

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

WORKFORCE COMMITTEE

Tuesday, December 1, 2009
Multipurpose Room, Workforce Safety and Insurance
1600 East Century Avenue
Bismarck, 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, Ray Holmberg, Karen K. Krebsbach, Dave Nething, Larry J. Robinson, Mac Schneider, Tom Seymour, Ryan M. Taylor; Representatives Donald L. Clark, Eliot Glassheim, Nancy Johnson, Lisa Meier, Corey Mock, Lee Myxter, Ken Svedjan

Members absent: Representatives Lee Kaldor, Michael R. Nathe, Clark Williams

Others present: See [Appendix A](#)

Chairman Grindberg reviewed the agenda and stated a joint meeting may be held with the Education Committee and Higher Education Committee. He said tentative meeting dates to consider include the last week of February or the first week of March.

Chairman Grindberg said he made a request to the chairman of the Legislative Management to expand the study charges of the Workforce Committee. He said he has requested that the committee study the State Auditor's performance audit report and recommendations of the Department of Commerce dated August 11, 2009. He said if this expansion is assigned to the committee, he would like the committee to work with the Attorney General as well as the State Auditor in conducting the study.

Chairman Grindberg requested that committee members be notified once the chairman of the Legislative Management has made a decision regarding the request for expansion of the committee study charges.

Chairman Grindberg brought to the attention of the committee members that the Nelson A. Rockefeller Institute of Government recently released a report indicating North Dakota is the only state in the country experiencing job growth.

It was moved by Senator Robinson, seconded by Senator Flakoll, and carried on a voice vote that the minutes of the October 7, 2009, Workforce Committee meeting be approved as distributed.

Chairman Grindberg called on committee counsel to present the memorandum entitled [2008 Workforce Congress and 2009 Workforce Legislation](#).

Senator Nething requested that the committee receive additional information at a future meeting regarding which of the recommendations of the consultants for the 2007-08 Workforce Committee were addressed in 2009 legislation.

TAX CREDITS

Chairman Grindberg called on Mr. Ryan Rauschenberger, Deputy Tax Commissioner, Tax Department, for a presentation ([Appendix B](#)) regarding the angel fund investment tax credit and the seed capital investment tax credit.

In response to a question from Representative Glassheim, Mr. Rauschenberger said in taxable year 2008, 397 individuals used the seed capital investment tax credit, reflecting a \$3.1 million investment in seed capital. Additionally, he said, since 2002, using the seed capital investment tax credit there has been \$41 million invested, reflecting \$30.2 million of eligible investment and \$11.4 million of tax credits.

In response to a question from Senator Grindberg, Mr. Rauschenberger said the research and development tax credit is the only tax credit in North Dakota which is transferable. He said even in the case of the research and development tax credit there are significant limitations on the transferability of the credits.

Senator Robinson said at a future meeting he would like to receive information regarding how North Dakota compares to other states relating to competitiveness in access to capital. He said he thought this information had been presented during the 2009 legislative session, and he would like an update.

In response to a question from Senator Schneider, Mr. Rauschenberger said he will gather additional information to be provided at a future meeting regarding the ability of North Dakota businesses to attract venture capital.

In response to a question from Senator Nething regarding the different limits for different tax incentive programs, Mr. Rauschenberger said the seed capital investment tax credit program has evolved over time. He said through the evolution of this program, limitations have been established in part to limit the fiscal impact and also to ensure that the credit is spread out among several investors and not just used by one investor making a single large investment. He said he is not aware of any discussions relating to proposed legislative changes to the seed capital investment tax credit for 2011.

Senator Grindberg requested that the committee receive more detailed reports on statistics relating to tax incentive programs at a future meeting.

Representative Glassheim requested that the committee receive additional information at a future meeting regarding the angel fund investment tax credit program.

Mr. Rauschenberger said in taxable year 2008, 49 individuals used the angel fund investment tax credit, with \$593,000 of tax credits actually claimed.

Senator Grindberg said it would be valuable to receive testimony from actual angel fund managers at a future meeting.

