

WORKFORCE COMMITTEE

The Workforce Committee was assigned four studies. Section 20 of House Bill No. 1018 (2007) directed a study of the state's system for addressing workforce needs through a workforce system initiative that includes receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, active participation in focus groups across the state, and active participation in a workforce congress. Section 3 of Senate Bill No. 2149 (2007) directed a study of job development authorities across the state to determine the economic impact created by the authorities, to examine funding mechanisms used by the authorities when expending resources for economic development purposes, and to determine whether the authorities serve a viable purpose. House Concurrent Resolution No. 3025 (2007) directed a study of possible methods of growing North Dakota's population and increasing the available workforce in the state. The chairman of the Legislative Council directed a study of the means by which the North Dakota University System fulfills North Dakota's workforce needs.

The Workforce Committee was charged with receiving the following six workforce-related reports:

1. Statewide Longitudinal Data System Committee report on the status of the plan for a longitudinal data system (North Dakota Century Code (NDCC) Section 15.1-02-18).
2. Department of Commerce Division of Community Services annual reports on renaissance zone progress (NDCC Section 40-63-03).
3. Commissioner of Commerce report on the process used and factors considered by the commissioner in identifying target industries on which economic development efforts are focused and the special focus target industry (NDCC Section 54-60-11).
4. Compilation and summary of state grantor reports filed annually by the Department of Commerce and the reports of state agencies that award business incentives for the previous calendar year (NDCC Section 54-60.1-07).
5. Department of Commerce report on the department's Renaissance Zone Conference activities and the department's recommendations resulting from the conference (2007 Session Laws, Chapter 18, Section 19).
6. Department of Commerce report on the implementation and successes and failures of the Beginning Again North Dakota pilot program and whether the program should be continued or continued and expanded (2007 Session Laws, Chapter 18, Section 38).

Committee members were Senators Tony Grindberg (Chairman), Ray Holmberg, Dave Nething, and Tom Seymour and Representatives Donald L. Clark, Stacey Dahl, Mary Ekstrom, Glen Froseth, Eliot Glassheim, Pam Guleson, Nancy Johnson, George J. Keiser, Lisa Meier, Lee Myxter, Dan J. Ruby, Clark Williams, and Steve Zaiser.

The committee submitted this report to the Legislative Council at the biennial meeting of the Council in November 2008. The Council accepted the report for submission to the 61st Legislative Assembly.

REPORTS

Statewide Longitudinal Data System Committee

The committee received the *State of North Dakota Longitudinal Data System Strategic Roadmap Executive Summary*. The summary provided:

Each biennium, North Dakota and its citizens invest billions of dollars across many state agencies to maintain and improve the quality of life for residents of the state. Each program operated by these agencies collects some type of performance data to measure short-term and medium-term outcomes. However, data collected within a program does not always provide a fuller picture of longer-term, or "longitudinal" outcomes, for how the program and its participants fared over time.

This report, the State of North Dakota Longitudinal Data System Strategic Roadmap, lays out the planning, development, and budget efforts that are required to realize a data repository that unifies key data from public PK-12, higher education, and workforce development initiatives and provides the analytical insight to better administer state services and foster economic development. The LDS Strategic Roadmap presented here is a product commissioned by the state's Longitudinal Data System (LDS) Committee, which was formed in 2007 after interest in data warehousing was expressed by several state agencies.

The summary provided recommendations that included the following project milestones:

- 2009-11 biennium:
Implement a data governance program;

Create state longitudinal data system infrastructure (established in Phase 1) to replace current followup information on North Dakota education and training (FINDET) functionality; and

Implement a kindergarten through grade 12 data warehouse.
- 2011-13 biennium:
Complete state longitudinal data system Phases 2 and 3; and

Establish an education program to build analytical capability among users.
- 2013-15 biennium:
Continue operations, maintenance, and ongoing enhancements to the state longitudinal data system.

The Statewide Longitudinal Data System Committee was authorized \$50,000 to hire a consultant. The Statewide Longitudinal Data System Committee is

halfway through the recommendations of the consultants and final cost figures have not been determined.

Renaissance Zone

The committee received annual reports from the Department of Commerce Division of Community Services on renaissance zone progress.

Target Industries

The committee received the biennial report from the Commissioner of Commerce on the process used and factors considered by the commissioner in identifying target industries on which economic development efforts are focused and the special focus target industry.

The Commissioner of Commerce reported the five target industries were formalized and adopted by the Governor and the North Dakota Economic Development Foundation as part of the state's strategic plan for economic development. The target industries identified were energy, value-added agriculture, technology-based businesses, advanced manufacturing, and tourism. The commissioner reported that although the Department of Commerce will not be making any changes to the current five target industries, the department will be narrowing its focus within these target industries to focus on areas with the most opportunities for long-term growth. The commissioner reported energy was chosen as the special focus target industry due to the rapidly increasing role energy plays in North Dakota's economy.

The Commissioner of Commerce reported the Department of Commerce is using the resources and tools granted by the Legislative Assembly to target industries and help grow North Dakota's economy. Some possible legislative actions to consider include:

- Implement the Empower North Dakota Commission recommendations;
- Address infrastructure needs for energy development;
- Create a robust and market-based education and workforce training system;
- Develop tax and financing incentives to promote automation and productivity;
- Expand trade services through the North Dakota Trade Office;
- Continue support and funding for the centers of excellence program;
- Expand support for entrepreneurial startups, programming, and support; and
- Expand support for tourism marketing and development.

Business Incentives

The committee received the first and second annual state business incentive reports. The first report addressed state business incentives for calendar year 2006, and the second report addressed state business incentives for calendar years 2006 and 2007. Over time, the annual reports will include more data and will provide a better picture of effectiveness of state business incentives.

Renaissance Zone Conference

Report

The committee received a report from the Department of Commerce on the department's Renaissance Zone Conference activities and the department's recommendations resulting from the conference. The department hosted and facilitated the Renaissance Zone Conference on February 6, 2008. Invitations to the conference were sent to each incorporated city in North Dakota and to the members of the interim Industry, Business, and Labor Committee. More than 60 individuals from 42 different communities attended the conference.

The report included the following recommendations from the conference:

- Extend the time period for a renaissance zone. The law provides designation as a renaissance zone may not exceed 15 years. Cities that have been in the program for eight years are starting to ask whether the state will allow another renaissance zone after the first zone expires.
- Include the cost of demolition in a renaissance zone project. If a developer needs to demolish a building to expand or build a new building, the renaissance zone law should allow demolition costs to be part of the project or, in specific instances, allow demolition to be a stand-alone project. Some communities have older homes that have created both health issues and safety issues as the taxpayers are allowing the building to go back to the county for taxes which is creating a financial burden for some communities.
- Delete the half-mile requirement for the three-block island and allow the island to be anywhere in the city.
- Treat the historical tax credits like the other tax incentives and allow the credits to be transferred to the new owner.

Testimony

The testimony indicated the issue of demolition costs can be addressed administratively; however, the other three issues require legislative action. The Department of Commerce indicated that since the renaissance zone law was enacted in 1999 and the oldest of the renaissance zones are still several years from reaching the 15-year maximum, the department does not support enacting legislation addressing this issue during the 2009 legislative session.

The committee received testimony that renaissance zones such as the one in Bismarck would support expanding the renaissance zone law to include expenses incurred in updating utilities. As part of many renaissance zone projects, utilities would prefer to place utility lines underground, but this is cost-prohibitive.

Recommendations

The committee recommends Senate Bill No. 2060 to expand and modify the renaissance zone law to include tax incentives for repair or remodeling of utility infrastructure, to provide for transfers of historic

preservation and renovation tax credits, and to delete the half-mile requirement for the three-block island.

Beginning Again North Dakota

The committee received the report from the Department of Commerce on the implementation and successes and failures of the Beginning Again North Dakota pilot program and whether the program should be continued or continued and expanded.

The report indicated the Department of Commerce contracted with the North Dakota State University Extension Center for Community Vitality to implement the program. In soliciting applications from interested communities, there were no applicants from a city with a population of more than 1,500 but not more than 3,500. Therefore, the Department of Commerce selected the following two smaller cities from the applicants--Tower City and Walhalla.

The two participating communities were surveyed at the end of the project and indicated support for the program, indicating they would recommend the program to other communities and recognized there was value to the program. A representative of the Department of Commerce reported the department is open to the idea of continuing the program but will wait until the 2009 legislative session before making a determination of whether to support legislation to continue the program.

WORKFORCE SYSTEM STUDY

In addition to working with the Department of Commerce, the committee received assistance from the Economic Development Association of North Dakota in conducting the workforce system study. The Legislative Council and Department of Commerce contracted with a private entity to provide professional services to plan, facilitate, report on, and coordinate followup for the study.

