

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### ECONOMIC DEVELOPMENT COMMITTEE

Wednesday, July 19, 2006  
Brynhild Haugland Room, State Capitol  
Bismarck, North Dakota

Representative Rick Berg, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Representatives Rick Berg, Donald L. Clark, Donald D. Dietrich, Mark A. Dosch, Eliot Glassheim, Pam Gulleason, Jim Kasper, Bob Martinson, Lisa Meier, Dan J. Ruby, Elwood Thorpe, Clark Williams; Senators Nicholas P. Hacker, John O. Syverson, Ryan M. Taylor, John M. Warner

**Members absent:** Representatives Dawn Marie Charging, Eugene Nicholas, Kenton Onstad; Senators April Fairfield, Duane Mutch, Randy A. Schobinger

**Others present:** See Appendix A

**It was moved by Representative Glassheim, seconded by Representative Dietrich, and carried on a voice vote that the minutes of the June 21, 2006, meeting be approved as distributed.**

Chairman Berg said the committee will continue to receive information on the key issues identified as part of the business climate study. He said the committee also will be receiving a variety of reports in accordance with the committee's charge.

#### BUSINESS CLIMATE STUDY

##### Workforce

Chairman Berg called on Ms. Korrine Lang, Job Service North Dakota, to provide followup information from the committee's June 21, 2006, meeting. Ms. Lang provided written testimony, a copy of which is attached as Appendix B. She said the information she is providing addresses the issues of North Dakota's total workforce statistics, a further breakdown of age statistics on reoccurring unemployment insurance claimants, individuals receiving temporary assistance for needy families payments who are participating in the job opportunities and basic skills program, a summary of the use of the federal Reed Act funds, information on why unemployment insurance claimants have left their employment, an explanation of how the state's unemployment rates are calculated, and a description of North Dakota's status as a "gainer" state.

Representative Berg said the primary reason for seeking information regarding the breakdown of age statistics on reoccurring unemployment insurance claimants is to determine whether the system is seeing the same unemployed individuals over and over throughout their lifetime.

Chairman Berg called on Mr. Larry Anderson, Job Service North Dakota, to comment regarding the

breakdown of reoccurring unemployment insurance claimants. Mr. Anderson said on an annual basis, the state's unemployment insurance system receives 13,000 to 20,000 claims. He said for each claim an evaluation is performed on whether that individual is job-attached. He said the unemployment insurance system does see reoccurring claimants and typically classifies these individuals as job-attached. He said with 15,000 to 17,000 unemployment insurance claimants, it could be estimated approximately 5,000 to 6,000 of these individuals would not be job-attached. He said Job Service North Dakota does provide services to non-job-attached unemployment insurance claimants.

Representative Berg requested additional data regarding the reoccurring unemployment insurance claimants between the ages of 50 to 59. He requested that this data include a lookback to see whether these individuals have been in the system throughout their wage-earning careers.

In response to this request for information, Ms. Lang said Job Service North Dakota is faced with limitations in looking at a claimant's past records because typically the records are purged after five years.

Representative Berg said perhaps there would be value to setting up a system to track these unattached unemployment insurance claimants.

In response to a question from Senator Warner, Mr. Anderson said approximately 36 percent of the job-attached unemployment insurance claimants fall within the classification of seasonal building trade. Under Section 1 of 2005 House Bill No. 1198, he said, the interim Industry, Business, and Labor Committee is charged with studying reemployment processes to provide a limitation on the total average number of job-attached unemployment insurance claimants.

Representative Berg said if the use of the federal Reed Act funds in the Work First Project were effective in reducing claimants' exhaustion rates and reducing claimants' duration on unemployment insurance benefits, it may be valuable to provide state funding to provide this service after the federal funds stop. He said he would like to receive additional information regarding the Work First Project.

Representative Berg said if the objective is to reemploy unemployed individuals, it may make sense for Job Service North Dakota to evaluate which skills an unemployed individual lacks.

Mr. Anderson said Job Service North Dakota does request information from employers regarding why a past employee was terminated.

Representative Berg said he recognizes in the case of an unemployment insurance claim, it may be difficult to collect meaningful information regarding lacking skill-sets of the unemployed but it does seem like a good opportunity to focus services.

