

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

WORKFORCE COMMITTEE

Monday, September 27, 2010

Idea Lab, Ina Mae Rude Entrepreneur Center, University of North Dakota
Grand Forks, North Dakota

Senator Tony S. Grindberg, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Tony S. Grindberg, Tim Flakoll, Dave Nething, Larry J. Robinson, Mac Schneider, Ryan M. Taylor; Representatives Donald L. Clark, Eliot Glassheim, Nancy Johnson, Lee Kaldor, Lisa Meier, Corey Mock, Lee Myxter, Michael R. Nathe, Ken Svedjan

Members absent: Senators Ray Holmberg, Karen K. Krebsbach, Tom Seymour; Representative Clark Williams

Others present: See [Appendix A](#)

It was moved by Senator Robinson, seconded by Representative Clark, and carried on a voice vote that the minutes of the July 19-20, 2010, meeting be approved as distributed.

OPENING REMARKS

Chairman Grindberg called on Dr. Robert Kelley, President, University of North Dakota, Grand Forks, for opening remarks. Dr. Kelley reviewed the core mission of the University of North Dakota, reviewed the University of North Dakota's all-time high enrollment figures, and discussed the University of North Dakota faculty's role in developing intellectual property.

In response to a question from Senator Flakoll, Dr. Kelley said the University of North Dakota incoming freshman class includes approximately 385 presidential scholars.

In response to a question from Senator Robinson, Dr. Kelley said with revenue from research grants and grants at approximately \$128 million, the University of North Dakota has achieved an all-time high. He said these numbers translate into an economic impact of more than \$1 billion for the city and the state.

In response to a question from Representative Nathe, Dr. Kelley said the Energy and Environmental Research Center works very closely with the energy industry in developing new technologies, including new steam plant technologies.

In response to a question from Representative Svedjan, Dr. Kelley said an example of a success relating to research activities that have grown into emerging businesses is the Sunrise Renewable business venture. He said Sunrise Renewable, which converts crop oils into jet fuels, is an example of a University of North Dakota success story in moving from a concept to an actual business. He said

another example of a success is NovaDigm, which is involved in vaccine development.

Chairman Grindberg called on Mr. Keith Lund, Vice President, Grand Forks Region Economic Development Corporation, Grand Forks, for opening remarks. Mr. Lund reviewed the statistics relating to the economy in the Grand Forks region. He said the strength of the economy is due to many factors, including a strong state economy, a quality workforce, an attractive business and regulatory climate, and strategic investments made by the state in targeted sectors of the economy.

Mr. Lund said challenges in the Grand Forks region include commercialization of new technologies, access to capital for early- to mid-stage companies, funding for strategic infrastructure, attraction of midcareer professionals, and aligning workforce skills to the needs of local industry.

Mr. Lund said the Grand Forks Air Force Base has a big impact on the economy of the Grand Forks region. However, he said, since the 2005 Defense Base Closure and Realignment Commission recommendations, there have been changes at the Air Force base. He said the Grand Forks Air Force Base has transitioned from a tanker refueling mission to an unmanned aircraft mission. He said the base currently has 2,000 positions, whereas in 2005 there were 3,050 positions. He said the Grand Forks Air Force Base has an annual economic impact in the Grand Forks region of \$310 million. Overall, he said, while the Air Force base is being downsized, the new missions are creating new opportunities.

Mr. Lund said the mission of the Grand Forks Region Economic Development Corporation is to increase the quantity and quality of career opportunities in the region. He said this is done by supporting primary sector business retention, expansion, creation, and attraction.

Mr. Lund said the strategic sectors of new business creation and attraction are life sciences, energy and environment, and aerospace. He said it is no coincidence that the Grand Forks Region Economic Development Corporation's strategic sectors are in areas in which the University of North Dakota holds extensive intellectual capital and research capacity. He said the University of North Dakota is one of the underpinnings of the Grand Forks Region Economic Development Corporation's growth strategy.

In response to a question from Representative Glassheim, Mr. Lund said as a representative of the Economic Development Association of North Dakota, he is not able to report on a definitive legislative package. However, he said, topics that have been discussed at recent meetings include the centers of excellence program, economic development grants, manufacturer income tax credits, and the transferability of income tax credits.

Chairman Grindberg called on Mr. Bruce Gjovig, Director, University of North Dakota Center for Innovation, Grand Forks, for opening remarks. Mr. Gjovig said the Center for Innovation was the first center of excellence created under the centers of excellence for economic development law.

