

Sixty-sixth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1333

Introduced by

Representatives Nathe, Howe, Lefor, Mock, Sanford

Senators Bekkedahl, Cook

1 A BILL for an Act to create and enact a new chapter to title ~~54~~6 of the North Dakota Century
2 Code, relating to the creation of ~~a legacy~~an innovation loan fund to support technology
3 advancement committee and ~~grant~~loan program; to provide an exemption; to provide a
4 continuing appropriation; and to provide ~~an appropriation~~for a transfer.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 ~~**SECTION 1.** A new chapter to title 54 of the North Dakota Century Code is created and~~
7 ~~enacted as follows:~~

8 ~~**Definitions.**~~

9 ~~In this chapter, unless the context otherwise requires:~~

10 ~~1. "Commissioner" means the commissioner of the department of commerce.~~

11 ~~2. "Committee" means the legacy innovation fund to support technology advancement~~
12 ~~committee.~~

13 ~~3. "Department" means the department of commerce.~~

14 ~~4. "Diversification sectors" means the following industries:~~

15 ~~a. Advanced computing and data management;~~

16 ~~b. Agriculture technology;~~

17 ~~c. Autonomous and unmanned vehicles and related technologies;~~

18 ~~d. Energy;~~

19 ~~e. Health care;~~

20 ~~f. Value-added agriculture;~~

21 ~~g. Value-added energy; and~~

22 ~~h. Any industry or area specifically identified by the committee as an industry that~~
23 ~~will contribute to the diversification of the state's economy.~~

~~Legacy innovation fund to support technology advancement committee --~~

~~Membership -- Meetings:~~

- ~~1. The legacy innovation fund to support technology advancement committee consists of:~~
 - ~~a. The president of the bank of North Dakota or the president's designee who shall serve as the chairperson of the committee and is a nonvoting member of the committee;~~
 - ~~b. Three members, representing active venture capital firms, who must be appointed by the president of the Bank of North Dakota;~~
 - ~~c. One member with finance-related experience, knowledge, or education, who must be appointed by the president of the Bank of North Dakota; and~~
 - ~~d. Three members from the private sector with expertise in the diversification sectors, who must be appointed by the commissioner.~~
- ~~2. The term of office of the appointed members of the committee is four years, and the terms must be staggered so that no more than one of the members' terms appointed by the president of the Bank of North Dakota and one of the members' terms appointed by the commissioner expire each year. Each term of office commences on the first day of July. Members serve at the pleasure of the appointing entity and may be reappointed for additional terms. Members of the committee may not invest or otherwise participate in applied research, experimentation, or operational testing associated with a grant awarded under this chapter. The committee shall select a vice chairperson. If a committee member ceases to qualify as a member of the appointing entity, that individual's membership on the committee ceases immediately and the appointing entity shall appoint a new member to the committee for the remainder of the term.~~
- ~~3. A committee member representing the private sector is eligible to receive compensation in an amount not exceeding one hundred thirty-five dollars per day and travel and expense reimbursement as provided by law for state officers for attending meetings of the committee.~~
- ~~4. The committee shall meet as necessary to make grant award determinations, direct the distribution of funds, and provide ongoing review of research, development, and commercialization activities.~~

~~Legacy innovation fund to support technology advancement – Legacy innovation technology grant program.~~

~~The department shall administer the legacy innovation technology grant program to provide grants for activities identified in this chapter. The department shall provide administrative support for the program, including the drafting of application forms, receiving applications, reviewing applications for completeness and compliance with committee policy, and forwarding complete applications to the committee in accordance with the guidelines established by the committee. Program guidelines relating to ownership of intellectual property, inventions, and discoveries must address activities and issues unique to technologies, patents, and companies created as a result of a legacy innovation technology grant.~~

~~Legacy innovation technology grants – Eligibility.~~

~~1. The committee shall establish guidelines for entities to qualify for a legacy innovation technology grant under this section. The committee shall consider and process applications in a timely manner that does not jeopardize an applicant's opportunity to leverage other funds.~~

~~2. In determining whether to approve or disapprove an application, the committee shall consider the extent to which the proposal will:~~

~~a. Deliver applied research, experimentation, or operational testing in one or more of the diversification sectors to create information or data to enhance North Dakota companies or industries or companies making investments in North Dakota;~~