Study Background

The 2007-08 workforce system initiative takes the place of what would have been the third of a three-interim business climate initiative of the Legislative Council. During the 2003-04 interim, the Legislative Council's Economic Development Committee conducted a primary sector business climate study, which was the first of the three-interim initiatives. That committee recommended Senate Bill No. 2032 (2005), which, under Section 17, provided for a two-interim continuation of the activities. Through the course of the 2005 legislative session, several of the provisions of Senate Bill No. 2032, as introduced, were relocated to Senate Bill No. 2018--the appropriation bill for the Department of Commerce. Therefore, the initiatives of that committee are identified as being from Senate Bill No. 2032 or Senate Bill No. 2018.

During the 2005-06 interim, the Legislative Council's Economic Development Committee conducted a business climate study, which was the second of the three-interim business climate initiatives. That committee recommended House Bill No. 1027 (2007) as the business initiative bill draft. House Bill No. 1027 failed in the Senate and the provisions of the bill were

relocated to several bills, with House Bill No. 1018--the appropriation bill for the Department of Commerce--being the primary vehicle for the committee's recommendations.

The recommendation to expand the required 2007-08 interim business climate study focus group activities to include young professionals was replaced with the repeal of the provision requiring the business climate study and the creation of the workforce system study. In effect, the workforce system study takes the place of the third of the three-interim business climate initiatives.

2003-04 Interim Economic Development Committee

The Economic Development Committee studied the state's business climate, including the creation of an index of key objective measurements that address the state's competitiveness with other states, the consideration of methods of creating business partnerships with North Dakota Indian tribes in order to increase primary sector business growth in the state, and active participation in the activities of the Primary Sector Business Congress. The committee recommended two bills--Senate Bill No. 2032 addressed a broad range of economic development and business climate issues, and House Bill No. 1031, which did not pass the Senate, would have modified the law relating to tax exemptions within urban renewal development or renewal areas.

The Legislative Assembly enacted a majority of the programs recommended by the Economic Development Committee, either as part of the business climate initiative bill--Senate Bill No. 2032--or the Department of Commerce appropriation bill--Senate Bill No. 2018. The enacted provisions:

- Extended and expanded the Bank of North Dakota's authority to invest its funds in North Dakota alternative and venture capital investments and early-stage capital funds.
- Rewrote the centers of excellence law, repealing the existing North Dakota Century Code section and creating a new chapter.
- Modified the membership of the Emergency Commission.
- Required the Office of Management and Budget to establish a procurement information Internet website.
- Modified the seed capital investment tax credit laws.
- Repealed the laws relating to venture capital corporations and the Myron G. Nelson Fund, Inc., effective August 1, 2007.
- Required two studies--the North Dakota business climate initiative and venture and risk capital.
- Required multiple agency studies and reports to the Legislative Council.
- Modified the organization of the Department of Commerce Division of Economic Development and Finance to rename and modify the International Business and Trade Office and

clarify the duties of the North Dakota American Indian Business Development Office.

- Provided a Division of Economic Development and Finance program for local economic developer certification.
- Required the Commissioner of Commerce to identify target industries.
- Provided for a Department of Commerce program for North Dakota image information.
- Provided for a Department of Commerce business hotline program.
- Provided for a Dakota Manufacturing Initiative, through which the Department of Commerce was directed to seek to contract with The Dakota Manufacturing Extension Partnership, Inc.
- Required multiple agency studies and reports to the Legislative Council.

2005-06 Interim Economic Development Committee

The Economic Development Committee studied the state's business climate through a business climate initiative, including receipt of agency reports regarding economic development legislation introduced by the Legislative Council during the previous legislative session, participation in business climate focus groups across the state, and participation in a Business Congress. In addition to working with the Department of Commerce, the committee received assistance from the Greater North Dakota Chamber of Commerce in conducting the business climate study. Two private consultants provided professional services to plan, facilitate, report on, and coordinate followup for the focus groups and the Business Congress.

Although the Legislative Assembly enacted several of the provisions recommended by the Economic Development Committee in House Bill No. 1027, the bill failed to pass in the Senate and the provisions of the bill were relocated to several other bills, i.e., House Bill No. 1016, House Bill No. 1018, Senate Bill No. 2120, and Senate Bill No. 2180. The committee recommendations underwent significant revision in the course of the legislative session and as enacted:

- Provided for the workforce system study during the 2007-08 interim.
- Authorized the Industrial Commission, acting as the Housing Finance Agency, to establish certain housing finance programs. Specifically, the scope of the mortgage loan financing program was expanded to include assistance in the development of low-income to moderate-income housing or to assist a developing community address unmet housing needs or alleviate a housing shortage, and the scope of the housing grant program was expanded to include assisting a developing community address unmet housing needs or alleviate a housing shortage.
- Provided for a Legislative Council study of housing needs during the 2007-08 interim.
- Expanded the definition of "agricultural commodity processing facility" for purposes of the agricultural

business investment tax credit law, to provide an agricultural commodity processing facility may include a livestock feeding, handling, milking, or holding operation that uses a byproduct from an ethanol or biodiesel plant located in this state.

- Amended the laws relating to the beginning entrepreneur loan program by amending the definition of "beginning entrepreneur" by simplifying the net worth limitations and increasing from \$4 million to \$8 million the maximum amount the Bank of North Dakota may guarantee in loans under the beginning entrepreneur loan program.
- Amended the laws relating to the biodiesel partnership in assisting community expansion (PACE) program and would have provided appropriations for the biodiesel PACE program and the PACE (flex PACE) program.
- Required the Commissioner of Commerce to create a biennial tax expenditure report and a state business incentive expenditure report.
- Increased the annual cap of the seed capital investment tax credit from \$2.5 million to \$5 million.
- Expanded the sales tax exemptions to include tourism equipment and wireless service provider equipment.
- Provided for a Legislative Council study of wireless service providers during the 2007-08 interim.
- Repealed the beginning entrepreneur income tax incentives.
- Created a tax credit for business expenses associated with recruitment for hard-to-fill employment positions.
- Created an internship employment tax credit.
- Directed the Department of Career and Technical Education to administer a program to provide matching fund grants to teachers and schools for the purpose of funding innovative science, technology, or innovation programs for students in kindergarten through grade 12.
- Increased the research and experimental expenditures tax credit from 8 percent of the first \$1.5 million in research expense and 4 percent of research expenses in excess of \$1.5 million to 25 percent of the first \$100,000 in research expenses and 20 percent of research expenses in excess of \$100,000, redefined "base period research expenses" to only include research conducted in North Dakota, and allowed taxpayers to "assign" unused tax credits.
- Provided for the State Board of Higher Education to study implementation of services of CCbenefits, Inc., and report to the Legislative Council during the 2007-08 interim (Higher Education Committee).
- Modified the centers of excellence program to provide for making a distinction among three types of centers--commercialization, workforce, and infrastructure; provided that the Department of Commerce provide the Centers of Excellence

Commission with staff services, including assisting with preaward reviews and postaward monitoring; required the commission to provide for independent expert review of complete applications to establish viability and likelihood of desired economic impact; required the commission to conduct postaward monitoring of centers for 6 years to 10 years; required an applicant to show due diligence in putting together the proposal and high likelihood of viability and success; and clarified that funds are not to be distributed if private sector participants stop participating.

- Provided a \$600,000 appropriation to Job Service North Dakota for increasing the level of the website spider program used to identify job listings available in North Dakota.
- Expanded the duties of the Department of Commerce Division of Workforce Development adding the duties of developing and implementing the state's talent strategy and a statewide intelligence coordination strategy, which would include establishing details of the talent strategy, developing a consolidated biennial statewide strategic plan for the state's system for workforce development, workforce training, and talent attraction; continuously reviewing the state's workforce development system; developing a system of performance and accountability measures for the state's workforce development system; requiring that intelligence be disseminated to partners; requiring that FINDET data be a central source of intelligence; and requiring that the Division of Workforce Development administer the FINDET system.
- Provided for the Department of Commerce to provide career education and career promotion services.

Other 2007-08 Interim Committees

In addition to the activities of the Workforce Committee, during the 2007-08 interim there were several committees with workforce-related charges.

