

SENATE BILL NO. 2387

Introduced by

Senators Taylor, Lindaas, Nichols

Representatives Brusegaard, Mueller, Pollert

1 A BILL for an Act to create and enact a new section to chapter 10-30.5 of the North Dakota
2 Century Code, relating to North Dakota development fund equity in value-added agriculture
3 businesses; and to amend and reenact section 54-34.3-12 of the North Dakota Century Code,
4 relating to the value-added agriculture promotion and equity program.

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

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

8 **Value-added agriculture promotion and equity program.**

9 1. The corporation shall administer a value-added agriculture equity program as part
10 of the value-added agriculture promotion and equity program under section
11 54-34.3-12. An equity ownership position taken by the corporation under this
12 section in a value-added agriculture business may not exceed forty percent of the
13 value of the project.

14 2. The corporation shall divest the corporation's interest in the value-added
15 agriculture business within five years. If the corporation recognizes a profit upon
16 divestiture, the corporation shall return the profit to the fund under section
17 10-30.5-10.

18 a. Except as provided under subdivision b, the maximum profit margin for
19 divestiture by the state under this section is twenty percent.

20 b. If the corporation recognizes a profit upon divestiture, the corporation shall
21 make fifty percent of the corporation's equity interest available for purchase by
22 beginning farmers, as defined under section 57-38-67. The maximum price
23 for the divested interest under this subdivision is ninety percent of the original
24 value.

1 3. To be eligible to receive equity under this section, an applicant must meet
2 requirements of the value-added agriculture promotion and equity program under
3 section 54-34.3-12 and requirements established by the corporation. An applicant
4 for equity under this section shall match any equity provided under this section. No
5 more than twenty percent of the total project may be financed.

6 **SECTION 2. AMENDMENT.** Section 54-34.3-12 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **54-34.3-12. Value-added agriculture promotion and equity program.**

- 9 1. The value-added agriculture promotion and equity board is established. The board
10 consists of eight members as follows: the director of the department of commerce
11 division of economic development and finance or the director's representative; the
12 agriculture commissioner or the commissioner's representative; a representative of
13 the state board of agricultural research and education, appointed by the governor;
14 a representative of the North Dakota state university extension service, appointed
15 by the governor; a representative of the Bank of North Dakota, appointed by the
16 governor; two representatives of the private sector, appointed by the governor; and
17 a representative of the farm credit system, appointed by the governor.
- 18 2. The board shall administer the value-added agriculture promotion and equity
19 program and shall review business plans for value-added agriculture projects. The
20 board shall adopt procedures and guidelines for administering the program. The
21 board shall meet on a regular schedule to review project proposals and prioritize
22 projects based on the projects' likelihood for success. The board shall promote the
23 formation, development, and growth of these projects and take steps to improve
24 the projects' chances for success. Additionally, the board shall review projects for
25 equity under section 1 of this Act.
- 26 3. If a project is selected for promotion by the board, the board shall appoint a
27 financing advisory group for the project. The financing advisory group may include
28 representatives of the private sector, a representative of the Bank of North Dakota,
29 and an individual experienced in capital formation. The financing advisory group,
30 with active assistance provided by any of the state's institutions of higher education
31 and the local or regional economic development organization, shall assist the

1 project in completing a feasibility study and a business plan for the project and in
2 seeking early stage money. The financing advisory group shall assist the project in
3 pursuing equity investors, establishing an initial board of directors, locating
4 professional services for completion of the business plan, and in approaching
5 lenders to fund the project development.

6 4. If a project is selected for equity consideration, the board shall appoint a financing
7 advisory group for the project. The financing advisory group may include
8 representatives of the private sector, a representative of the Bank of North Dakota,
9 a representative of the department of commerce, and an individual experienced in
10 capital formation. The financing advisory group, with active assistance provided by
11 any of the state's institutions of higher education and the local or regional
12 economic development organization, shall assist the project in completing a
13 feasibility study and a business plan for the project. Upon completion of the
14 feasibility study and business plan, the financing advisory group shall assist in
15 completing and submitting an application to the North Dakota development fund for
16 equity under section 1 of this Act. If a project already has a completed feasibility
17 study and business plan that are satisfactory to the financing advisory group, the
18 financing advisory group may forgo creating new plans. If a project is rejected for
19 equity consideration, the board shall report why the project was rejected and what
20 steps might be taken to increase the likelihood of selection.

21 5. The value-added agriculture promotion and equity program is located in the
22 department of commerce division of economic development and finance. The
23 department shall provide any necessary administrative assistance. Members of
24 the value-added agriculture promotion and equity board and members of a
25 financing advisory group are entitled to reimbursement for mileage and travel as
26 specified in section 54-06-09 and expenses as specified in section 44-08-04 for
27 performing their duties.

28 ~~5.~~ 6. The board may impose a fee of not more than one thousand dollars per project for
29 review and assistance provided for the project. Fees collected under this section
30 must be deposited in the operating fund of the department of commerce division of
31 economic development and finance and may be expended for expenses of

Fifty-eighth
Legislative Assembly

- 1 members of the board and the financing advisory group for review and assistance
- 2 provided for the project.