In response to a question from Representative Kasper, Mr. Anderson said Job Service North Dakota does not specifically code the reason for a claimant leaving employment, so the statistics included in the written testimony are national statistics not North Dakota statistics.

Representative Kasper questioned how the problem can be fixed if the problem is not known. He questioned whether the state should purge data after five years.

Mr. Anderson said it is a point well-taken and this would be considered as an enhancement to the information technology system upgrade. He said Job Service North Dakota is currently going through the system upgrade and this is helpful information to consider.

In response to a question from Representative Berg, Ms. Lang said one way to address the problem of reoccurring unemployment may be to expand internships to include student mentorships.

In response to a question from Representative Berg, Mr. Anderson said one way to decrease reoccurring unemployment may be to provide more focus on providing preventative services. He said typically the services provided are responsive and if a preventative approach were taken by providing career education in kindergarten through grade 12, this may help to address some of the problems. Specifically, he said, in the past the school-to-work program was effective and perhaps could be the framework upon which the state delivers its services.

Chairman Berg called on Mr. James Burgum, Governor's office, for testimony regarding the state's internship program for higher education. Mr. Burgum provided a written document outlining four approaches to enhance the internship program, a copy of which is attached as Appendix C.

Mr. Burgum said in addition to his listed enhancements, it is possible a study of the internship program may be helpful to evaluate barriers to students' use of internships. He said some higher education students are working for businesses but are not signing up for internship credits. He said the tuition from internship credits helps support the internship programs.

In response to a question from Representative Meier, Mr. Burgum said 2004 data indicates that year's graduates of North Dakota institutions of higher education reported 6,379 of the graduates had taken internships in the course of their studies. He said he recognizes these numbers are low because not all internships are taken for credit.

In response to a question from Representative Thorpe, Mr. Burgum said he has reviewed the internship model being used in Canada, which uses a quasi-federal-state program. He said in looking at the best practices of other states, several states pursue a similar strategy as North Dakota, relying heavily on marketing efforts. However, he said, some states provide significant investments in their internship programs. In looking at these programs for which states provide investments, he said, he likes the programs that link internships with local communities.

In response to a question from Representative Meier, Mr. Burgum said the internship program does not track data regarding the most frequent areas of study that participate in internship programs.

In response to a question from Representative Dosch, Mr. Burgum said he is looking into having internship questions added to the survey distributed to upcoming college graduates. However, he said, the internship program is only one of many programs seeking to have information added to this survey.

Representative Glassheim requested the committee receive additional information regarding the workforce needs in the state with specific focus on what gaps exist.

### Higher Education

Chairman Berg called on Ms. Gloria Dohman, State College of Science, to provide information regarding the CCBenefits strategic planning program being used by the North Dakota community colleges. She gave a [computer presentation](#), a printed copy of which is attached as Appendix D. She also distributed a document that reflects the top 12 occupations in each of the four regions of the state for the period 2004 through 2010, a copy of which is on file in the Legislative Council office.

Senator Warner said at a recent National Conference of State Legislatures meeting in Denver which addressed health strategy, the possibility of targeting volunteer emergency medical technicians to gain additional education to be mid-level health practitioners, such as nurses, was considered.

Ms. Dohman said she is familiar with this concept in workforce training and of the increased trend of increasing training for employees with credit-hour courses.

In response to a question from Representative Berg, Ms. Dohman said each of the five community colleges located in North Dakota--Devils Lake, Bismarck, Williston, Bottineau, and Wahpeton--is implementing and will use the CCBenefits program for strategic planning.

Representative Berg said the CCBenefits program has enormous potential and he is very impressed with what the community colleges have been doing to implement the program. He said the receipt of this information is helpful because before this point the committee had been concerned the North Dakota University System might not be taking the necessary actions to address changes in and responsiveness to

workforce needs. However, he said, now what needs to be done is to link the educational programs to the workforce needs in the state.

In response to a question from Representative Berg, Ms. Dohman said her recommendation to improve the responsiveness of the North Dakota University System would be to provide more flexibility for the campuses to make the necessary changes in programs and to provide financial resources to allow the campuses to make these changes.