Budget Section

The workforce-related charges of the Budget Section include:

- Approve, reject, or rerefer, upon receiving a recommendation from the Emergency Commission and in conjunction with the State Board of Higher Education and the North Dakota Economic Development Foundation, designation of a center of excellence recommended by the Centers of Excellence Commission (NDCC Section 15-69-02);
- Receive annual audits from a center of excellence that is awarded funds under NDCC Chapter 15-69 on the funds distributed to the center until completion of four years following the final distribution of funds (NDCC Section 15-69-05);
- Approve any annual tuition increase of more than 5 percent for each year by the State Board of

Higher Education for students attending institutions under its control for the 2007-08 and 2008-09 academic years (Section 18 of House Bill No. 1003 (2007));

- Approve up to \$10 million for funding centers of excellence at the first Budget Section meeting after September 1, 2007, and approve the remainder of the \$15 million appropriation for funding centers of excellence at the first Budget Section meeting after September 1, 2008 (Section 14 of House Bill No. 1018 (2007)); and
- Approve, with the Emergency Commission, a loan of \$5 million by the Bank of North Dakota to the Office of Management and Budget for the purpose of providing funding to centers of excellence as directed by the Centers of Excellence Commission (Section 15 of House Bill No. 1018).

Education Committee

The workforce-related charges of the Education Committee include:

- Study the appropriateness and adequacy of high school curricula, with respect to preparing students for higher education and for the workplace, and examine curricular changes implemented in other states and expectations placed on students in other countries (Section 11 of Senate Bill No. 2030 (2007));
- Receive report from the Statewide Longitudinal Data System Committee on the status of the plan for a longitudinal data system (NDCC Section 15.1-02-18); and
- Receive report from the Superintendent of Public Instruction regarding the planning and development of the electronic course delivery approval process for approving the provision of elementary or high school courses electronically to a student, school, or school district (Section 2 of House Bill No. 1491 (2007)).

Higher Education Committee

The workforce-related charges of the Higher Education Committee include:

- Study the means by which the North Dakota University System can further contribute to developing and attracting the human capital to meet North Dakota's economic and workforce needs, including ways to increase postsecondary access, improve the quality of education, contain costs, and other means, including productivity, to maximize the usage of the University System in meeting the human capital needs of the state; including a review of policy recommendations that address the postsecondary delivery system, including the mix of institutions, educational attainment gaps, degree production gaps, recruitment and retention of students, and workforce training needs; and including a review of the impact of the state's changing demographics on the University System long-term financing plan (Section 23 of House Bill No. 1003 (2007)); and

- Receive report from the State Board of Higher Education on the status of the implementation of the CCbenefits, Inc., services and any recommendations relating to the use of the CCbenefits, Inc., services (Section 23 of House Bill No. 1018 (2007)).

Human Services Committee

The workforce-related charges of the Human Services Committee include:

- Study the temporary assistance for needy families (TANF) program administered by the Department of Human Services, including review of the sustainability of current services and programs being funded by TANF funds, review of the potential programs and services that could be funded by use of TANF funds, and review of the need for increased assistance to recipients of TANF who are attending a postsecondary institution of learning (Section 3 of Senate Bill No. 2186 (2007));
- Receive report from the Department of Human Services regarding the transition assistance for the child care program implemented pursuant to Section 1 of Senate Bill No. 2186 (Section 5 of Senate Bill No. 2186); and
- Receive report from the dean of the University of North Dakota College of Nursing regarding the Nursing Education Consortium to address common concerns in nursing education (Section 1 of Senate Bill No. 2379 (2007)).

Industry, Business, and Labor Committee

The workforce-related charges of the Industry, Business, and Labor Committee include:

- Participate in the Department of Commerce Renaissance Zone Conference to review the list of projects which have been undertaken under the renaissance zone program, evaluate whether the projects have positively impacted the renaissance zone communities, consider options for smaller communities to become involved in the renaissance zone program or a similar program, and make recommendations regarding how the program could be improved to further meet the needs of the state and local communities (Section 19 of House Bill No. 1018 (2007));
- Study the organization, powers, duties, and effectiveness of the Department of Commerce, including review of the legislative history leading to the creation of the department; review of the legislative and executive branch expectations in the creation of the department and whether those expectations are being met; evaluation of the effectiveness of the North Dakota Economic Development Foundation in providing a nonpartisan, private sector perspective to the department's approach to the department's duties; evaluation of the organizational structure of the department, including whether the department should include a division of science and technology; and evaluation of the strategic

planning process of the department and its effectiveness (Section 21 of House Bill No. 1018);

- Study the licensure, training, and classroom education requirements for electricians in this state; reciprocity agreements with other states and the effect of those agreements on standards in this state; and the effect of the licensure, training, classroom education requirements, and reciprocity agreements on the availability of qualified electricians in this state (Section 2 of House Bill No. 1218 (2007));
- Study the regulation and licensing of pharmacists in this state, including an examination of the State Board of Pharmacy, the board's size, the manner of board membership appointment, and whether the board is representative of commercial and noncommercial pharmacists; the state's demographics and the impact changing demographics in rural areas will have on the ability of small, locally owned pharmacies to remain economically viable and of rural residents to access low-cost pharmaceuticals and pharmacy and pharmacists' services; pharmacy ownership restrictions, the relevance of those restrictions in terms of marketplace competition, and the impact of those restrictions on the price and availability of pharmaceuticals and on pharmacy and pharmacists' services; and statutory interplay between the board and the North Dakota Pharmaceutical Association and whether the regulatory function of the board conflicts with the advocacy function of the association (Section 2 of House Bill No. 1299 (2007)); and
- Study issues relating to wireless service providers in the state and how wireless service impacts the business climate in the state (Section 28 of House Bill No. 1018).

Information Technology Committee

The workforce-related charges of the Information Technology Committee include:

- Receive report from the State Board of Higher Education, on request, regarding higher education information technology planning, services, and major projects (NDCC Section 15-10-44);
- Receive report from the Statewide Longitudinal Data System Committee on the status of the plan for a longitudinal data system (NDCC Section 15.1-02-18); and
- Receive information from the State Board of Higher Education regarding higher education information technology planning, services, and major projects (NDCC Section 54-35-15.2).

2007-08 Workforce Committee Activities

Under Section 20 of House Bill No. 1018 (2007), the three main directives for the Workforce Committee during the 2007-08 interim were to receive agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, participate

in focus groups across the state, and participate in a workforce congress.

Participation in Focus Groups

The Workforce Committee was charged with actively participating in a minimum of four workforce focus groups across the state. The focus groups were responsible for discussing ways to enhance the state's system for addressing workforce needs, including:

- Workforce availability;
- Skilled workforce needs;
- Future workforce needs; and
- Alignment of the state's higher education curriculum with the state's current and future workforce needs.

The Department of Commerce had several duties relating to the activities of the workforce system study. The department, in consultation with the Workforce Committee:

- Organized the focus groups;
- Convened five focus groups;
- Compiled focus group participant invitation lists;
- Drafted and distributed focus group invitations;
- Established focus group dates and locations; and
- Prepared agendas for focus groups.

The focus group schedules and activities took into consideration the workforce study activities of the department, including the Governor's Workforce Summit, held October 11-12, 2007, in Bismarck.

The Legislative Council and Department of Commerce entered a contract with a third party to provide the Workforce Committee and department with professional services to plan, facilitate, report on, and coordinate followup for the focus groups and the Workforce Congress. House Bill No. 1018 included an appropriation of \$50,000 to the department to help fund the workforce system initiative.

Participation in Workforce Congress

Much like the focus groups, the committee was charged with actively participating in a workforce congress. The activities of the Workforce Congress included:

- Receipt of a report on the activities of the focus groups;
- Identification of methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive; and
- Evaluation of the impact and effectiveness of the state's existing workforce system.

Again the study charge provided the Department of Commerce, along with a consultant, was responsible for a large portion of the preparatory work and implementation of the Workforce Congress. Specifically, the department, in consultation with the committee:

- Organized the Workforce Congress;
- Compiled Workforce Congress participant invitation lists;
- Drafted and distributed Workforce Congress invitations;

- Established a Workforce Congress date and location; and
- Prepared the agenda for the Workforce Congress.

Focus Group Activities

The committee, with the assistance of the Department of Commerce, held five half-day focus groups--four for business leaders and one for young people. The business leader focus groups were held in Grand Forks, West Fargo, Minot, and Dickinson; the focus group for young people was held in Jamestown. The committee followed the same basic format for the four business leader focus groups and a slightly modified format for the young people focus group.

The basic format of the focus groups was:

- Welcome and opening comments from the committee chairman and the Commissioner of Commerce;
- Introduction of two committee consultants who facilitated the focus groups;
- Group interview of invited participants;
- Review of 2007 legislative workforce initiatives;
- Summary of North Dakota's workforce situation;
- Review of prefocus group surveys;
- Breakout sessions; and
- Closing remarks.