Mr. Gjovig said North Dakota has captured the attention of people all over the country. He said over the past 25 years, North Dakota has experienced a positive shift in economic development.

NORTH DAKOTA YOUTH COUNCIL

Chairman Grindberg called on Ms. Kayla Effertz, Senior Policy Advisor, Governor's office, for presentation of the North Dakota Youth Council report. Ms. Effertz distributed a copy of the North Dakota Youth Council report ([Appendix B](#)) and made a computer presentation ([Appendix C](#)). Her testimony is attached as [Appendix D](#).

Ms. Effertz reviewed the formation of the North Dakota Youth Council as well as reviewed the process used in creation of the report. She said the North Dakota Youth Council split itself into the following four subcommittees: Education, Job Opportunities, Recreation/Entertainment, and Health/Wellness and Safety. She said the report reflects these categories. She said each subcommittee met numerous times and sought the input of various student organizations.

Ms. Effertz introduced Mr. Thomas Beadle, North Dakota Youth Council member, Fargo, to present the remainder of the report. Mr. Beadle utilized the computer presentation as well as Ms. Effertz's written testimony.

Mr. Beadle reviewed the legislative recommendations with an emphasis on the education-related recommendations.

In response to a question from Senator Schneider, Mr. Beadle said the North Dakota Youth Council is seeking legislative sponsors for those recommendations that are appropriately addressed through legislation.

In response to a question from Senator Taylor, Mr. Beadle said as it relates to the recreation and entertainment recommendation to increase the availability of transportation of young people to metropolitan areas, he agrees with Senator Taylor that an effort should also be made to provide opportunities for young people to become familiar with some of the smaller, rural communities in order to experience activities such as hunting and outdoor recreation.

Senator Flakoll, as a legislative member of the North Dakota Youth Council, said the transportation recommendation also focuses on the need for a safe, dry, method to get students to events outside the community.

In response to a question from Senator Grindberg, Senator Flakoll said the North Dakota Youth Council plans to pursue legislative sponsors following the fall election.

In response to a question from Representative Nathe, Mr. Beadle said some of the North Dakota Youth Council recommendations do not require legislation and can be implemented at a local level.

In response to a question from Representative Meier, Mr. Beadle said it is important that young people have good access to education. He said this can be accomplished in a variety of methods, including distance education and virtual classes.

Senator Taylor said at the local level, the schools are now being faced with the challenge to offer more courses in order to allow students to meet scholarship requirements. He said at the local level, the schools are not necessarily aware of the financial needs of the high school students. He said inability to pay may be negatively impacting student enrollment in advanced placement courses and enrollment in dual-credit courses. The financial needs of the high school student, he said, are not known until that student applies for financial aid at the higher education level.

In response to a question from Representative Johnson, Mr. Beadle said the issue of timely completion of a degree program was discussed by the North Dakota Youth Council; however, it is important to keep in mind that it is common for college students to change their field of study. He said steps can be taken to improve college degree completion, including good career planning both at the kindergarten through grade 12 level and the higher education level as well as programs to help students connect job opportunities with the required coursework and degrees.

In response to a question from Representative Nathe, Mr. Beadle said the concept of providing career planning in the seventh grade to eighth grade is appropriate because early introduction plants a seed in the mind of the student. He said there is value in providing career counseling before high school because students are in a better position to plan their coursework.

In response to a question from Senator Nething, Ms. Effertz said hopefully the efforts of the North Dakota Youth Council can be continued by the creation of the Youth Office at the Department of Commerce. She said if it is desired to have the North Dakota Youth Council continue as an entity, legislation will be required.

In response to a question from Senator Taylor, Ms. Effertz said with 16 members of the North Dakota Youth Council being young people, her experience was that there generally was good interest and good participation. Mr. Beadle said through the course of

his participation, several other young people have expressed their interest in future participation.

Representative Mock, as a legislative member of the North Dakota Youth Council, said the plan is to have the legislative members take on the role of educating the members of the Legislative Assembly regarding the activities and recommendations of the North Dakota Youth Council.

Senator Flakoll said the North Dakota Youth Council members supported the idea of repeating this process every four years, thereby keeping the process fresh.

Senator Nething questioned whether the Workforce Committee could draft legislation to further the recommendations made by the North Dakota Youth Council.

Senator Flakoll said North Dakota Youth Council recommendations will require several bill drafts not just a single bill draft.

Representative Svedjan said that not all of the North Dakota Youth Council's recommendations require legislation. He said in determining whether to support legislation on these recommendations, it would be important to gather information regarding the fiscal impact.