Representative Berg requested additional information regarding capacity versus demand. Specifically, he said, he would like to receive information regarding where North Dakota has more students pursuing a specified field than there is demand for graduates of that specified field.

Ms. Dohman said she understands Representative Berg's concern but it is difficult to tell an incoming student exactly what the student should study. She said career education is a very valuable tool when it is provided in kindergarten through grade 12.

### **Attracting and Retaining Young People and Young Families**

Chairman Berg called on Mr. Bob Humann, Bank of North Dakota, to provide testimony regarding legislative actions that can be taken to address the key issue of attracting and retaining young people and young families. Mr. Humann provided written information regarding recommendations, a copy of which is attached as [Appendix E](#).

Mr. Humann said improvements to the beginning entrepreneur loan guarantee program include increasing the total volume that the Bank could guarantee under this program to \$8 million in outstanding loans. Additionally, he said, because this maximum may be reached in December 2006 or January 2007, it may be beneficial to add an emergency clause to legislation addressing this issue.

Mr. Humann said under the partnership in assisting community expansion (PACE) program, the suggested improvements include a higher appropriation amount of up to \$8 million for the next biennium, which would include funding for the PACE and the flex PACE programs.

Mr. Humann said under the recommendations for the Biodiesel PACE program, the recommendations include an appropriation amount of up to \$800,000 for the next biennium, which would allow two large projects to be funded.

In response to a question from Representative Kasper, Mr. Humann said for purposes of the Bank's programs, a primary sector business is typically a manufacturer but may include telemarketing. He said nanotechnology would likely qualify as a manufacturer and therefore qualify as a primary sector business.

In response to a question from Representative Ruby, Mr. Humann said only the regular PACE program has a job creation requirement. For example, he said, the Biodiesel PACE program does not have a job creation requirement.

In response to a question from Senator Taylor, Mr. Humann said the 2005-07 biennium appropriation for the PACE program was \$5.7 million, of which the Bank allotted \$3.7 million for the PACE program and \$2 million for the flex PACE program.

In response to a question from Representative Berg, Mr. Humann said the Bank of North Dakota made the decision regarding how to split the PACE appropriation funds between PACE and flex PACE because the legislation did not address this issue. Additionally, he said, at this point in the biennium all of the flex PACE funds have been used and \$2 million from the beginning farmer revolving loan fund has been transferred to the PACE program.

Chairman Berg called on committee counsel to present a bill draft [\[70148.0100\]](#) reflecting the Bank of North Dakota recommendations. Committee counsel said Section 1 of the bill draft addresses the beginning entrepreneur loan guarantee program increasing the maximum amount of outstanding loan guarantees under the program from \$4 million to \$8 million. She said Section 2 of the bill draft addresses the Biodiesel PACE program providing for an \$800,000 appropriation for the 2007-09 biennium. She said Section 3 of the bill draft addresses the funding for the PACE and flex PACE program providing for \$8 million in appropriations for the 2007-09 biennium. Finally, she said, Section 4 of the bill draft provides language addressing transfers of the PACE funds and Biodiesel PACE funds as is consistent with past appropriation language for both of these programs. She said this bill draft does not include emergency clause language for any of the programs.

### **Transportation**

Chairman Berg called on Mr. Rod Backman, Covenant Consulting Group, Bismarck, for testimony responding to issues raised by Part 135 operators, private air charters. Mr. Backman said one of the biggest issues raised by the Part 135 operators was the high cost of doing business. He said this high cost is related to several factors, including the cost of fuel, equipment, and insurance. Because North Dakota private air charter operators do not have a high volume of flights, he said, the costs are proportionately higher for these businesses than for those in states that have higher volumes of flights.

Mr. Backman said he worked with Mr. Gary R. Ness, Aeronautics Commission, to survey Part 135 operators in the state, as well as Part 135 operators in other states, to determine what types of actions the state might be able to take to address these issues relating to the high cost of doing business. He said overall the information indicates Part 135 operators in other states have similar concerns as those in North Dakota. He said the state of Alaska is considering creation of an insurance pool for Part 135 operators but it is important to note in Alaska there is a significantly higher number of operators with higher flight volumes. He said he will do additional research

regarding possible ways to address the high cost of insurance for these private air charter operators.