At each of the five focus groups, committee members sat at round tables with the invited participants--either business leaders or young people. The two consultants worked together to facilitate each of the focus groups, using a computer presentation to assist in presenting information throughout each focus group.

Following the welcome and introductions, the consultants conducted a group interview that included gathering information regarding the focus group participants. Additionally, the consultants reviewed the background of the workforce system study and its predecessor--the business climate study--briefly reviewed the 2007 legislative workforce initiatives, reviewed the steps that will be taken during the workforce system study, reviewed data relating to the state's current workforce situation, provided details regarding the results of the prefocus group survey completed by business leaders who were invited to attend the focus groups, and conducted two breakout sessions.

The first breakout session was made up of four exercises. The participants at each table were asked to discuss and record how the participants would like to change behavior of employers, workers, education, and government. The facilitators recorded the results reported from each table for each of these four classes for which changed behavior is sought. Upon completion of this breakout session, participants voted on which of the recorded behavioral changes are most important in addressing the state's workforce challenges.

For the second breakout session, the participants changed the tables at which they were seated. The consultants identified the items participants rated as the most desired behavioral changes. Each table was requested to determine what actions should be taken

and by whom these actions should be taken to lead to these identified behavioral changes. Specifically, the participants at the tables were charged with identifying and recording what state policies or legislation would accomplish the desired changes. Upon each table reporting an identified desired action, the participants again voted to identify the top-rated actions needed to address the state's workforce challenges.

The agenda for the focus group for young people varied slightly from the other four focus groups in that a single breakout session was held. The breakout session was made up of four exercises. The participants at each table were asked to discuss and record how the participants would like to:

1. Change the actions of employers so they would better meet the needs of youth;
2. Change the actions of young adults so they would stay in North Dakota;
3. Change the actions of schools so they promote retention of young talent; and
4. Change the actions of government so it meets the state's workforce challenges.

The facilitators recorded the results reported from each table for each of these four classes for which changed action was sought. Upon completion of this breakout session, participants voted on which of the recorded changes were most important in addressing the state's workforce challenges.

Workforce Congress Activities

Following the five focus groups, the committee and Department of Commerce held and participated in the Workforce Congress at the State Capitol on April 10, 2008. The invitation list for this event included individuals invited to and individuals who attended the four business leader focus groups. Participants received a report on the activities of the focus groups, identified methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive, and evaluated the impact and effectiveness of the state's existing workforce system.

The meeting began in the House chamber, broke into small groups that met in four meeting rooms in the State Capitol, and then reconvened in the House chamber. Workforce Congress participants included private business leaders, economic developers, educators, and young professionals.

The committee's two consultants worked together to facilitate the Workforce Congress portions in the House chamber. The committee used the following basic format for the Workforce Congress:

- Welcome and opening comments from the committee chairman, committee vice chairman, the Governor, and the Commissioner of Commerce.
- Consultants' report regarding an overview of the workforce system study process and destination, process and expectations for the Workforce Congress, key economic and workforce facts about North Dakota, and highlights and insights

from the four business leader focus groups and the young people focus group.

- Break out into four groups, each assigned to address desired changes in the behavior of employers, individuals, educators, or government in order to have a positive effect on North Dakota's ability to respond to workforce challenges.
- Reconvene to report on the activities of the four breakout groups.

Consultants' Report

The consultants reported on the results of the prefocus group survey of business leaders, indicating the survey highlights and lowlights included:

- People like where they live--90 percent rated where they live as excellent/good;
- Good place to raise family--97 percent rated excellent/good (drops to 69 percent for "fun place");
- Good job satisfaction--96 percent rated complete/a lot of satisfaction with job;
- Quality of workforce rated high--83 percent rated as excellent/good;
- Good place to get an education--87 percent rated excellent/good;
- Lower rating as a place to find a job--44 percent fair/poor rating;
- Low rating in assistance available to employers for finding workers--under 30 percent rated excellent/good;
- Low rating for assistance available to employers for upgrading worker skills--only 28 percent excellent/good (15 percent don't know);
- College graduates can easily find a good-paying job here--72 percent disagree with statement; and
- Critical issues often cited are low wages, losing skilled youth, and replacement of aging Baby Boomers.

The consultants reported the most common responses to the focus group breakout activities were:

- Employers should change:
Workplace culture to be more attractive to new generation of workers;
Create higher-wage jobs;
Reach out to education--form partnerships;
Promote own industry--in- and out-of-state; and
Invest in own workers--create career ladders--provide continuing education aimed at new jobs.
- Individuals should change:
Take initiative--lifelong learning--engagement in problem-solving in workplace;
Take advantage of specific skills advancement opportunities of two-year or less technical programs;
Make informed decisions about North Dakota careers based on solid labor market information;
Stay in state--keep skills here; and

- Move back if you left--bring skills back.
- Schools should change:
Reach out to employers--form partnerships--learn realities of today's workplaces;

Create demand-driven courses and flexible delivery structures;

Promote two-year technical programs on a level playing field with four-year programs;

Provide more intensive career information; and

Promote the state to students--fairly present our state's opportunities.
- Government should change:
Market the state more aggressively--in- and out-of-state;

Create state-level point of responsibility for providing career information to citizens and students;

Target critical skills gaps and provide incentives to keep them here or bring them in;

Create an incentive for upgrading skills of current workforce to prepare for new jobs; and

Create incentives for aging Baby Boomers to employ their skills in new ways and acquire new skills.

Breakout Groups

The Workforce Congress participants were divided into four groups and assigned to meet in one of four meeting rooms to address the four associated behavioral changes.

Reports From Breakout Groups

Following the breakout groups, the Workforce Congress participants reconvened in the House chamber and reported each small group's top three changes in behavior and also reported a fictional headline from *The Wall Street Journal* in the year 2013 reflecting North Dakota's success in meeting its workforce needs.

The breakout group addressing changes in the behavior of education reported these items:

1. Align higher education with growth sectors of the economy.
2. Provide more and earlier career awareness education and information to students and parents.
3. Provide rapid response of higher education to "hot needs."

The breakout group addressing changes in the behavior of individuals reported these items:

1. Establish a statewide structure for a comprehensive curriculum for career exploration and decisionmaking.
2. Provide more affordable higher education for both recent high school graduates and adults.
3. Keep North Dakotans in the state through alignment of educational standards for moving throughout the P-16 system.

The breakout group addressing changes in the behavior of employers reported these items:

1. Create tax incentives for automation and innovation tied to increases in productivity.
2. Create an aggressive statewide career awareness initiative.
3. Support employer-sponsored school-to-work programs to engage non-college-bound youth.

The breakout group addressing changes in the behavior of government reported these items:

1. Improve career advising and training by getting industry involved in the process with education and by delivering at the community level.
2. Provide tuition loan programs for all types of workers so all people can access training.
3. Expand and continue existing programs and pilot programs that have proven to be successful.

Closing Remarks

Following the reports of the breakout groups, the Workforce Congress participants commented on the day's activities, including:

- There was a recognized need for government to support innovation, technology, and automation.
- Addressing career specialists and career awareness does not have to start fresh as there are examples of successful programs. Additionally, there was discussion that the market works best when all involved have good information and, on that same premise, students will make good decisions if they have the right information.
- There was general support that the committee and the consultants should consider all of the ideas of the breakout groups because there were great ideas that did not make the top three issues reported out of the four groups.

Consultants' Report

An executive summary of the consultants' final report was presented to the committee at a joint meeting of the Workforce Committee, Education Committee, and Higher Education Committee. The report included an overview of:

- The state's achievements relating to workforce;
- The state's challenges relating to workforce;
- The background of and procedure followed in conducting the Workforce Committee's workforce study;
- The five themes that arose through the course of the workforce study focus groups and Workforce Congress;
- The policy decisions of investment, innovation, and impact, which should be considered as part of the policy evaluation; and
- Examples of initiatives that could be enacted to address the five identified priority areas.

The consultants identified the following top three priorities for each group as prioritized by the Workforce Congress:

Employers

1. Tax incentives for employer automation and innovation tied to productivity increases;
2. Employer-sponsored school-to-work initiative to reach out and engage non-college-bound youth; and
3. Aggressive statewide career awareness initiative.

Employees

1. More affordable higher education in North Dakota through low tuition strategies and strategies for tuition reimbursement (without creating new bureaucracies);
2. Statewide structure for a comprehensive curriculum for career exploration and decision-making; and
3. Alignment of educational standards for moving throughout the P-16 system, including promotion of two-year opportunities and strengthened articulation agreements.

