

Fifty-fifth  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1444

Introduced by

Representatives Oban, Boucher, Glassheim

Senators DeMers, Heitkamp, Krauter

1 A BILL for an Act to provide for family economic security and accountability of economic  
2 development entities; to create and enact a new chapter to title 6, a new section to chapter  
3 10-30.4, a new section to chapter 10-30.5, two new sections to chapter 40-57.1, and a new  
4 section to chapter 54-34.3 of the North Dakota Century Code, relating to economic  
5 development incentives and reimbursement of income tax exemptions granted for new  
6 industries; to provide for a transfer of Bank of North Dakota profits; and to provide an  
7 appropriation.

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

9 **SECTION 1. NORTH DAKOTA FAMILY ECONOMIC SECURITY AND**  
10 **ACCOUNTABILITY.** Sections 2 through 6 of this Act, to be known as the North Dakota Family  
11 Security and Accountability Act, are created to assist North Dakota families in achieving  
12 economic security and to provide accountability of economic development entities.

13 **SECTION 2.** A new chapter to title 6 of the North Dakota Century Code is created and  
14 enacted as follows:

15 **Definitions.** As used in this chapter, unless the context or subject matter requires  
16 otherwise:

- 17 1. "Home" means an owner occupied, single family residential dwelling unit  
18 constructed in an area of the state not within fifteen miles of a city with a  
19 population over eight thousand as determined by the last official federal census.
- 20 2. "Lender" means any lending institution that is regulated or funded under the laws  
21 of this state or the United States and which has provided financing for the  
22 construction of a home under this chapter.
- 23 3. "Loan guarantee" means an agreement that in the event of default on a mortgage  
24 or other financing agreement under this chapter, the Bank of North Dakota shall

pay the lender one hundred percent of the agreed upon amount due at the time the claim is approved from the loan guarantee fund.

**Rural home equity loan guarantee fund - Administration - Rules.** There is created a rural home equity loan guarantee fund to be administered by the Bank of North Dakota and to be used by the Bank to provide loan guarantees to lenders under this chapter. The Bank may approve an application for a loan guarantee to cover up to twenty-five percent of a mortgage or other financing agreement for the construction of a home if the fair market value of the home is not equal to the cost of construction of the home and the cost of construction of the home does not exceed one hundred twenty-five thousand dollars. The fund consists of moneys appropriated by the legislative assembly and all earnings, less any administrative charges, from the investment of those moneys. The moneys in the rural home equity loan guarantee fund are hereby appropriated on a continuing basis. All administrative charges of the Bank necessary for the administration of the fund may be charged to the earnings of the fund. The Bank shall adopt rules to implement this chapter.

**Term of loan guarantee - Termination.** The term of a loan guarantee may not exceed ten years. The Bank may charge a lender an annual fee during the term of the loan guarantee. A loan guarantee may be terminated by the Bank upon the sale or other transfer of the home owner's interest in the home and must be terminated if the Bank determines that the loan guarantee was obtained by fraud or material misrepresentation of which the lender has actual knowledge.

**SECTION 3.** A new section to chapter 10-30.4 of the North Dakota Century Code is created and enacted as follows:

**Technology transfer economic development fund - Incentives.** The board of directors, in consultation with the department, shall establish guidelines through which loans or other investments made by the fund are conditioned to provide incentives for the recipient if the recipient contractually agrees to provide annual reports to the department regarding the number of full-time employees hired as a result of the loan or investment and the average wage and benefit package provided to those employees. The guidelines must also establish incentives for a primary sector business that pays its employees an income at least equal to one hundred fifty percent of the federal poverty level for a family of four and provides health insurance coverage to its employees.

1           **SECTION 4.** A new section to chapter 10-30.5 of the North Dakota Century Code is  
2 created and enacted as follows:

3           **North Dakota development fund - Incentives.** The board of directors, in consultation  
4 with the department, shall establish guidelines through which loans or other investments made  
5 by the fund are conditioned to provide incentives for the recipient if the recipient contractually  
6 agrees to provide annual reports to the department regarding the number of full-time  
7 employees hired as a result of the loan or investment and the average wage and benefit  
8 package provided to those employees. The guidelines must also establish incentives for a  
9 primary sector business that pays its employees an income at least equal to one hundred fifty  
10 percent of the federal poverty level for a family of four and provides health insurance coverage  
11 to its employees.

12           **SECTION 5.** A new section to chapter 40-57.1 of the North Dakota Century Code is  
13 created and enacted as follows:

14           **Property tax and income tax exemptions - Additional incentives.**

- 15           1. A municipality shall establish guidelines through which property tax exemptions  
16           under this chapter are conditioned to provide incentives for the primary sector  
17           business if the primary sector business contractually agrees to provide annual  
18           reports to the municipality regarding the number of full-time employees hired as a  
19           result of the tax exemption and the average wage and benefit package provided to  
20           those employees. The guidelines must also establish incentives for a primary  
21           sector business that pays its employees an income at least equal to one hundred  
22           fifty percent of the federal poverty level for a family of four and provides health  
23           insurance coverage to its employees.
- 24           2. The state board of equalization shall establish guidelines through which income tax  
25           exemptions under this chapter are conditioned to provide incentives for the project  
26           operator if the project operator contractually agrees to provide annual reports to  
27           the board regarding the number of full-time employees hired as a result of the  
28           income tax exemption and the average wage and benefit package provided to  
29           those employees. The guidelines must also establish incentives for a project  
30           operator that pays its employees an income at least equal to one hundred fifty

percent of the federal poverty level for a family of four and provides health insurance coverage to its employees.

**SECTION 6.** A new section to chapter 40-57.1 of the North Dakota Century Code is created and enacted as follows:

**Payment of tax exemptions when project operator relocates outside state.**

1. A project operator who receives an income tax exemption under this chapter may not relocate a benefited project outside the state for a period of time equal to two times the number of years for which the exemption was granted. If a project operator fails to meet this requirement, the amount of the income tax exemption received by the project operator for the number of years equal to twice the number of years exempted, less the number of years the project is located in the state, beginning with the first year the project operator would have a tax liability if the exemption had not been granted, must be paid, plus a penalty of five percent, to the tax commissioner.
2. If a project operator fails to pay any amount due under this section to the tax commissioner, the attorney general shall bring an action for recovery of the amount due, plus attorney's fees and court costs, in the name of the state, in any court of competent jurisdiction.
3. Notwithstanding subsection 1, the board of equalization may negotiate with a project operator and enter into a written agreement that provides for a reduced recoupment and penalty provision.

**SECTION 7.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**Economic development - Incentives.** The director shall establish guidelines through which economic development funds provided or allocated by the department are conditioned to provide incentives for the recipient of the funds if the recipient contractually agrees to provide annual reports to the department regarding the number of full-time employees created as a result of the assistance and the average wage and benefit package provided to those employees. The guidelines must also establish incentives for a primary sector business that pays its employees an income at least equal to one hundred fifty percent of the federal poverty level for a family of four and provides health insurance coverage to its employees.

1           **SECTION 8. TRANSFER OF BANK OF NORTH DAKOTA PROFITS -**

2   **APPROPRIATION.** The industrial commission shall transfer the sum of \$1,000,000, or so  
3 much of the sum as may be necessary, to the rural home equity loan guarantee fund for the  
4 purposes provided in section 2 of this Act, during the biennium beginning July 1, 1997, and  
5 ending June 30, 1999, from the accumulated and undivided profits of the Bank of North Dakota.  
6 The funds transferred are hereby appropriated for the use of the fund during the biennium  
7 beginning July 1, 1997, and ending June 30, 1999.