WYOMING HATHAWAY SCHOLARSHIP PROGRAM

Chairman Grindberg called on Ms. Julie Magee, Wyoming Department of Education, for information regarding the Wyoming Hathaway scholarship program. Ms. Magee made her presentation via videoconference. She distributed written material relating to the Hathaway scholarship program, copies of which are on file in the Legislative Council office.

Ms. Magee said the Hathaway scholarship program is modeled on a Louisiana scholarship program. She said 2006 was the first year Wyoming high school graduates were eligible for the Hathaway scholarship program. She said in the 2006-07 school year, there were 5,399 high school graduates in Wyoming and of those graduates 1,897 initiated the Hathaway scholarship program the following school year. She said by the 2008-09 school year, this number had increased to 2,326 students initiating the Hathaway scholarship program. In evaluating the statistics regarding how many students are eligible for the Hathaway scholarship program and how many students have initiated the program, she said, it is important for committee members to recognize that eligible students have some discretion in when to initiate the program. She said approximately 37 percent of the students activate the program immediately following graduation. She said this statistic indicates an increase since 2006, which may partially be a reflection of the state of the economy.

Ms. Magee said to remain eligible for the Hathaway scholarship program, a student must stay continuously enrolled, maintain satisfactory academic progress, and meet the required grade point average. She said approximately one-third of the students lost their eligibility after their first year; however, this number has been going down since 2006, likely because of the students having better knowledge of the continued eligibility requirements under the program.

Ms. Magee said under the Hathaway scholarship program, there are four levels of scholarships for which a high school graduate may apply. She said each of these levels has corresponding educational requirements. She said with higher educational requirements the hope is to recognize a decreased

need in remedial needs upon entry to college. She said Wyoming is conducting a five-year longitudinal study to track the impact of the Hathaway scholarship program. She said by 2011 the Wyoming high school graduates will also be required to follow the complete success curriculum in order to be eligible for the Hathaway scholarship program. She said as part of the program, the state of Wyoming has undertaken providing American College Test (ACT) testing for all high school juniors in the state. As a result of increasing the number of Wyoming students who take the ACT, she said, the state's ACT composite scores have decreased. She said this decrease is to be expected due to students taking the test who otherwise would not take the test. She said under the Hathaway scholarship program the state pays for each student to take the ACT during the student's junior year and that student can take the test as many times as desired at no cost during that year. Additionally, she said, high school students wishing to pursue a trade may qualify for the Hathaway scholarship program by taking the ACT WorkKeys job skills assessment test.

In response to a question from Senator Flakoll, Ms. Magee said she can provide the committee with data regarding the number of students who take the ACT versus the number who take the WorkKeys test. She did mention the committee needs to keep in mind that some students may take the ACT during their junior year and then take the WorkKeys test their senior year. She said more students take the ACT than the WorkKeys test.

Ms. Magee said the five-year longitudinal study should contain data to indicate whether the act of students taking higher level performance curriculum in high school translates into increased college performance.

In response to a question from Representative Meier, Ms. Magee said once a student loses eligibility for the Hathaway scholarship program, that student can regain eligibility; however, each student is still restricted by the six-year window of opportunity within which to receive the scholarship following high school graduation.

In response to a question from Senator Nething, Ms. Magee said under the Hathaway scholarship program the two higher levels of scholarships are the performance and honor scholarships. She said for the performance scholarship, a high school graduate must have a grade point average of 3.0 and must achieve a 21 on the student's ACT, whereas for the honor scholarship, the high school student must have a grade point average of 3.5 and an ACT of 25. She said for both the performance and honor scholarships, the curriculum requirements are the same.

In response to a question from Senator Schneider, Ms. Magee said the five-year longitudinal study should provide information regarding whether the Hathaway scholarship program helps in the retention of Wyoming college graduates. She said initial data indicates there has been an increase in the number of

two-year graduates who stay in the state following graduation to further their education.

Ms. Magee said the Hathaway scholarship program is funded through the creation of the Hathaway student scholarship endowment fund, as well as any other funds appropriated by the Legislature to the expenditure account. She said the endowment account is a \$4 million trust funded through the state's income from minerals. She said the state plans to retain the corpus of the endowment.