Schools

1. Higher education funding aligned with growth sectors of the economy;
2. Early career awareness education aimed at parents and children; and
3. Rapid response mechanism for "hot needs" of higher education--streamlined "minuteman" process for meeting needs in a timely manner.

Government

1. Bank of North Dakota tuition loan program for all demographics (traditional and nontraditional students);
2. Career advising and training initiative at the community level--involvement of industry leaders, education leaders, and teachers to increase awareness; and
3. Leadership in expanding timeframes of existing, successful pilot programs that are already in place in North Dakota.

The consultants reported that in analyzing the suggestions gathered from the focus groups and the priorities defined at the Workforce Congress, the information clustered into five policy idea suites. In each suite the aim was to define a common goal linked to comments from North Dakotans with policy options that work to collectively promote positive change in the behavior of employers, employees, schools, and government.

The five policy idea suites that resulted from the focus groups and Workforce Congress and the corresponding recommendations of the consultants were:

1. Retain talent - The consultants identified the following immediate-term and long-term recommendations:
 - a. Immediate-term - More broadly scaled and aggressively marketed Operation Intern through increased public and private support; and tax credits for college graduates who remain and work in North Dakota.

- b. Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.

2. Attract talent - The consultants identified the following immediate-term and long-term recommendations:

- a. Immediate-term - Targeting of out-of-state talent with ties to North Dakota which includes a special website and an aggressive and timely catch-and-referral mechanism; and waiver of state income tax for high-priority talent attracted to the state.
- b. Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.

3. Incentivize employer productivity, innovation, and entrepreneurship - The consultants identified the following immediate-term and long-term recommendations:

- a. Immediate-term - Technology investment tax credit and low interest loan program to encourage employer technology investments; and a study that identifies key regional business clusters and associated investment priorities for increased productivity.
- b. Long-term - Prairie Innovation Zone structure for ongoing business-education collaborations for innovation, research, and technology transfer.

4. Connect education and employers - The consultants identified the following immediate-term and long-term recommendations:

- a. Immediate-term - "Work Ready" work ethic certification for high school students as defined by employers; "fast track" approval process for new courses and curricula tied to emerging employer needs; and expanded statewide internship program that prioritizes STEM disciplines (science, technology, engineering, and mathematics).
- b. Long-term - Core curriculum for high school graduates tied to employer demand--expanded to related idea of "core tech" curriculum for higher education; work ethic certification in high school connected to broader framework for career track identification and resume building--include high school internships, community service, and other opportunities that expose students to the meaning of working and living in North Dakota; and social network-based models to create grassroots engagement of diverse groups in North Dakota regions.

5. Promote higher education - The consultants identified the following immediate-term and long-term recommendations:

- a. Immediate-term - Stipend for students to complete two-year postsecondary "core tech" curriculum; and tax credit structure for state residents who pursue higher education in state universities.

- b. Long-term - Structure for Lifetime Education Accounts; and "Seniors to Sophomores" program tied directly to established core high school standards and postsecondary "core tech" standards.

Information Provided to Committee

Throughout the course of performing the workforce system study, the committee requested, received, and reviewed information relating to workforce issues. The committee considered this information in making its recommendations.

Centers of Excellence

The committee received a status report on the centers of excellence program, including a review of the status of the three centers legislatively awarded funding in 2003, the centers awarded funding under the competitive application process, and the status of upcoming awards.

Governor's Workforce Summit

The study directive required the focus group schedules and activities to take into consideration the workforce study activities of the Department of Commerce. The specific activity the department worked on during the interim was the Governor's Workforce Summit, which took place October 11-12, 2007. Committee members were invited to attend this event.

The committee received a report on the document "State of the North Dakota Workforce Report," which was reported at the summit. In looking at the state of North Dakota's workforce, economic development and the workforce can be considered Siamese twins. North Dakota has a tight labor market, which is in part related to demographics.

The Commissioner of Commerce testified the 2007 Governor's Workforce Summit served as an effective kickoff for the interim committee's workforce system study. A high point of the summit included the industry panel as well as the breakout sessions.

Committee members who attended the summit testified that with high school and higher education annual graduations of approximately 6,000 students, it will be very difficult for the state to fill the state's approximately 10,000 open positions. However, one way to address the workforce needs of the state would be to expand the pool of possible workforce, such as focusing on retirees reentering the workforce and disabled individuals participating in the workforce. Although the workforce needs being experienced by North Dakota are similar to what is going on nationwide, North Dakota has a very high labor force participation rate and this will be a challenge as the state tries to increase its workforce participation.

Additionally, a committee member who attended the summit raised the point that there has been a paradigm shift. In the past, the state has invested resources in seeking new businesses and has been successful in recruiting and retaining businesses, but now the state needs to focus on attracting and retaining workers. To address this current need, it will be necessary to look at

the existing population and what can be done to get workers in jobs. Untapped sources of workers may include senior citizens and recipients of public benefits as well as individuals who have been in the prison population. In addition to tapping current residents of the state, it will be necessary to attract workers to the state.

A representative of the Department of Commerce testified the department has considered recruiting workers from markets in the country that have high unemployment; however, in taking this step, it is very important that the skills of these members of the unemployed group be aligned with the workforce needs in the state.

Southeast Quadrant

The committee held a meeting in Gwinner and received testimony from representatives of Bobcat, the State College of Science, and organized labor. Additionally, committee members ate lunch with the senior class of North Sargent High School and informally discussed workforce and education issues with the students.

The committee received testimony from representatives of Bobcat which included an overview of plant activities, such as the physical operations of the Gwinner plant, the organizational structure of the Gwinner plant, the workload of the Gwinner plant, and the level of employment at the Gwinner plant; workforce experience; and workforce projections.

A representative of Bobcat testified some of the major challenges faced by Bobcat include how to better support its workers with issues such as housing. In the southeast region of the state there are no multilisting services for housing, and there is a shortage of available housing. Additionally, child care is a challenge for workers for a variety of reasons, including the plant's 24 hours a day 7 days a week operation and the fact the workforce resides over such a broad area.

Representatives of the State College of Science provided the committee with information regarding the southeast quadrant training program, college outreach, and career resource support programs. The State College of Science is responsible for workforce development and workforce training, with the four academic clusters focused on manufacturing, construction, transportation, and allied health professions in addition to emerging clusters, such as nanoscience, which is also included in the school's academic framework.

A representative of the State College of Science testified the school seeks a seamless process from preschool through higher education. One step that could be taken to assist in this seamless process would be an increased ratio of career counselors to students. North Dakota rates well for graduating high school seniors; however, the state does not do as well in keeping these students in higher education through graduation.

The committee received testimony from a representative of the State College of Science that because career and technical education costs are higher than the typical baccalaureate degree, the funding for

these programs should reflect this reality. The testimony was supportive of using existing mechanisms to address the state's workforce needs, including use of the Higher Education Roundtable.

The committee received testimony from a representative of organized labor. The testimony indicated that in addition to job security, the two most important issues in contract renegotiations are health care and wages.

Joint Meeting

The committee held a joint meeting with the Education Committee and the Higher Education Committee. The three committee chairmen recognized there was overlap in the committee charges and reviewed the activities of each of the committees. Based on committee charges, the chairmen proposed the committees distribute workforce issues as follows:

Workforce Issue Distribution Proposal	
Education Committee	
Career counselors	Committee discussion could address several related issues, including curriculum for career exploration; qualifications of career counselors; school-to-work, internships, apprenticeships, and clinical opportunities; and career awareness for students, parents, and teachers.
Student assessment	
Tiered diplomas	
Regional education associations	
Data collection	
Preparation for higher education and the workforce	
Curriculum and graduation requirements	
(These topics are also being addressed by the North Dakota Commission on Education Improvement.)	
Higher Education Committee	
Tuition formula	Committee discussion could address several related issues, including state and institution obligations, in-state and out-of-state tuition rates, tuition relationship to courses of study, and affordability.
Rapid response and streamline process to respond to workforce needs	
Funding formula	- Align with growth sectors - Equity relating to technical programs - Equity relating to nontraditional students
Data collection	- Postgraduation location and job - Completion/retention rates
Streamline high school to higher education	
Out-of-state recruitment	
Internships, apprenticeships, and clinical opportunities (at the institutional level)	
Access (rural)	
Strengthen technical education	
Workforce Committee	
Student loans (Bank of North Dakota)	
Lifetime education accounts	
Tax	- Employer automation - Attraction and retention of workers - Internships and apprenticeships - Student loan debt
Strengthen link between education and employment	
Attraction and retention of students and workers	
Strengthen Department of Commerce programs	- Ambassador program - Operation Intern - Attraction and retention of workers
Prairie Innovation Zone program and economic clusters	

The joint meeting included two panel discussions. The industry panel was composed of representatives of the state's five targeted industries as well as a representative of the health care sector and a representative of the North Dakota Chamber of Commerce. The education panel was composed of

representatives of higher education, kindergarten through grade 12, career and technical education, and distance education.