In response to a question from Senator Hacker, Mr. Backman said he will seek additional information regarding the feasibility of creating a multistate pool for insurance for Part 135 operators.

Senator Warner said some of the issues that frequently revolve around multistate agreements, such as multiple state insurance compacts, include lack of state sovereignty.

Chairman Berg called on Mr. Paul Vetter, Executive Air Taxi Corporation, Bismarck, for comments regarding issues relating to Part 135 operators. Mr. Vetter said Executive Air is a Part 135 operator located in Bismarck. He noted issues unique to North Dakota include the state's small population. He said the aviation industry as a whole has a small group of insurers so there is essentially a lack of competition for these charter operators when purchasing insurance. Additionally, he said, federal regulations applicable to Part 135 operators are very challenging.

Mr. Vetter said state actions to consider to address the concerns of Part 135 operators may include having state government use private charter services instead of the state having its own fleet of aircraft. Additionally, he said, the situation in which the state used grant money to assist a startup charter service operator negatively impacted competing businesses.

In response to a question from Senator Syverson regarding insurance rates, Mr. Vetter said most of the fixed costs of North Dakota Part 135 operators are comparable to those of operators in other states.

In response to a question from Senator Taylor, Mr. Vetter said typically North Dakota private air charters do use a clearinghouse and therefore a large percentage of flights of North Dakota private air charters are actually performed out of state. He said North Dakota private air charters are able to be competitive when competing with charter services in other states.

In response to a question from Senator Syverson, Mr. Vetter said his experience has been insurance rates are not impacted by the quality of an airport.

Representative Berg said what the committee needs to know is what the state of North Dakota can do to help increase the bottom line of these Part 135 operators.

Mr. Vetter said the Aeronautics Commission has an education component and perhaps this could be better utilized.

Representative Berg said perhaps it would be helpful to receive a status report on the North Dakota private air charter that received a federal grant with matching state and local funding.

Chairman Berg called on Mr. Denver Tolliver, Upper Great Plains Transportation Institute, to present the report [\*Impacts of Transportation Infrastructure on the Economy of North Dakota\*](#). Mr. Tolliver distributed a written copy of the study, a copy of which is available on file in the Legislative Council office.

Additionally, Mr. Tolliver gave a computer presentation, a written copy which is attached as [Appendix E](#).

The study was performed by the Upper Great Plains Transportation Institute in response to a directive included in the legislative recommendations resulting from last interim's business climate study. The study includes an evaluation of how improvements to the transportation infrastructure of this state might enhance the business climate and the state's competitive position in economic development. The report of the study has been provided to the 2005-06 interim Transportation Committee.

Mr. Tolliver focused his computer presentation on the recommendations and budget-constrained scenarios. Representative Berg said identifying segments of roads with load segments that have a one-to-one cost benefit is especially important for state policymakers.

Mr. Tolliver agreed it is very important to recognize the cost benefit for purposes of load limits. He said the Upper Great Plains Transportation Institute is working with the Department of Transportation to help address these issues during the 2007 legislative session.

In response to a question from Senator Warner, Mr. Tolliver said one limitation of the surveys upon which the report is based is that the report is based upon state and federal roads. He said the Upper Great Plains Transportation Institute will be working with the Department of Transportation to perform some limited case studies that include data on county roads.

In response to a question from Representative Berg, Mr. Tolliver said the upcoming Aeronautics Commission state aviation system plan update will specifically identify which airports in the state are key to economic development.

Chairman Berg called on Mr. David Sprynczynatyk, Director, Department of Transportation, for comments regarding the Upper Great Plains Transportation Institute study. Mr. Sprynczynatyk said the Upper Great Plains Transportation Institute study is an excellent study. He said the Department of Transportation worked closely with the Upper Great Plains Transportation Institute in performing and preparing the study and report. He said the Department of Transportation will continue to work closely with the Upper Great Plains Transportation Institute.

Mr. Sprynczynatyk said the data in the study shows it is clear that transportation is a good investment. He said the Department of Transportation is implementing some of the recommendations in the study and report but it is important to continue to be sensitive to the business needs in the state.