Ms. Effertz said the North Dakota Youth Council struggled with how best to deal with the issue of the fiscal impact of the recommendations. She said ultimately the decision was made to support the concepts and recognize that there may be multiple pathways to reach the end goals.

Senator Flakoll said it became apparent over the course of the interim that one limitation of the North Dakota Youth Council was that there was no funding set aside to conduct the meetings.

EMPLOYER SUPPORT OF THE GUARD AND RESERVE

Chairman Grindberg called on Mr. Larry Anderson and Mr. Kevin Iverson, North Dakota Employer Support of the Guard and Reserve (ESGR), for comments regarding the role and purpose of ESGR and the ESGR Statement of Support program. Mr. Anderson made a computer presentation ([Appendix E](#)).

Mr. Iverson reviewed the role of North Dakota ESGR. He said North Dakota ESGR is dedicated to ensuring assistance to both employers and members of the North Dakota National Guard and Reserve. He said the ESGR mission is to ensure that employers and the general public understand the vital role that reservists play in national defense. He said North Dakota ESGR informs employers of the rights and responsibilities of the employers as well as ensuring reservists are aware of their rights and responsibilities.

Mr. Iverson said North Dakota ESGR performs a variety of activities in furtherance of its mission, including providing education to service members as well as employers, making awards and conducting

recognition ceremonies, holding Statement of Support programs, conducting boss lifts, and providing ombudsmen services.

Mr. Iverson said individuals can learn more about the ESGR program at www.esgr.org.

Chairman Grindberg, representing the Workforce Committee, signed a Statement of Support for the Guard and Reserve.

HIGHER EDUCATION ENROLLMENT

Chairman Grindberg called on Mr. William G. Goetz, Chancellor, North Dakota University System, for a presentation regarding the enrollment figures for the North Dakota institutions of higher education under the control of the State Board of Higher Education. Mr. Goetz provided the following information based on University System data dated September 20, 2010:

- The system headcount enrollment of 48,120 is an increase of 5 percent compared to last fall's enrollment, with 2,303 more students enrolled than one year ago.
- The total system full-time equivalent (FTE) enrollment of 38,913 is an increase of 3.6 percent (1,349 FTE enrollment) compared to last year.
- There were 1,140 (3.5 percent) more full-time students in fall 2010 than in the previous fall and 1,163 (9 percent) more part-time students than in the previous year.
- Twenty-two percent of the headcount enrollments are at system community colleges (10,718) and 77.7 percent are at the universities (37,402).
- System community colleges had a combined net enrollment gain of 6.4 percent, and universities had a combined net enrollment gain of 4.6 percent.
- Based on permanent addresses, 28,506 North Dakota residents were being served by system institutions, a 3 percent increase from fall 2009.
- Twenty-eight percent of students (13,239) are from contiguous states (Minnesota, Montana, and South Dakota), and 1 percent (445) are from Manitoba and Saskatchewan. Based on permanent addresses, 28,506 North Dakota residents were being served by system institutions.
- Graduate enrollments increased by 329 students (6.9 percent) and there were 4 more enrollments in professional programs.
- Fall 2010 Internet-based enrollments, including online and Interactive Video Network enrollments, increased by 1,584 (11.9 percent).
- Three quarters (73.5 percent) of the student body were traditional-aged, that is, 24 years of age or younger, an increase from fall 2009 enrollment (4 percent).
- The fall 2010 student body is 81.2 percent white, a 3.6 percent increase from the previous

year. There was only a slight change in the American Indian population--2.1 percent compared to 2.2 percent in 2009. African Americans increased from 2 percent in 2009 to 2.2 percent in 2010. The Asian population decreased slightly from 1.2 percent to 1.1 percent in 2010, and the Hispanic student enrollment increased slightly from 1.2 percent to 1.4 percent in 2010. The student body was 7.1 percent from other races, and 4.9 percent chose not to respond to this question.

In response to a question from Representative Meier, Mr. Goetz said the University System census data does not track a student's country of origin.

In response to a question from Representative Nathe, Mr. Goetz said the data indicates the retention rates of scholarship recipients are approximately 63 percent one year following graduation.

In response to a question from Senator Schneider, Mr. Goetz said the issue of tuition increases has been dealt with appropriately as a policy; however, the issue of fee increases has not yet been dealt with. He said this is an issue that has been addressed during the interim, but a final outcome is not yet available. He said he hoped the University System would have been further along in addressing the issue of fees at this point.