A representative of the tourism sector testified one of the biggest issues faced by businesses is dealing with how to simultaneously recruit, train, and retrain, and

retain a workforce. These issues may be appropriately addressed through strengthening the linkage between education and jobs.

The committee received testimony in support of implementing a proficiency-based education system so a student's diploma has more meaning and is based upon more assessments. Panelists recognized the importance of ensuring high school students have the right education going into higher education and once again when they graduate with a degree from higher education and go into the workforce.

An industry panelist testified several of the solutions to the workforce issues could be found in the recommendations of the P-16 task force. For example, the state would benefit from focusing on the career areas that are experiencing the highest growth in North Dakota, especially through providing career and technical education.

The committee received testimony that the issue of credentialing different professions has been an ongoing battle with the Legislative Assembly. Allowing a profession to be credentialed is meaningful to the workers in that field. Professional challenges include clinical requirements related to education as well as the limited availability of clinical opportunities.

The committee received conflicting testimony from panelists. Some panelists testified low wages are a barrier in attracting and retaining a workforce and other panelists testified wages are not a barrier.

The committee received testimony that tax incentives for new graduates may help in attracting and retaining a workforce; however, the committee received conflicting testimony in support of providing tax incentives to businesses instead of employees to maximize the impact of the incentive.

A panelist testified in support of modifying the current higher education funding system. The current system was perceived as a disincentive in that the state appropriates money to the institutions of higher education based on the number of full-time students on campus. The appropriation formula should be changed to support and recognize universities that reach out to rural North Dakota and to nontraditional students who may not be full-time students.

The testimony received regarding internships was generally supportive; however, the issue was raised that there are some businesses for which it is not feasible to have an internship program.

The facilitator of the industry panel summarized the discussion into the following four main topics:

1. North Dakota is a skilled economy and is underinvested in skills training.
2. There is a lack of communication in getting the message out. People need to know more about career and education opportunities.
3. There is support for implementing competency assessments.
4. There is a new work ethic that needs to be recognized.

The education panelists testified the education system is more comfortable than people realize when it comes to addressing the education system's role in the

workforce, although some institutions are more comfortable than others. The Higher Education Roundtable was suggested as the vehicle that could be used to move these workforce concerns forward. Additionally, testimony was received in support of revising the higher education funding model to provide higher education institutions greater flexibility and the ability to respond more immediately to the workforce needs.

The testimony recognized there is competition for students within the state; therefore, the institutions of higher education need to look out of state. There has been success in keeping out-of-state students in North Dakota following graduation. Realistically, if the state is going to fill 14,000 open jobs, the state is going to need 14,000 individuals from out of state. When it comes to funding and course offerings, educators are professionals and they understand the reward system. Under the current funding system, institutions of higher education are enrollment-driven.

The committee received testimony in support of and in opposition to using early identification of student skills and interests to help address the state's workforce needs. However, there was support for taking steps to better inform students of their education and employment opportunities.

The committee received testimony that possible ways to address the state's workforce needs include offering students dual credit for coursework, providing students opportunities for earning credit for prior learning, and also strengthening the state's apprenticeship program. In addition, lifelong learning and adult education are important components of the state's workforce issues.

The committee received testimony the state will need financial assistance that better accommodates nontraditional students. The current financial assistance system works well for traditional students but not for nontraditional students. Additionally, accessibility of programs will need to be addressed to better accommodate lifelong learning and adult education; this might best be accomplished through regional education associations.

A representative of a two-year college testified there are examples of industry-education cooperative programs that have worked well; however, not all businesses are worldwide in scope and have the resources necessary to implement a program on the same scale as larger businesses. For example, individual trucking businesses may not have the necessary size to start an industry program, but the truck driving industry as a whole may be able to work together to recognize the economies of scale necessary to start up a program.

Higher Education

Throughout the interim the committee requested and received information from representatives of the North Dakota University System.

The committee received information regarding the educational demographics of the state and the region as well as American College Test (ACT) data. The North Dakota University System is aware of the decreasing

number of high school graduates in the state and is looking to attract two-year university graduates who are transfer students from other states.

Testimony was received that to keep educated young people in the state, the students need to have the opportunity in the state to find good jobs with good pay. In attempting to measure the outcome of the state's workforce actions, retention is a good example of how to track these actions. Additionally, retention of students of institutions of higher education is related to how prepared students are as they enter the higher education system.

The committee received testimony that the North Dakota University System recognizes the need to be proactive and careful to not just react to change. The Higher Education Roundtable has been instrumental in making the University System more flexible and more entrepreneurial.

Local Developers

In addition to inviting local developers to participate in the focus group and Workforce Congress activities, the committee requested and received testimony regarding workforce needs from local economic developers.

The committee received testimony that communities are initiating local and regional programs and businesses are initiating programs to address workforce needs, including training of nurses, internship programs, nationally and regionally competitive wages, alumni lists, local and out-of-state job fairs, succession planning, and extensive training in all positions.

One step that needs to be taken is systemic marketing because new graduates face jobs requiring three years to five years of experience, and oftentimes this is the reason the communities are losing their graduates of institutions of higher education.

Economic developers are in a unique position. Although communities need to diversify, this is a tough thing to do because the developers cannot in good conscience recruit businesses that will not be able to fill workforce needs.

Consideration

Child Income Tax Credit Bill Draft

The committee considered, but does not recommend, a bill draft that would have provided an income tax child credit. The bill draft was intended to respond to issues raised regarding the cost of child care. The credit would have applied to all families of children under the age of 18, regardless of whether there were verified child care expenses.

Recommendations

Retirement Issues

The committee recognized that to meet workforce needs, one of the required actions is maximizing employment participation of people already living in the state. The committee received demographic data reflecting an aging workforce, which will result in increases in the number of workers retiring and leaving the workforce. Testimony received in committee and at the Governor's Workforce Summit indicated one way to

increase the number of retirement age workers retained in the workforce is to design more flexible work environments. Although generally a private sector matter best addressed by employers, as an employer the state plays a role in creating flexible working environments for state employees.

The committee recommends Senate Bill No. 2061 to direct Human Resource Management Services, a division of the Office of Management and Budget, to study how to retain state workers who are nearing retirement.

Department of Commerce - Students

The committee recommends House Bill No. 1065 to provide funding for the Department of Commerce Operation Intern program and direct the department to administer a program to market North Dakota higher education opportunities to out-of-state students.

Students and Graduates

The committee recognized there is a need for a seamless package to address immediate workforce needs as well as something to address future workforce needs. The committee received data indicating in the near future, the number of North Dakota high school graduates will be decreasing sharply.

Committee members discussed a variety of approaches to increase the number of recent college graduates remaining in, returning to, or moving to North Dakota, including revising the Bank of North Dakota's student loan program; providing tax breaks for student loans; providing student loan forgiveness for identified fields of employment; and decreasing college tuition.

The committee recommends Senate Bill No. 2062 to provide a phased-in college tuition grant program for qualified North Dakota high school graduates beginning with the high school graduating class of 2014 and provide an earned income tax deduction for recent college graduates. The bill is designed so the income tax deduction is effective immediately and remains in effect until the college tuition grant program becomes effective.

Tax Credits for Automation and Innovation

The committee received testimony that one way to address workforce challenges is for businesses to better use the existing workforce by doing more with fewer employees. If employers are unable to recruit for all the open positions, then employers need to better use the current workforce through higher productivity. The committee received information regarding steps North Dakota and other states have taken to incentivize automation and innovation by businesses.

The committee recommends House Bill No. 1066 to provide three types of tax credits for taxpayers that are primary sector businesses--a credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes, a credit for qualified expenditures necessary for implementing lean manufacturing, and a credit for qualified research expenses.

Workforce System Study

The committee recognized that, conceptually, the workforce needs in the state can be characterized as a "pipeline" issue. In addressing this workforce supply issue, state actors need to evaluate the workforce system on a macro-level and to consider what roles are appropriate for the state to take in dealing with these supply issues.

The committee recommends Senate Concurrent Resolution No. 4002 to provide for a Legislative Council study of the state's workforce system, the feasibility and desirability of enacting legislation to address the issues identified in the 2007-08 interim Workforce Committee's consultants' report, and the implementation of workforce initiatives enacted by the 61st Legislative Assembly.