## REPORTS

### New Venture Capital

Chairman Berg called on Mr. Humann to provide the status report of the Bank of North Dakota

investment in alternative and venture capital investments in early-stage capital funds, as required under Section 19 of 2005 Senate Bill No. 2032. Mr. Humann's written testimony is included in the material provided under [Appendix F](#).

Mr. Humann said the new venture capital program was implemented in August 2003 with a current investment cap of \$10 million through July 31, 2009. He said as of June 30, 2006, the Bank has funded three loans for \$605,000 and four investments totaling \$1,431,360. Additionally, he said, the Bank has issued commitments for an additional \$3,062,874 and has reserved an additional \$1 million for a large North Dakota project. He said remaining funds available under the program equal \$3.9 million.

Mr. Humann said at this point the Bank of North Dakota does not have any recommendation for change to the new venture capital program. He said the \$10 million program cap is adequate at this time.

### **State Procurement**

Chairman Berg called on Ms. Sherry Neas, Office of Management and Budget, to provide a status report on the procurement information web site and the outcome of the procurement assistance center study, as required under Section 24 of Senate Bill No. 2032. Ms. Neas provided written testimony, a copy of which is attached as Appendix G.

Ms. Neas reviewed the status of the procurement assistance center feasibility study. She said the first draft of the study is completed and is being reviewed by the Office of Management and Budget Central Services director and the state procurement manager. She reported the study will be completed in August 2006 and a full report will be provided to the committee at that time, including recommendations for legislative changes that would be required to implement a procurement assistance center for North Dakota.

Ms. Neas reviewed the status of the procurement information web site. She said the Office of Management and Budget has nearly completed the work on the procurement opportunity web site to provide current information regarding North Dakota government procurement opportunities. She said as part of this web site, the Office of Management and Budget implemented 2005 House Bill No. 1341, which requires state agencies to send notices to bidders when the agency intends to make a limited, noncompetitive, or cooperative purchase instead of conducting a fully competitive procurement process. She said programming and testing of the web site will be finished in August 2006 and the Office of Management and Budget will run a pilot of the system in September 2006. She said the Office of Management and Budget looks forward to rolling out the system to state agencies and marketing the web site to businesses, higher education, and political subdivisions.

Chairman Berg called on Ms. Susan Fugere, Office of Management and Budget, to demonstrate the

procurement information web site. Ms. Fugere used a projector to illustrate how the procurement information web site will work.

In response to a question from Representative Berg, Ms. Neas said when the final web site is rolled out and marketed, it will look about the same as the version the committee is viewing today. However, she said, the Office of Management and Budget is waiting for full implementation until all of the agencies have had an opportunity to be trained and until the web site can be adequately marketed.

In response to a question from Senator Syverson, Ms. Fugere said it will be possible to send an all vendor notification of potential opportunities. Assuming the procurement opportunity meets the minimum dollar requirements, she said, if a vendor is in the Office of Management and Budget bidder data base, that vendor will receive an e-mail or fax.

In response to a question from Representative Glasheim, Ms. Fugere said the web site will include a search feature that will allow vendors to set parameters on searches.

In response to a question from Senator Warner, Ms. Fugere said the web page will allow the purchaser of goods to post a request for proposal.

In response to a question from Senator Hacker, Ms. Fugere said although North Dakota does not have a strong preference law for in-state vendors, there are some stronger preference provisions relative to printing services.

Chairman Berg thanked Ms. Neas and Ms. Fugere for their presentation. He said two years ago the Legislative Assembly made an affirmative effort to have transparency in bidding and it is great to see the progress being made.

### **Intellectual Property and Technology Commercialization**

Chairman Berg called on Mr. Shane C. Goettle, Commissioner, Department of Commerce, and Dr. Robert L. Potts, Chancellor, North Dakota University System, to present the outcome of the Department of Commerce study of the state's intellectual property laws as they relate to the protection of intellectual property rights and on the outcome of the State Board of Higher Education study of incentives the state could adopt to serve as catalysts for stimulating more efficient commercialization of new technologies, as required under Section 51 of 2005 Senate Bill No. 2018 and Section 22 of Senate Bill No. 2032.