Senator Grindberg said he expects the issue of increasing fees for students will be an issue that warrants further evaluation and review.

In response to a question from Senator Flakoll, Mr. Goetz said the University System census data does not collect information regarding the number of degree-bound students versus the number of non-degree-bound students.

In response to a question from Senator Robinson, Mr. Goetz said the University System's annual publication of this census data will include a breakdown by institution.

BILL DRAFTS

Chairman Grindberg called on Mr. Shane C. Goettle, Commissioner, Department of Commerce, for comments regarding the activities of the Department of Commerce and recommendations regarding the committee bill drafts. Mr. Goettle distributed a written summary of his remarks ([Appendix F](#)).

The committee reviewed 11 bill drafts and 2 concurrent resolution drafts. As a reference in reviewing the drafts, committee counsel distributed a memorandum entitled [Selected Economic Development and Workforce Training Funding for the 2007-09 and 2009-11 Bienniums](#).

Technology-Based Economic Development Programs Bill Draft

The committee reviewed a bill draft [[10178.0100](#)] that creates a centers of research excellence program, including commercialization grants, infrastructure development, and eminent researcher

recruitment grants; creates a centers of entrepreneurship excellence program; creates a centers of workforce excellence program; and funds the North Dakota Experimental Program to Stimulate Competitive Research.

Senator Flakoll said he is concerned that the eminent researcher recruitment grant program requires an "endowed chair." He said he would prefer that the program not be limited to the chairman of a program because researchers are not always the best administrators.

Senator Nething said he views the use of the term "chair" differently from Senator Flakoll. He said the term seems descriptive of a position held by a professor versus an individual who is a chairman of a program.

Chairman Grindberg called on Dr. Phyllis Johnson, Vice President for Research and Economic Development, University of North Dakota, Grand Forks, for comments regarding the bill draft. Dr. Johnson said typically when the term "chair" is used, it does not refer to a chairman but it is instead used to refer to an honorable position.

Representative Glassheim said the \$1 million appropriation for the eminent researcher recruitment grants may not be adequate. He said even with the leveraging of these funds through matching funds, the amount may not be adequate to attract the desired individual for the position. He suggested the committee increase the appropriation.

Senator Grindberg said he expects there will be further deliberation during the legislative session regarding the appropriation clause for the eminent researcher recruitment program.

Senator Flakoll said he agrees with Representative Glassheim that additional funding may be appropriate.

Committee counsel said the eminent researcher recruitment grant language is closely based on the Georgia Eminent Scholars Endowment Trust Fund. Mr. Justin Dever, Department of Commerce, said the Georgia Research Alliance reports it does have some turnover of professors under the Georgia Eminent Scholars Endowment Trust Fund; however, the chair position remains even if the individual professor leaves.

It was moved by Senator Flakoll that the bill draft be amended to provide a total of \$2 million of funding for the eminent researcher recruitment grant, with \$1 million coming from the general fund and \$1 million coming from a joint effort between the state's two research universities. Senator Flakoll withdrew this motion.

Dr. Johnson said the University of North Dakota already is committed to working with North Dakota State University. She said the University of North Dakota faces two issues when it recruits eminent scholars--keeping developing scholars from being recruited by other institutions and recruiting the desired scholar.

It was moved by Senator Flakoll, seconded by Representative Glassheim, and carried on a voice

vote that the bill draft be amended to increase the appropriation for the eminent researcher recruitment grant to \$2 million and to fix a typographical error on page 7, line 16.

Representative Svedjan questioned the nature of the state's investment for the eminent researcher recruitment grant program. He said it is not clear to him whether it will be an ongoing investment or a one-time investment.

Senator Grindberg said he envisions the state's investment in the eminent researcher recruitment grant program to be a multiple-year state investment.

Representative Glassheim questioned whether the eminent researcher recruitment grant funds would be used as an endowment through which grant awards are made from the interest and earnings or whether the corpus of the funds would be used.

Representative Svedjan said he sees the eminent researcher recruitment grant as a funding tool that must be spent and not limited to spending interest and earnings.

Senator Robinson said he is concerned that if the eminent researcher recruitment grant appropriation is spent in its entirety, there may be no ability to support the endowed chairs over time.

It was moved by Senator Nething, seconded by Representative Glassheim, and carried on a roll call vote that the bill draft, as amended, relating to creation of technology-based economic development programs be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Myxter, and Svedjan voted "aye." Representative Nathe voted "nay."