Immigration Reform Resolution

The committee recommends Senate Concurrent Resolution No. 4003 to express support for the development of a balanced national immigration policy and urge Congress to work to develop an immigration policy that protects and preserves the safety and interests of the United States and its citizens while also recognizing the needs of businesses to have a stable and legal supply of workers.

JOB DEVELOPMENT AUTHORITY STUDY

Legislative Background

As introduced, Senate Bill No. 2149 (2007) would have expanded the authority of county job development authorities (JDAs) to include taking equity positions in, providing loans to, or using other innovative financing mechanisms to provide capital for new or expanding businesses in this state or for businesses relocating to this state. Before enactment, the bill was amended to include city JDAs and to provide for the Legislative Council study.

The legislative history indicates the bill was introduced to address a letter opinion of the Attorney General dated May 9, 2007, opining a county JDA lacks express or implied statutory authority to take an equity position in a private company.

The minutes of the Senate Political Subdivisions Committee hearing on Senate Bill No. 2149 indicate the study was added to the bill in recognition that over the years a broad range of economic development tools have been added to the tool chest, and perhaps some of these tools are no longer needed and could be eliminated. Specifically, the committee recognized the low rate of unemployment and questioned whether there is still a need to create more jobs in the state.

State Law

County Job Development Authorities

North Dakota Century Code Chapter 11-11.1 authorizes counties to create JDAs, to create joint JDAs, and to contract with industrial development organizations to perform the functions of JDAs or joint JDAs. Chapter 11-11.1 was enacted in 1985. Section 11-11.1-03 provides the objective of a JDA or joint JDA is to use its financial and other resources to encourage and assist in

the development of employment and promotion of tourism within the county or counties.

City Job Development Authorities

North Dakota Century Code Chapter 40-57.4 authorizes cities to create city JDAs, to create joint JDAs, and to contract with industrial development organizations to perform the functions of city JDAs or joint JDAs. Chapter 40-57.4 was enacted in 1987. Section 40-57.4-03 provides the objective of a city JDA is to use its financial and other resources to encourage and assist in the development of employment within the city.

Legislative History

The legislative history of the 1985 legislation creating the county JDA law indicates supporters of the legislation testified:

- County JDAs would assist rural communities to diversify their economic bases so the communities would be less dependent on relying on agriculture as the base of the communities' economies.
- The law would allow counties to levy a tax to provide full-time economic development programs to provide day-to-day activities instead of relying on "bird in the hand" activities.
- The law would allow counties to levy a tax to contract with existing local economic development organizations to provide full-time economic development programs, thereby avoiding duplication of services.
- New jobs were necessary to keep youth in the communities.

The legislative history of the 1987 legislation creating the city JDA law indicates supporters of the legislation testified:

- The law would allow cities to levy a tax for a city JDA without burdening the rural communities in the county.
- The law would allow cities to levy a tax to pay full-time, professional economic developers.

Since the enactment of the JDA laws, the general trend has been to expand the powers of the authorities. For example:

- House Bill No. 1177 (1991) authorized city and county JDAs to loan, grant, or convey any funds or property held by the authorities to carry into effect the objective of the authorities.
- Senate Bill No. 2021 (1993) authorized city and county JDAs to guarantee loans or make other financial commitments to enhance economic development.
- House Bill No. 1483 (1993) authorized the creation of joint county JDAs and the creation of economic growth districts in counties that are part of a joint JDA.
- Senate Bill No. 2537 (1993) authorized county JDAs to accept and expend money from any source.
- Senate Bill No. 2353 (1995) authorized the creation of joint city JDAs.

- Senate Bill No. 2173 (2003) expanded the objective and taxing authority of county JDAs to include promotion of tourism.
- Senate Bill No. 2149 (2007) authorized city and county JDAs to take equity positions in, provide loans to, or use other innovative financing mechanisms to provide capital for new or expanding businesses.

Testimony

The committee received reports from representatives of the North Dakota League of Cities and the North Dakota Association of Counties. A general survey of city and county JDAs was conducted requesting general information regarding funding and financing mechanisms. The information from the general survey indicated each community with a JDA has established a funding mechanism that is designed for that particular JDA. Job development authority funding sources include local sales tax, local levy of up to four mills, equity positions, and loan and lease payments. As in funding, the financing mechanisms used by JDAs vary depending on the needs of the community. Examples of JDA financing mechanisms include loans, grants, property conveyances, property tax exemptions, building or property leases or rentals, equity positions, and PACE interest buydowns.

The North Dakota League of Cities and the North Dakota Association of Counties performed a second, more specific survey of city and county JDAs requesting specific information regarding whether the JDAs had ever supported economic development projects through the taking of an equity position. Generally, most JDAs have never used an equity position as a financing tool. Of the JDAs that had taken an equity position, it is a financing tool that is rarely used. The following JDAs reported having taken an equity position one or more times as a form of economic development:

- Devils Lake Development Corporation.
- Hazen Community Development.
- Mayville-Portland Economic Development Corporation.
- Wishek Job Development Authority.
- Jamestown/Stutsman County Development.
- McKenzie County Job Development Authority.
- Towner County Economic Development Corporation.
- Walsh County Job Development Authority.

The survey results indicated the JDAs that had taken equity positions employed the same due diligence that they would with providing a loan or other incentive. Typically, if a JDA took an equity position, the JDA relied heavily on the due diligence of the major contributor, such as the Bank of North Dakota or the North Dakota Development Fund.

The survey requested information regarding what action the JDAs took if a business in which the JDA had an equity position failed and also what plans JDAs took to extract themselves from equity positions. The responses to these questions varied according to the specific terms of the equity agreement. Some JDAs that

took equity positions included clawback provisions in the financing agreement and some did not. Typically, a JDA's equity position is only one part of a larger economic development package that includes participation by financial institutions.

Representatives of city and county JDAs testified in support of the current JDA laws, indicating the laws are flexible enough to allow the JDAs to design organizations that meet the needs of the community. Testimony was received that JDAs are accountable to the local communities for how the JDAs use local funds.

The committee did receive testimony the statutory maximum of four mills for funding JDAs has the result of limiting JDA funding in smaller communities. However, even this limited funding has impacted positively economic development services in these small communities. Testimony was received that the JDA in a smaller community is often partnered with other economic development organizations.

The committee discussed whether taking an equity position is an appropriate activity for JDAs. The committee recognized that although some JDAs were taking equity positions before the law was amended to allow for this, it may be several years before there is any recognizable increase in JDAs using equity positions as a form of financing. When there is more data on the success or failure of taking an equity position, it is likely that only failed positions will receive any scrutiny.

Conclusion

The committee does not make any recommendation relating to the job development authority study.

POPULATION STUDY

Population and Demographic Statistics

North Dakota

According to United States Census Bureau data, North Dakota's estimated population on July 1, 2006, was 635,867, compared to the year 2000 population of 642,200, a percentage change of -1.0 percent. North Dakota is ranked 48th in national population with the District of Columbia, Vermont, and Wyoming having smaller populations. The census data indicates the state's demographics include 14.7 percent of the population is aged 65 or older; 83.9 percent of the population has graduated from high school; and 22 percent of the population has earned a bachelor's degree or higher.

Population Initiatives

In addition to a wide variety of organizations that have addressed population growth in the state and region, there have been several population growth initiatives. Initiatives addressing the issue of population growth include the Great Plains Population Symposium Project, the Saving North Dakota Roundtable, the New Economy Initiative, and the Youth Initiative Committee in support of 2002 initiated statutory measure No. 3.

Great Plains Population Symposium Project

The Great Plains Population Symposium Project held a three-day national policy conference in Bismarck in

October 2001 and held a two-day state and local policy conference in Dickinson in April 2002. The project was to investigate the continuing depopulation of the rural Great Plains and to raise the nation's awareness of the facts and ramifications relating to the emptying of the nation's vast central region. The project was led by Dickinson State University in collaboration with researchers at North Dakota State University, Colorado State University, University of Montana, and Iowa State University. The project was sponsored by federal legislation and was supported by a grant from Congress.

Saving North Dakota Roundtable

On January 9, 2003, on the North Dakota State University campus, 31 people aged 21 to 34 took part in a Saving North Dakota Roundtable discussion cohosted by *The Forum* (Fargo) and the Associated Press Managing Editors Group. *The Forum* reported that roundtable members targeted five major areas of discussion--human rights, arts and culture, technology, marketing, and community and economic development. Additionally, on January 30, 2003, several of the panelists met with legislative leaders and the Governor to discuss these major topics.

New Economy Initiative

The New Economy Initiative was a public-private initiative coordinated by the Greater North Dakota Association beginning in 2000. The goals of the initiative were to mobilize North Dakotans to develop and implement solutions to some of the problems plaguing the state's business climate. The initiative worked through the creation of action teams and industry clusters.

