science and technology, advanced manufacturing, and research driven companies to North Dakota, resulting in more research opportunities for our college students and more, higher paying jobs for our people. I certainly support this goal.

However, the Tax Department has concerns about the salable provisions of the R&D tax credit that are contained in the current version of HB 1027. We look forward to working with the committee to explore alternatives that aim to encourage companies to conduct R&D in our state while reducing the administrative burden and fiscal impact that may result from salable tax credits. Alternatives that we look forward to discussing with the committee include, but are not limited to:

- Extending the carry forward provisions beyond 15 years;
- Ensuring that credits are allowed to pass through to individuals via pass through entities, i.e. Partnerships, Sub-S Corporations, and Limited Liability Companies, as proposed by HB 1412;
- Considering the possibility of refundable, rather than saleable credits; and
- Exploring alternative rates or imposing caps on the amount of credit a taxpayer may claim in order to limit the long-term fiscal effect.

In addition, the Tax Department is aware that there may be federal tax consequences to the seller of tax credits that we would like more time to explore. This may be best accomplished during the interim.

Finally, the Tax Department looks forward to working with the Department of Commerce to successfully complete the Tax Expenditure Report pilot project contained in Section 21 of HB 1027. The pilot project will equip our two departments with valuable data and meaningful measurements to determine the benefits, outcomes, costs, and administrative needs resulting from tax expenditure reporting.

In conclusion, I am supportive of the meaningful and forward-thinking tax proposals contained in HB 1027. The Tax Department stands ready and willing to work closely with this committee to ensure all tax-related proposals can be efficiently and effectively managed by the department and contain the appropriate safeguards to ensure tax compliance.

March 6, 2007

3

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1027

Page 1, line 2, after the first period insert "two new sections to chapter 57-38"

Page 1, line 5, after "for" insert "workforce recruitment,"

Page 9, line 10, replace "or" with "1"

Page 9, line 11, after "57-38-30" insert ", 57-38-30.3", replace "a college" with "an" and after "employed" insert "in this state"

Page 9, line 14, remove "full-time"

Page 9, line 15, after "education" insert "or vocational technical education program" and replace "engaged" with "seeking a degree or a certificate of completion"

Page 9, line 17, after "credit" insert "or count toward the completion of a vocational technical education program" and remove "and"

Page 9, line 18, replace the period with "and"

Page 9, after line 18, insert:

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

Page 9, line 20, replace "a college" with "an"

Page 9, after line 31, insert:

"SECTION 13. 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 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 two or more of the following:
 - (1) A person with the exclusive business purpose of recruiting employees and for which a fee is charged by the 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 for which a fee is charged by the web site.
 - (4) Participation in a job or career fair.
 - (5) Payment for professional licensing or certification required for the position.
 - (6) Payment of a signing bonus, moving expenses or non-typical 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 employment 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 interest in the passthrough entity."

Page 10, line 4, replace "section" with "sections 57-38-01.24, 57-38-01.25 and"

Page 18, line 22, after the fifth comma insert "17", and replace "18" with "19"

Page 18, line 23, replace "14" with "15"

Renumber accordingly

"ENGROSSED VERSION"
OF REENGROSSED HOUSE BILL 1027
With Tax Department Amendments #70241.03TX

SECTION 12. 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 13. 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 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 two 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 a job or career fair.

- (5) Payment for professional licensing or certification required for the position.
 - (6) Payment of a signing bonus, moving expenses or non-typical 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. 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.

#1

Chairman Keiser, Committee members,

I am representative Gerry Uglem, from District 19 (rural Grand Forks County).

Over the last four winters I have had the opportunity to be a mentor for the Northwood/Hatton robotics club. We got our start with a 3 year \$10,000/year grant from NASA to participate in the "First" Robotics program. The total cost for our school to participate was about \$15,000 per year, so small gifts and fundraising projects covered the cost above the grant. Nine other schools in ND also received the NASA grant.

I have had a great time helping design, build, and in taking a robot to competition. Our club has traveled to Denver, Chicago, and St Louis twice to compete. The First program stresses teamwork and sportsmanship. I have seen sharp kids excel, and kids with marginal grades improve their performance, so they could participate in the robotics club. This robotics program gets high school kids excited about science and engineering. It inspires students to pursue engineering and science degrees in our colleges.

Since the NASA grant program expired, only 4 North Dakota teams have continued to compete in FIRST Robotics. Recognizing the benefits of this experience and the need for more of our North Dakota schools to participate, NDSU has decided to host a robotics program called BEST Robotics. This program is very similar to the FIRST program, but just on a slightly smaller scale. It is less expensive overall, and the sponsoring college finds the funding through sponsors. The competition is free to the participating high schools, except for their travel expenses to NDSU. Nancy Rossland with NDSU is working to set up the program, and she needs help with funding to get it started. She needs a total of about \$40,000 the first year.

This amendment will provide up to \$25,000 in matching funds for a college program, in addition to the \$7500 matching funds for a high school to continue with the "First" program. This was the original intent of this bill, but communications with legislative council were not clear.

Because NDSU is hoping to match \$20,000 or more, I am asking that the appropriation be increased by \$20,000, to \$65,000.

We need to take advantage of opportunities like these robotics competitions to keep our students interested in the science, math and engineering disciplines. In the long-term, these programs benefit both the students and the state of North Dakota. They are an investment in our future workforce...helping to feed the pipeline of future engineers, scientists and technical professionals.

For your information the websites for these two programs are: bestinc.org/MVC/ and usfirst.org. Please take time to look at them.

Thank you for your attention!!