Technology Impact Zone Program Bill Draft

The committee reviewed a bill draft [[10179.0100](#)] creating a technology impact zone program.

In response to a question from Representative Svedjan, committee counsel said there are some mechanisms in the bill draft to limit the fiscal impact. She said during the 2013-15 biennium, the Department of Commerce may award no more than four applicants zone status and then there is an overall maximum of eight applicants awarded zone status. Additionally, she said, an applicant granted zone status is limited to a lifetime cap of receipt of \$3 million of state matching funds.

Senator Grindberg said the idea for this bill draft comes from the certified technology park concept that was considered during the 2009 legislative session.

Representative Svedjan questioned how the bill draft would define the term "technology." Senator Schneider said the certified technology park legislation considered in 2009 tried to define "technology"; however, this bill draft does not define the term. Committee counsel said under this bill draft, it likely would be the Department of Commerce that would define the term "technology."

It was moved by Senator Robinson, seconded by Representative Mock, and carried on a roll call vote that the bill draft creating a technology impact zone program be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Myxter, and Nathe voted "aye." Representative Svedjan voted "nay."

University Entrepreneurs Grant Program Bill Draft

The committee reviewed a bill draft [[10167.0100](#)] relating to creation of a Department of Commerce grant program for university entrepreneurs.

Senator Grindberg said this bill draft is based on Dr. Johnson's proposal for a technology development corporation program.

In response to a question from Representative Svedjan, Dr. Johnson said this bill draft addresses the situation in which a researcher has an idea that requires some applied research and development in order to move that idea to the commercialization stage.

In response to a question from Senator Flakoll, committee counsel said although this program provides for repayment of an award, the bill draft does not create a revolving loan fund.

It was moved by Senator Nething, seconded by Senator Schneider, and carried on a roll call vote that the bill draft creating a university entrepreneur grant program be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Myxter, and Nathe voted "aye." No negative votes were cast.

Centers of Excellence Reporting Bill Draft

The committee reviewed a bill draft [[10215.0100](#)] relating to the reporting requirements of centers of excellence.

Mr. Dever said this bill draft is being considered at the request of the Department of Commerce. He said during the course of the performance audit of the department, the auditors found that the current practice of reporting requirements for the centers of excellence does not constitute an audit as required by state law. He said under this bill draft, the current practice for centers of excellence review is codified.

Representative Kaldor said it is his understanding that as currently written, state law requires annual audits of each of the centers of excellence until the completion of the Centers of Excellence Commission's postaward monitoring of the center.

In response to a question from Senator Schneider, Mr. Dever said a fiscal audit would delve more deeply into fiscal matters, whereas an agreed-upon procedure would not express an opinion but would provide a review of finances.

It was moved by Senator Flakoll, seconded by Senator Nething, and failed on a roll call vote that the bill draft relating to the reporting requirements for centers of excellence be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, and Nething and Representatives Clark, Johnson, Meier, and Svedjan voted "aye." Senators Robinson, Schneider, and Taylor and Representatives Glassheim, Kaldor, Mock, Myxter, and Nathe voted "nay."

It was moved by Senator Robinson, seconded by Senator Nething, and carried on a roll call vote that the committee reconsider its action by which the committee considered approval and recommendation of the bill draft relating to centers of excellence reporting requirements. Senators Grindberg, Flakoll, Nething, and Robinson and Representatives Clark, Johnson, Meier, Nathe, and Svedjan voted "aye." Senators Schneider and Taylor and Representatives Glassheim, Kaldor, Mock, and Myxter voted "nay."

Mr. Goettle stated the Department of Commerce performance audit provided the department the following two options to address the issue related to the postaward reporting requirements for the centers of excellence:

1. Comply with the current law and provide annual full fiscal audits of each center of excellence; or
2. Amend the law to reflect the review that is currently taking place.

Mr. Goettle said if the statute is not amended, the centers of excellence that have received funding and are in the postaward monitoring period will be required to pay for and complete annual full fiscal audits. He said a full fiscal audit costs between \$10,000 and \$20,000 per year per audit.

Mr. Goettle said the Department of Commerce needs to come into compliance with the State Auditor's recommendation. He said if the committee recommends an amendment to the centers of excellence postaward reporting requirement law, the Department of Commerce can then go to the State Auditor and report the committee's recommendation is on the path to change the law. However, he said, if the committee does not recommend an amendment to this law, he will feel obligated to go to the centers and inform them that an annual full fiscal audit is required. He said that the fiscal impact of keeping the law in its current state is very significant because the centers have spent the centers of excellence award funds and do not have the funds to fulfill this fiscal audit requirement.