Dr. Potts said following the Economic Development Committee's meeting in October 2005, the State Board of Higher Education and the Department of Commerce decided to work together and combine their resources in performing the two studies. He said he looks forward to having the State Board of Higher Education implement some of the recommendations that come from this study. Mr. Goettle said RTI International, Inc., Durham, North Carolina, was the company that was awarded the contract to

perform the studies, which have been combined into one report.

Chairman Berg called on Ms. Catherine Renault, RTI International, Inc., to present the report on the two studies. Ms. Renault gave a computer presentation, a copy of which is attached as [Appendix H](#), and she distributed a written copy of the report [Intellectual Property and Technology Commercialization in North Dakota](#), a copy of which is on file in the Legislative Council office.

Ms. Renault said RTI International, Inc., is an independent, nonprofit research organization that serves academic, government, and commercial clients worldwide. She said because the commercialization and intellectual property rights are topics that are so intertwined, the two studies were combined and performed as one. She said six areas of focus for this study were:

1. Research capacity;
2. Intellectual property and technology transfer;
3. Entrepreneurship;
4. Access to capital;
5. Cluster-based economic development; and
6. Organizing to support science and technology-based economic development.

Ms. Renault reviewed the conclusions and recommendations for each of the six areas of focus.

In response to a question from Representative Kasper regarding the research capacity recommendations to recruit more senior faculty, Ms. Renault said incentives may include more than just high salaries. She said a recruitment package might also address high-quality laboratory space, an opportunity to grow, and high quality of life issues.

In response to a question from Representative Kasper regarding entrepreneurship recommendations, such as investing in a high-quality program to train high-technology entrepreneurs, Ms. Renault said other states have addressed a similar need in a variety of ways, including high-tech incubators.

In response to a question from Senator Hacker, Ms. Renault said almost all states support the SBIR/STTR program with some state funding.

In response to a question from Senator Warner, Ms. Renault said other states' approaches to taking equity positions occasionally include loans but usually include grants; however, sometimes the debts are arranged to be convertible. She said examples of states with programs include Maine, Maryland, and Connecticut.

In response to a question from Representative Berg regarding how a grant program might work, Ms. Renault said an example may include a scenario of a Maryland professor who developed a type of nanotechnology and received funding from the state to help establish the proof of use of this new technology. She said this new nanotechnology has now been commercialized. She said personally she believes it is very difficult for companies to work with universities and it is here that the state can offer incentives to businesses to enter these relationships.

In response to a question from Representative Kasper, Ms. Renault said in the example of the Maryland professor, the professor moved from the university environment to manage the company initially and he has since returned to the college setting.

In response to a question from Representative Berg, Ms. Renault said there is a whole spectrum of services different states provide for policy guidance and direct technical assistance to technology companies. She said the three states that do not provide this service are Montana, North Dakota, and South Dakota. She said examples of states that successfully offer these services include Maine, Oklahoma, Pennsylvania, and Kansas.

### Department of Commerce Reports

Chairman Berg called on Mr. Goettle to provide reports on the following programs and activities:

1. [The process used and the factors considered by the Commissioner of Commerce in identifying target industries on which economic development efforts are focused and the special focus target industry, as required under North Dakota Century Code Section 54-60-11.](#)
2. [Status of the American Indian Business Development Office and the status of the International Trade and Business Office, as required under Section 46 of Senate Bill No. 2018.](#)
3. [Status of the certification program through which the Division of Economic Development and Finance provides training services to local economic developers, as required under Section 47 of Senate Bill No. 2018.](#)
4. [Status of the image information program, as required under Section 48 of Senate Bill No. 2018.](#)
5. [Status of the business hotline program, as required under Section 49 of Senate Bill No. 2018.](#)
6. [Status of the Dakota Manufacturing Initiative, as required under Section 50 of Senate Bill No. 2018.](#)

Mr. Goettle distributed written testimony and supporting documentation for each of the status reports, a copy of which is attached as Appendix I.

Mr. Goettle stated the five target industries were formalized and adopted by Governor John Hoeven and the North Dakota Economic Development Foundation as part of the state's strategic plan for economic development. He said the target industries are energy, value-added agriculture, technology-based businesses, advanced manufacturing, and tourism.