~~b. Lead to the commercialization or patent of a legacy innovation technology solution; or~~

~~c. Result in the development of a new company or expansion of an existing company that will diversify the state's economy through new products, investment, or skilled jobs.~~

~~Legacy innovation fund to support technology advancement – Continuing appropriation.~~

~~The legacy innovation fund to support technology advancement is a special fund in the state treasury and must be administered by the Bank of North Dakota. All moneys in the fund are appropriated to the Bank of North Dakota on a continuing basis for the purpose of providing~~

~~legacy innovation fund to support technology advancement grants and for administrative expenses. Interest earned on moneys in the fund must be credited to the fund.~~

~~**Use of funds - Terms of funds - Distribution of funds.**~~

~~Grant recipients shall use legacy innovation technology grant funds to enhance capacity and, to the extent possible, leverage state, federal, and private sources of funding. An entity awarded funds under this chapter may not use the funds for capital or building investments or for research or other activities not identified in this chapter. The funds may not be used for academic or instructive programming, workforce training, administrative costs, or to supplant funding for regular operations of institutions of higher education. Unless otherwise approved by the committee, grant recipients may use funding only to conduct applied research, experimentation, or operational testing within the state. If an entity awarded a grant no longer conducts its activities in the state, the grant recipient shall return all funding received.~~

~~**Legacy innovation fund to support technology advancement - Postaward monitoring - Exemption.**~~

~~1. Upon completion of work performed from funding provided by a grant, the Bank of North Dakota shall provide an independent review of the results. Evaluation criteria may include:~~

~~a. How the work performed has contributed to the development of a company or the expansion of an existing company, has enhanced the ability of a company to make investments in the state, or otherwise enticed a company to invest or move to the state;~~

~~b. How the work performed has led to additional economic investment of capital from public and private sector entities within and outside North Dakota;~~

~~c. How the work performed has led to or may lead to a patent or research that is commercially viable.~~

~~2. As a condition for receipt of funds under this chapter, each entity shall agree to provide the department with an annual audit on all funds distributed under this chapter.~~

~~3. Entities receiving a grant under this chapter are exempt from the requirements of section 54-60.1-05.~~

SECTION 1. A new chapter to title 6 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

1. "Committee" means the innovation loan fund to support technology advancement committee.

2. "Diversification sectors" means the following industries:

a. Advanced computing and data management;

b. Agriculture technology;

c. Autonomous and unmanned vehicles and related technologies;

d. Energy;

e. Health care;

f. Value-added agriculture;

g. Value-added energy; and

h. Any industry or area specifically identified by the committee as an industry that will contribute to the diversification of the state's economy.

Innovation loan fund to support technology advancement committee - Membership -

Meetings.

1. The innovation loan fund to support technology advancement committee consists of:

a. The president of the Bank of North Dakota or the president's designee who shall serve as the chairperson of the committee and is a nonvoting member of the committee;

b. Three members representing active venture capital firms, private entities, or angel capital funds, who must be appointed by the president of the Bank of North Dakota;

c. One member with finance-related experience, knowledge, or education, who must be appointed by the president of the Bank of North Dakota; and

d. Three members from the private sector with expertise in the diversification sectors, who must be appointed by the commissioner of the department of commerce.

2. The term of office of the appointed members of the committee is four years, and the terms must be staggered so that no more than one of the members' terms appointed by the president of the Bank of North Dakota and one of the members' terms

1 appointed by the commissioner of the department of commerce expire each year.
2 Each term of office commences on the first day of July. Members serve at the pleasure
3 of the appointing entity and may be reappointed for additional terms. Members of the
4 committee may not invest or otherwise participate in applied research,
5 experimentation, or operational testing associated with a loan awarded under this
6 chapter. The committee shall select a vice chairperson. If a committee member ceases
7 to qualify as a member of the appointing entity, that individual's membership on the
8 committee ceases immediately and the appointing entity shall appoint a new member
9 to the committee for the remainder of the term.

10 3. A committee member representing the private sector is eligible to receive
11 compensation in an amount not exceeding one hundred thirty-five dollars per day and
12 travel and expense reimbursement as provided by law for state officers for attending
13 meetings of the committee.