Mr. Goettle said that as a compromise he would support a full fiscal audit halfway through the postaward monitoring period and then again at the completion of the postaward monitoring period.

Representative Glassheim said the centers of excellence funding is significant, and the Legislative Assembly needs to keep track of how these funds were used.

Senator Grindberg said he agrees that it is important to track the centers of excellence funds; however, it is important to remember that the centers being required to make this reporting have already used all of their funds.

Representative Kaldor said the bill draft is a major change from the statutory audit requirement.

Representative Mock said that even if the current reporting requirement were changed to require full fiscal audits every two years that would not address the issue of lack of center funding to conduct the audits. He said currently he understands the funds to conduct the audit come from University System funds.

It was moved by Representative Svedjan, seconded by Representative Mock, and carried on a voice vote that the bill draft relating to centers of excellence postaward reporting requirements be amended to provide that the centers provide a full fiscal audit at the halfway point of postaward monitoring and at the end of the postaward monitoring and for all other years of the postaward monitoring period be required to conduct agreed-upon procedures.

Mr. Goettle said he is not opposed to requiring the centers to perform fiscal audits, but requiring these fiscal audits be performed annually seems like overkill. He said as amended this bill draft would help the Department of Commerce to go back to the State Auditor and inform him of how the process is moving forward.

It was moved by Representative Svedjan, seconded by Representative Mock, and carried on a roll call vote that the bill draft, as amended, relating to postaward reporting requirements of centers of excellence be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Myxter, Nathe, and Svedjan voted "aye." No negative votes were cast.

Technology Startup Business Matching Grant Bill Draft

The committee reviewed a bill draft [[10168.0100](#)] that would create a North Dakota Development Fund matching grant program for technology startup businesses.

Representative Svedjan pointed out that this bill draft also will ultimately need to address the definition of "technology."

It was moved by Representative Meier, seconded by Representative Glassheim, and carried on a roll call vote that the bill draft relating to creation of a technology startup business matching grant program be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Nathe, and Svedjan voted "aye." No negative votes were cast.

Workforce Training Programs Bill Draft

The committee reviewed a bill draft [[10170.0300](#)] that amends the TrainND program, amends the Operation Intern program, and creates an e-folio pilot program.

Senator Robinson said he supports the Operation Intern program, and he is concerned the effective date of the legislation does not jive well with the intern season.

In response to a question from Representative Svedjan, committee counsel said the bill draft would have an effective date of August 1, 2011, unless an appropriation clause is added to the bill draft. She said the fiscal note relating to the e-folio pilot program would likely vary based upon the level of services provided through the program.

Senator Flakoll said the North Dakota Youth Council made a recommendation for a single-portal website that encompasses internship opportunities, scholarships, and other resources for young people and career advisers.

It was moved by Senator Flakoll, seconded by Representative Mock, and carried on a voice vote that the workforce training programs bill draft be amended to incorporate the single-portal website recommendation made by the North Dakota Youth Council.

Senator Robinson said he thinks the internship program loses effectiveness if it is only funded every other year.

It was moved by Senator Flakoll, seconded by Senator Schneider, and carried on a voice vote that the amended bill draft relating to workforce training programs be further amended to include an emergency clause.

It was moved by Representative Glassheim, seconded by Representative Meier, and carried on a voice vote that the workforce training programs bill draft be further amended to provide the Operation Intern program continue to include the maintenance of records on the number of internships, apprenticeships, and work experience opportunities.

It was moved by Representative Mock, seconded by Senator Robinson, and carried on a roll call vote that the bill draft, as amended, relating to workforce training programs be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Myxter, Nathe, and Svedjan voted "aye." No negative votes were cast.

Manufacturing Tax Credits Bill Draft

The committee reviewed a bill draft [[10169.0200](#)] that creates a tax credit for a purchase of manufacturing machinery and equipment for the purpose of automating manufacturing processes and a tax credit for a qualified expenditure for lean manufacturing.

In response to a question from Senator Grindberg, Mr. Lund said the Grand Forks Region Economic Development Corporation supports the concepts of these two tax credits. He said they encourage capital investment and are helpful in being used as a recruitment tool. However, he said, he is not certain of the fiscal impact of the tax credit.

Chairman Grindberg called on Mr. Ryan Rauschenberger, Deputy Tax Commissioner, Tax Department, for comments regarding the bill draft. Mr. Rauschenberger said the Tax Department has not calculated the fiscal impact of this bill draft.