In response to a question from Senator Warner, Mr. Goettle recognized there may be limitations relative to nitrogen fertilizer and therefore it may be necessary to evaluate how to increase supply while

reducing price. He said these limitations could result in a bottleneck worth further analyzing.

In response to a question from Senator Taylor, Mr. Goettle said the Department of Commerce could play a role in any discussions that may arise relating to wind energy and Department of Defense airspace issues.

Representative Berg said the importance of looking at targeted industries is to maintain a focus on the growth opportunities specific to North Dakota. However, he said, outsourcing data seems to indicate manufacturing is leaving the country.

Mr. Goettle said when using the offshore "wedge" analysis, it is important for the state's policies to be above the wedge which means when pursuing advanced manufacturing, the state needs to be selective and make sure it is a good fit for North Dakota.

In response to a question from Representative Glasheim regarding the trend of loss of manufacturers, Mr. Goettle said North Dakota has actually beat the trend of loss of manufacturers with statistics indicating an increase in the manufacturing sector in the state. However, he said, even with this positive trend, the state needs to be smart in pursuing manufacturers that have a good fit with the state.

Senator Syverson said one action the state may wish to consider is encouraging partial use of outsourcing to support North Dakota businesses.

Representative Berg said targeted industries help North Dakota decide how to use its limited resources. He said to be valuable, the state needs to align all of its resources to support these targeted industries.

Representative Kasper said he recommends the tourism potential for Lake Sakakawea be pursued. He said he recognizes in addressing issues related to Lake Sakakawea and the Missouri River there are federal issues but it might be advantageous for the state to team with the tribes located in the state to be a unified voice in pursuing these concerns.

Mr. Goettle said that he also is interested in the issues revolving around Lake Sakakawea and the Missouri River.

Representative Kasper requested the committee members continue to consider Internet poker as an economic development opportunity for the state.

As part of the presentation on the status of the American Indian Business Development Office, Chairman Berg called on Ms. Christine Martin-Goldsmith, Director, North Dakota American Indian Business Development Office. She reviewed some of the activities she is pursuing in providing services through this office.

In response to a question from Senator Warner, Mr. Goettle said he understands Ms. Martin-Goldsmith has been in contact with the State Procurement Office to discuss federal procurement opportunities that may be related to tribal-owned and minority-owned businesses.

In response to Senator Warner's question, Ms. Martin-Goldsmith said she regularly receives calls

from non-minority-owned small businesses wanting federal procurement information or assistance. She said she has limited resources with which to provide these non-minority-owned small businesses with procurement information.

As part of his presentation on the status of the local economic developer certification program, Mr. Goettle distributed a brochure for the upcoming economic development professional training programs being offered in the state. A copy of this brochure is on file in the Legislative Council office.

In response to a question from Senator Syverson, Mr. Paul Govig, Division of Community Services, Department of Commerce, stated for the first economic development professional training session being offered September 25-29, 2006, the department has offered some type of scholarship for every North Dakota economic developer who registered. He said the department is not providing any scholarship funding for out-of-state economic developers who enroll.

Representative Berg commended the Department of Commerce on this economic development professional certification program. He said the program provides a solid curriculum for local economic developers.

Mr. Goettle said for purposes of the Dakota Manufacturing Initiative, he supports continuing current funding for The Dakota Manufacturing Extension Partnership (MEP). However, he said, Mr. Randy Schwartz, The Dakota Manufacturing Extension Partnership, supports increasing funding. Mr. Goettle said the issue of appropriate funding is a conversation worth having.

Mr. Goettle said The Dakota MEP is a critical component to manufacturing in North Dakota.

Representative Berg said The Dakota MEP has done a great job in providing services to North Dakota manufacturers.

Chairman Berg called on Mr. Schwartz to provide additional information regarding The Dakota MEP. Mr. Schwartz distributed written material regarding The Dakota MEP, a copy of which is on file in the Legislative Council office.

Mr. Schwartz said manufacturing is an integral part of the business climate and economic development in the state. Additionally, he said, The Dakota MEP is not focusing on dying manufacturers but is focusing its energy on cutting-edge manufacturers, which are the future of the state.