Youth Initiative Committee and Initiated Statutory Measure No. 3

Initiated statutory measure No. 3 was rejected by voters on November 5, 2002. The measure, supported by the Youth Initiative Committee, would have created a Bank of North Dakota-administered program providing for partial reimbursement of student loan payments for employed North Dakota residents under the age of 30 who graduated from accredited postsecondary schools. Reimbursements would have been limited to \$1,000 per eligible resident per year for not more than five years. The measure would also have provided an income tax credit of up to \$1,000 for employed North Dakota residents aged 21 through 29 for up to five years.

Testimony and Committee Considerations

The committee conducted the population study as part of the workforce system study and also considered relevant reports received by the committee. The workforce system study focus group activities specifically addressed the issue of how to attract and retain North Dakota's workforce.

Recommendations

The committee recommendations relating to the population study are addressed under **WORKFORCE SYSTEM STUDY, Recommendations**.

NORTH DAKOTA UNIVERSITY SYSTEM - WORKFORCE NEEDS STUDY

Background

The North Dakota University System consists of 11 higher education institutions under the control of the State Board of Higher Education. Of the 11 institutions, 2 are doctoral-granting institutions, 2 are master's-granting institutions, 2 are universities that offer baccalaureate degrees, and 5 are colleges that offer associate's and technical degrees. Each institution is unique in its mission to serve the people of North Dakota. The University System reported a total degree credit headcount enrollment of 42,237 students and a total degree credit full-time equivalent enrollment of 35,373 students in the fall 2006 enrollment report.

Strategic Planning

Long-Term Financing Plan and Resource Allocation Model

The 1999-2000 Higher Education Roundtable recommended the State Board of Higher Education and the chancellor develop a long-term financing plan and resource allocation model. As a result, the State Board of Higher Education contracted with the National Center for Higher Education Management Systems for assistance with the development of such a plan and model. The board reviewed the recommendations of the National Center for Higher Education Management Systems and adopted a long-term financing plan consisting of base operating funding, incentive funding, and capital asset funding components. The board approved changes to the long-term financing plan and resource allocation model in May 2006. The following is a description of the current long-term financing plan and resource allocation model:

The base operating funding component of the long-term financing plan provides funding to each higher education institution to support core campus functions, such as instruction, research, and public service. The funding for each institution is based on the institution's current state general fund appropriation with general fund appropriation increases to address parity and equity.

The incentive funding component of the long-term financing plan includes funding for the State Board of Higher Education to support state and system priorities consistent with the goals of the Higher Education Roundtable. The State Board of Higher Education goal for incentive funding is to have funding equivalent to 2 percent of the total University System state general fund appropriation.

The capital asset funding component of the long-term financing plan provides funding to each of the higher education institutions for maintenance and replacement of facilities and infrastructure. The State Board of Higher Education goal for capital asset funding is for each of the institutions to phase in full funding of the Office of Management and Budget buildings and infrastructure formula over a 10-year period (by the 2013-15 biennium) and to address the current deferred maintenance backlog over approximately a 14-year period (by the 2015-17 biennium). The funding provided to each of the

institutions would be left to the discretion of the institution with appropriate approvals by the State Board of Higher Education for projects greater than \$100,000. Institutions would be given the authority to allocate funds for repair and replacement priorities for both deferred maintenance and regular repair and replacement projects as determined by the institution. Institutions are allowed to carry unspent capital asset funding from one biennium to the next in order to complete the projects started in one biennium but not completed until the next and to accumulate funds to complete large projects that require multiyear funding. The capital asset funding component will be applied to new state buildings built on campuses; however, no new operating funds will be added to the base operating budget for operating costs if the operating base is already at the benchmark target.

Performance and Accountability Report

North Dakota Century Code Section 15-10-14.2 requires the University System to provide an annual performance and accountability report regarding performance and progress toward the goals outlined in the University System strategic plan and related accountability measures. Section 17 of House Bill No. 1003 (2007) provides that the performance and accountability report as required by Section 15-10-14.2 is to include an executive summary and identify progress on specific performance and accountability measures in the areas of education excellence, economic development, student access, student affordability, and financial operations. House Bill No. 1003 identifies these performance and accountability measures:

1. Education excellence, including:
 - a. Student performance on nationally recognized examinations in their major fields compared to the national averages.
 - b. First-time licensure pass rates compared to other states.
 - c. Alumni-reported and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities.
 - d. Employer-reported satisfaction with preparation of recently hired graduates.
 - e. Biennial report on employee satisfaction relating to the University System and local institutions.
 - f. Student graduation and retention rates.
2. Economic development, including:
 - a. Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs.
 - b. Percentage of University System graduates obtaining employment appropriate to their education in the state.
 - c. Number of businesses and employees in the region receiving training.
3. Student access, including number and proportion of enrollments in courses offered by nontraditional methods.
4. Student affordability, including:

- a. Tuition and fees on a per student basis compared to the regional average.
- b. Tuition and fees as a percentage of median North Dakota household income.
- c. Cost per student in terms of general fund appropriations and total University System funding.
- d. Per capita general fund appropriations for higher education.
- e. State general fund appropriation levels for University System institutions compared to peer institutions general fund appropriation levels.
5. Financial operations, including:
 - a. Cost per student and percentage distribution by major function.
 - b. Ratio measuring the funding derived from operating and contributed income compared to total University System funding.
 - c. Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt.
 - d. Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity.
 - e. Ratio measuring the amount of expendable fund balances divided by total expenditures and mandatory transfers.
 - f. Ratio measuring net total revenues divided by total current revenues.

The State Board of Higher Education has adopted 9 performance and accountability measures, in addition to the 21 measures specified in House Bill No. 1003, to provide guidance in establishing effective policy for the 11 University System institutions. The following is a summary of the measures adopted by the board:

1. Workforce training information, including levels of satisfaction with training events as reflected in information systematically gathered from employers and employees receiving training.
2. Noncompleters satisfaction - Levels of satisfaction and reasons for noncompletion as reflected in a survey of individuals who have not completed their program or degree.
3. Student goals - Levels and trends in the number of students achieving goals and the institution meeting the defined needs and goals as expressed by students.
4. Levels of satisfaction with responsiveness as reflected through responses to evaluations of companies receiving training.
5. Student participation - Levels and trends in rates of participation of:
 - a. Recent high school graduates and nontraditional students.
 - b. Individuals pursuing graduate degrees.
6. Student enrollment information, including:
 - a. Total number and trends in full-time, part-time, degree-seeking, and non-degree-seeking students being served.

- b. The number and trends of individuals, organizations, and agencies served through noncredit activities.
- 7. Higher education funding - A status report on higher education financing as compared to the long-term financing plan.
- 8. Ratio of incentive funding to total University System state general fund appropriations.
- 9. Ratio of University System state general fund appropriations to total state general fund appropriations.

The first performance and accountability report was published in December 2001 and the report has been published each subsequent year.

CCbenefits, Inc., Services

In 2002 the North Dakota University System implemented the services of CCbenefits, Inc., through a collaboration with the Association of Community College Trustees. Under the services of CCbenefits, Inc., North Dakota community colleges perform studies and forecasts on the economic impact of the colleges and ways to enhance the colleges' ability to better serve stakeholders while addressing economic development.

During the 2005-06 interim, the Economic Development Committee received information regarding the use of CCbenefits, Inc., for meeting workforce forecasting needs. The Economic Development Committee recommended legislation resulting in the 2007-08 interim Higher Education Committee being charged with receiving a report from the State Board of Higher Education on the status of implementation of the CCbenefits, Inc., services.

Testimony and Committee Considerations

The committee conducted the university study as part of the workforce system study and also considered relevant reports requested and received by the committee. The workforce system study focus group activities specifically addressed the issue of higher education and three of the focus groups were conducted at institutions of higher education. In addition to the focus groups and Workforce Congress, the committee requested and received testimony from the Chancellor, State Board of Higher Education; several presidents of institutions of higher education under the control of the State Board of Higher Education; Vice Chancellor for Strategic Planning, North Dakota University System; Director, North Dakota Center for Distance Education; Director, Department of Career and Technical Education; Vice President for Student and Outreach Services, University of North Dakota; Director of Distance Education, Bismarck State College; and Executive Director, North Dakota School Boards Association. Additionally, the committee held a joint committee meeting with the Higher Education Committee and Education Committee which included an education panel discussion.

Recommendations

The committee recommendations relating to the North Dakota University System study are addressed under **WORKFORCE SYSTEM STUDY, Recommendations.**