Representative Glassheim questioned whether it might be valuable to put a cap on these tax credit programs.

Representative Svedjan questioned what the full cost of all of the state's tax credits is. Senator Flakoll said the Red Book contains valuable information regarding tax credits available in the state of North Dakota.

Senator Grindberg said these tax credit programs are cutting edge, and no other state seems to be offering them at this time.

It was moved by Representative Glassheim, seconded by Representative Johnson, and carried on a voice vote that the bill draft be amended to place a \$2 million per year per program cap on these two tax credits.

It was moved by Representative Glassheim, seconded by Representative Johnson, and carried on a roll call vote that the bill draft, as amended, relating to the manufacturing tax credits be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Nathe, and Svedjan voted "aye." Representative Myxter voted "nay."

Angel Fund Investment Tax Credit Bill Draft

The committee reviewed a bill draft [[10166.0100](#)] that allows for transferability of the angel fund investment tax credit and allows passthrough entities to claim the tax credit.

Representative Nathe said this bill draft, by allowing transferability and by allowing a passthrough entity to use the tax credit, would increase the use of the angel fund investment tax credit and also increase investments in angel funds.

Mr. Rauschenberger said the transferability provisions in the bill draft are closely based on the transferability provision in the research and development tax credit law. He said the Tax Department has some concerns regarding auditing issues related to the transferability provisions. In response to a question from Representative Svedjan, Mr. Rauschenberger said a taxpayer's Social Security number is confidential.

In response to a question from Senator Grindberg, Mr. Rauschenberger said meetings he has had with angel fund representatives indicate support of the

angel fund tax credit program but have pointed out the limitations of the tax credit due to its inapplicability to out-of-state investors who do not have a North Dakota tax liability.

It was moved by Representative Nathe, seconded by Senator Nething, and carried on a roll call vote that the bill draft relating to the angel fund investment tax credit be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Myxter, Nathe, and Svedjan voted "aye." No negative votes were cast.

Performance Audit Bill Draft

The committee reviewed a bill draft [[10216.0100](#)] relating to the amount of time allowed for the State Auditor to conduct a performance audit.

It was moved by Senator Nething and seconded by Representative Meier that the bill draft relating to performance audits be approved and recommended to the Legislative Management.

Senator Grindberg said this bill draft comes to the committee as a result of the concerns raised by the performance audit of the Department of Commerce.

Representative Kaldor said he thinks the bill draft should distinguish between the completion of fieldwork by the State Auditor and completion of the actual performance audit. He said he does not support limiting the entire process to 90 days.

Senator Schneider said it takes two to tango and therefore it might be necessary to include a requirement that agencies cooperate in a timely manner.

The motion carried on a roll call vote. Senators Grindberg, Flakoll, Nething, Robinson, and Taylor and Representatives Clark, Glassheim, Johnson, Meier, Mock, Myxter, Nathe, and Svedjan voted "aye." Senator Schneider and Representative Kaldor voted "nay."

Northern Tier Network Technology Initiative Resolution Draft

The committee reviewed a concurrent resolution draft [[13022.0100](#)] supporting the Northern Tier Network Technology Initiative and the related activities of the Legislative Management's interim Information Technology Committee.

It was moved by Senator Robinson, seconded by Senator Nething, and carried on a roll call vote that the concurrent resolution draft relating to support of the Northern Tier Network Technology Initiative be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Kaldor, Meier, Mock, Myxter, Nathe, and Svedjan voted "aye." No negative votes were cast.

Higher Education Bill Draft and Concurrent Resolution Draft

The committee reviewed a bill draft [[10131.0200](#)] providing legislative intent regarding the funding of higher education scholarships and reviewed a concurrent resolution draft [[13020.0200](#)] for the amendment of Article X, Section 24, of the Constitution of North Dakota relating to the distribution of income from the foundation aid stabilization fund.

In response to a question from Senator Nething, Senator Flakoll said currently the University System is funding the scholarships provided for under House Bill No. 1400 (2009).

Senator Flakoll said it is anticipated the balance of the foundation aid stabilization fund will reach \$100 million by the end of 2010. He said neither the bill draft nor the constitutional amendment would impact the balance of this fund but would provide that the interest that currently goes to the general fund would instead go to fund the scholarships. He said it is important to realize that neither of these provisions touches the corpus of the foundation aid stabilization fund.

