

FISCAL NOTE

Requested by Legislative Council
03/27/2007

Amendment to: Engrossed
HB 1018

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

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

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

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

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

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

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

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

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Tax Department

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

Section 38 provides for a tax credit against corporation and individual income tax liabilities relating to expenses incurred by employers in the recruitment for hard-to-fill positions for which the annual salary for the position meets or

exceeds the state average salary. The fiscal impact of this section cannot be determined.

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

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

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

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

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

Contact: Kathy Strombeck 328-3402

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Board of Higher Education
Section 19

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

Contact: Laura Glatt 328-4116

Department of Commerce
Sections 30 & 33

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

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

Contact: Justin Dever 328-7258

Housing Finance Agency
Section 29

Section 29: The HFA has requested an appropriation for loan loss reserve for these loans in the amount of \$6 million. It is not possible to identify how many loans would be made with 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.

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Tax Department

Section 20 requires the Tax Commissioner compile and furnish tax expenditure data to the Department of Commerce

to be used in creating a tax expenditure report for the legislative assembly. The Office of Tax Commissioner will incur some costs associated with this requirement, but the costs, although currently undeterminable, will not be significant unless return information and programming must be changed significantly.

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

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

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

Total: \$22,093,138 General Funds

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

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

Total: \$575,000 General Funds

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