14 4. The committee shall meet as necessary to make loan recommendations and provide
15 ongoing review of research, development, and commercialization activities.

16 **Innovation loan fund to support technology advancement - Innovation technology**
17 **loan program.**

18 The Bank of North Dakota shall administer the innovation technology loan program to
19 provide loans for activities identified in this chapter. The Bank shall provide administrative
20 support for the program, including the drafting of application forms, receiving applications,
21 reviewing applications for completeness and compliance with committee policy, and forwarding
22 complete applications to the committee in accordance with the guidelines established by the
23 committee.

24 **Innovation technology loans - Eligibility.**

25 1. The committee shall establish guidelines for entities to qualify for an innovation
26 technology loan under this section. The committee shall consider and process
27 applications in a timely manner that does not jeopardize an applicant's opportunity to
28 leverage other funds.

29 2. In determining whether to recommend approval of an application, the committee shall
30 consider the extent to which the proposal will:

1 a. Deliver applied research, experimentation, or operational testing in one or more
2 of the diversification sectors to create information or data to enhance North
3 Dakota companies or industries or companies making investments in North
4 Dakota;

5 b. Lead to the commercialization or patent of an innovation technology solution; or

6 c. Result in the development of a new company or expansion of an existing
7 company that will diversify the state's economy through new products,
8 investment, or skilled jobs.

9 3. The Bank of North Dakota shall review all applications recommended for approval by
10 the committee for final loan approval. The terms of the loan must include:

11 a. Zero percent interest for the first three years of the loan;

12 b. Two percent interest for the next two years of the loan; and

13 c. An interest rate equal to a standard Bank of North Dakota loan for all subsequent
14 years.

15 **Innovation loan fund to support technology advancement - Continuing appropriation.**

16 The innovation loan fund to support technology advancement is a special fund in the state
17 treasury and must be administered by the Bank of North Dakota. All moneys in the fund are
18 appropriated to the Bank on a continuing basis for the purpose of providing innovation
19 technology loans and for administrative expenses. The Bank shall deposit in the innovation loan
20 fund to support technology advancement all principal and interest paid on loans made from the
21 fund. Interest earned on moneys in the fund must be credited to the fund.

22 **Use of loan funds.**

23 Loan recipients shall use innovation technology loan funds to enhance capacity and, to the
24 extent possible, leverage state, federal, and private sources of funding. An entity receiving a
25 loan under this chapter may not use the funds for capital or building investments or for research
26 or other activities not identified in this chapter. The funds may not be used for academic or
27 instructive programming, workforce training, administrative costs, or to supplant funding for
28 regular operations of institutions of higher education. Unless otherwise approved by the
29 committee, loan recipients may use funding only to conduct applied research, experimentation,
30 or operational testing within the state. If an entity awarded a loan no longer conducts its

activities in the state, the interest rate of the loan shall default to the rate of a standard Bank of North Dakota loan.

Innovation loan fund to support technology advancement - Postaward monitoring - Exemption.

1. Upon completion of work performed from funding provided by a loan, the Bank of North Dakota shall provide an independent review of the results. Evaluation criteria may include:

a. How the work performed has contributed to the development of a company or the expansion of an existing company, has enhanced the ability of a company to make investments in the state, or otherwise enticed a company to invest or move to the state.

b. How the work performed has led to additional economic investment of capital from public and private sector entities within and outside North Dakota.

c. How the work performed has led to or may lead to a patent or research that is commercially viable.

2. As a condition for receiving a loan under this chapter, each entity shall agree to provide the Bank of North Dakota with its annual audit.

SECTION 2. ~~APPROPRIATION--TRANSFER TO LEGACY-~~ BANK OF NORTH DAKOTA - INNOVATION LOAN FUND TO SUPPORT TECHNOLOGY ADVANCEMENT--~~INTENT.~~ ~~There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$25,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer~~ The Bank of North Dakota shall transfer the sum of \$3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the legacy-innovation loan fund to support technology advancement for the purpose of providing innovation technology loans during the biennium beginning July 1, 2019, and ending June 30, 2021. ~~It is the intent of the legislative assembly that the funds transferred be derived from legacy fund earnings transferred to the general fund.~~