In response to a question from Senator Warner regarding the characteristics of industries that flourish in the state, Mr. Schwartz said he recognizes the state has a broad range of manufacturing industries that require a range of innovative approaches.

Representative Berg complimented Mr. Goettle on pulling together the relevant information for the status reports.

## INTERIM COMMITTEE UPDATES

Chairman Berg called on committee counsel to provide a brief update regarding the economic development-related activities of the interim Agriculture and Natural Resources Committee; Electric Industry Competition Committee; interim Industry, Business, and Labor Committee; and interim Transportation Committee.

Committee counsel reported the interim Agriculture and Natural Resources Committee is charged with studying the utilization of the state's abundant energy resources to attract energy-intensive economic development projects to the state. She said the committee has received testimony from a variety of sources, including the president of the Lignite Energy Council. She said the president of the Lignite Energy Council testified the best incentive the Legislative Assembly can provide is ensuring the historical partnership between the state and the lignite industry continues. The president of the Lignite Energy Council reported the state and the Legislative Assembly impact the competitiveness of the state's lignite industry through taxation policies, regulatory policies, and funding of lignite research and development, furthermore stating that potential legislation is being formulated by the Lignite Energy Council but will not be available for review until late October.

Committee counsel reported the interim Industry, Business, and Labor Committee is charged with receiving a report from the Insurance Commissioner on the outcome of the commissioner's compilation of existing data regarding the state's liability insurance marketplace. She said this report requirement was a piece of the legislative package recommended as the result of the 2003-04 business climate study. She said the interim Industry, Business, and Labor Committee received this report [Travel and Tourism Liability Insurance Marketplace Report - April 2006](#) on July 18, 2006, and is planning on receiving additional information at a future meeting. She said the Economic Development Committee shares five committee members with the interim Industry, Business, and Labor Committee.

Representative Kasper, a member of the interim Industry, Business, and Labor Committee, said as it relates to the insurance report received by the interim Industry, Business, and Labor Committee, in comparing North Dakota to other states relative to the liability insurance market, North Dakota seems to be in tune with other states. He said he is not sure there is much the state can do to address liability issue concerns; however, he supports letting the interim Industry, Business, and Labor Committee act on this information as it sees fit.

Committee counsel reported the Electric Industry Competition Committee is charged with receiving a report from the North Dakota Transmission Authority.

She said the committee has been informed the North Dakota Transmission Authority is creating procedures in working with the Federal Energy Regulatory Commission and Congress to promote positions that will encourage transmission in the state. She said the North Dakota Transmission Authority is collaborating with other state transmission authorities on national legislation and transition policy matters.

Mr. Goettle said as it relates to the attraction of high-energy businesses, data centers are high-energy users and may be a good fit for North Dakota's economic development strengths. However, he said, these data centers require a constant flow of energy, requiring a secondary backup system that is wholly independent from the primary source.

Senator Syverson said he is a member of the Electric Industry Competition Committee and that committee did receive testimony from a business in the state that the lowest energy rate that business could secure in the state was still a significant negative for that business's bottom line. He said some neighboring states are able to provide energy cheaper than North Dakota.

Committee counsel reported the interim Transportation Committee is charged with receiving the report from the Upper Great Plains Transportation Institute on the outcome of the institute's study of how improvements to the transportation infrastructure of the state might enhance the business climate and the state's competitive position in economic development. She reported the Upper Great Plains Transportation Institute made this report to the committee and it appears the interim Transportation Committee has adjourned for the interim and will not be taking any action relating to the report.

Chairman Berg said for the next meeting, the Legislative Council staff and Mr. Backman will categorize all of the business climate study recommendations the committee has received in order to assist the committee members in pursuing a legislative package.

Chairman Berg said the tentative date for the next committee meeting will be August 30, 2006. He said there is a possibility the committee would consider meeting the afternoon of August 29 and continuing on August 30 or there is a possibility the committee would begin on August 30 and continue to meet for a couple hours on August 31.

No further work remaining, the chairman adjourned the meeting at 4:05 p.m.

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Jennifer S. N. Clark  
Committee Counsel

[ATTACH:9](#)