Committee counsel said that during the current biennium, the interest rate for the foundation aid stabilization fund has ranged from .25 percent to .40 percent, with approximately \$20,000 of interest accruing per month. She said it is anticipated that funding required for the scholarships would be \$10 million during the 2011-13 biennium and \$16 million during the 2013-15 biennium.

Senator Flakoll said as the balance of the foundation aid stabilization fund continues to increase, the amount of interest accrued off the balance will increase as well. Additionally, he said, interest rates can be anticipated to rise over time.

In response to a question from Representative Kaldor, Senator Flakoll said neither the bill draft nor the resolution draft impacts the amount of money that goes to the foundation aid stabilization fund.

Representative Kaldor said the Legislative Assembly already has the authority to provide how the interest from the foundation aid stabilization fund will be used. He said if this constitutional amendment were successful, it would tie the hands of future Legislative Assemblies.

Senator Grindberg said the proposed constitutional amendment seeks to institutionalize the funding source for the scholarships so that funding is not subject to the whim of future Legislative Assemblies. He said this attempt to institutionalize the funding is consistent with the approach taken by the Hathaway scholarship program in Wyoming.

Senator Flakoll said it is important to stabilize the funding for these scholarships because students will be relying on these funds and will be basing their studies upon the belief that the scholarships will be available.

Representative Glassheim said he questions whether the interest from the foundation aid stabilization fund is an adequate source for the

scholarship program. Additionally, he said, it occurs to him that perhaps the foundation aid stabilization fund should be capped at some amount.

Senator Flakoll said he has heard concerns from the kindergarten through grade 12 community that the Legislative Assembly is planning on raiding the corpus of the foundation aid stabilization fund. He said this is not true, and neither this bill nor the proposed constitutional amendment touches the corpus of this fund. Instead, he said, if the interest rate increases to 4 percent, the income from this fund could conceivably fully fund the scholarships by the end of five bienniums.

In response to a question from Senator Schneider, Senator Flakoll said his research indicates the foundation aid stabilization fund has been used once since its creation in 1994. He said he understands that it may be necessary in the future for the funds in the foundation aid stabilization fund to be used; however, in all likelihood no more than \$2 million would be taken from the fund. Therefore, he said, even if the fund is used, the interest being earned on the balance would be adequate to fund the scholarships.

Senator Flakoll said he recognizes that use of the interest from the foundation aid stabilization fund is only one way to address the scholarship funding issue, and it is likely that other approaches will be addressed during the upcoming legislative session.

Ms. Effertz said the Lieutenant Governor has been pursuing the idea of funding the scholarships through the land and minerals trust fund.

It was moved by Senator Flakoll and seconded by Representative Meier that the bill draft relating to funding of scholarships be approved and recommended to the Legislative Management.

Representative Svedjan said that conceptually he likes the scholarship program, but it appears to him that the foundation aid stabilization fund does not meet the funding demands for the scholarships. He said he recognizes that in the future the interest from the fund may actually exceed the scholarship funding demands.

Senator Nething said he thinks it is important that families be able to plan on the scholarship program being funded. He said in the past, scholarships were

not a necessity because tuition was low, but that is no longer the case.

Representative Kaldor said the bottom line is this funding proposal takes money out of the general fund.

Senator Flakoll said the scholarship program is blind to financial need and therefore it has the impact of helping the middle class.

Senator Schneider said he supports growing merit-based scholarships.

The motion carried on a roll call vote. Senators Grindberg, Flakoll, Nething, Robinson, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Meier, Mock, Myxter, and Nathe voted "aye." Representatives Kaldor and Svedjan voted "nay."

It was moved by Senator Flakoll, seconded by Senator Schneider, and carried on a roll call vote that the concurrent resolution draft relating to the distribution of income from the foundation aid stabilization fund be approved and recommended to the Legislative Management. Senators Grindberg, Flakoll, Nething, Schneider, and Taylor and Representatives Clark, Glassheim, Johnson, Meier, Mock, Myxter, and Nathe voted "aye." Representative Kaldor voted "nay."

It was moved by Senator Flakoll, seconded by Representative Johnson, and carried that the chairman and the staff of the Legislative Council be requested to prepare a report and the bill drafts and concurrent resolution draft recommended by the committee and to present the report and recommended bill drafts and concurrent resolution draft to the Legislative Management.

It was moved by Senator Robinson, seconded by Representative Johnson, and carried that the committee be adjourned sine die. No further work appearing Chairman Grindberg adjourned the committee sine die at 5:00 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:6