In response to a question from Senator Holmberg, Ms. Magee said she is not certain the exact number of two- and four-year full-time equivalency students in the Wyoming higher education system; however, the University of Wyoming enrollment exceeded 12,000 students in 2009. She said she can provide the committee with additional data regarding student enrollment in Wyoming institutions of higher education.

In response to a question from Representative Clark, Ms. Magee said the Hathaway scholarship funds provided to the students are typically applied to tuition first. However, she said, if a student has other funds available to pay tuition, the student can apply the scholarship to other costs of attendance, such as room and board expenses.

In response to a question from Senator Flakoll, Ms. Magee said the Hathaway scholarship funds are not available to students attending private institutions. She said in order to be eligible, a student must attend a Wyoming university system institution.

In response to a question from Senator Grindberg, Ms. Magee said the primary purpose for the creation of the Hathaway scholarship program was to increase the number of Wyoming high school graduates attending school in Wyoming. She said an additional goal was to retain these college graduates in Wyoming.

In response to a question from Representative Meier, Ms. Magee said the maximum amount of Hathaway scholarship funds for which a student may be eligible depends on which level of scholarship the student is receiving. She said under the opportunity grant and the provisional opportunity grant scholarships, the maximum amount a student can receive is \$800 per semester; under the performance scholarship, the maximum a student may receive is \$1,200 per semester; and under the honor scholarship, the maximum amount a student may receive is \$1,600 per semester.

In response to a question from Representative Mock, Ms. Magee said under the Hathaway scholarship program all Wyoming high school graduates are eligible to apply, including home school students, private school graduates, and general educational development recipients. However, she said, all scholarship recipients under the program must meet the same curriculum requirements.

In response to a question from Senator Holmberg, Ms. Magee said she will provide the committee with additional information regarding the costs associated

with paying to allow high school juniors to take the ACT. She said she is not certain whether the fact that the state pays for the ACT in any way limits how that student may use the score and whether that score can be used for non-Wyoming university system schools.

Senator Flakoll said Legislative Council staff drafted the memorandum that summarizes North Dakota education scholarship programs. He requested that committee counsel e-mail this document to committee members. Additionally, he requested that the e-mail include a copy of the constitutional amendment necessary to create a scholarship fund.

WORKFORCE TRAINING

Chairman Grindberg called on Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning, North Dakota University System, for information through a computer presentation ([Appendix C](#)) regarding the state's workforce training program--TrainND, including business plans, private sector support, and challenges and opportunities.

Dr. Krotseng reviewed the creation of TrainND, as well as the primary purpose for the program. She said during 2000, 518 businesses were served and 7,463 employees were trained through TrainND. In 2009, 1,527 businesses have been served and 11,028 employees have been trained.

In response to a question from Senator Holmberg, Dr. Krotseng said the number of businesses served generally reflects unique businesses; however, there may be some overlap if a business used the services of more than one of the four regions.

Northwest Quadrant

Chairman Grindberg called on Ms. Deanette Piesik, Williston State College. Ms. Piesik continued to utilize the computer presentation.

In response to a question from Senator Nething, Ms. Piesik reviewed the region's achievements for fiscal year 2009-10.

In response to a question from Representative Glassheim, Ms. Piesik said in providing services the client businesses pay for their employees to attend the training provided through the training facility. Additionally, she said, the universities try not to unfairly compete with private trainers. She said the institutions of higher education will try to charge more for the services than the private competitors and will also try to partner with local providers in providing training services.

Northeast Quadrant

Chairman Grindberg called on Ms. Edie Arme, Lake Region State College, for comments regarding the northeast training quadrant. Ms. Arme continued to utilize the computer presentation.

In response to a question from Senator Nething, Ms. Arme said that during fiscal year 2009-10 the

northeast quadrant provided training to 422 businesses and 1,766 employees.

Southeast Quadrant

Chairman Grindberg called on Ms. TeriAnn Gullickson, State College of Science, for comments regarding the training services provided in the southeast quadrant. Ms. Gullickson continued to utilize the computer presentation.

In response to a question from Senator Grindberg, Ms. Gullickson said the Southeast North Dakota Workforce Training Board is very active in the activities of the workforce training quadrant. She said the advisory board helped in writing the region's business model.

Southwest Quadrant

Chairman Grindberg called on Ms. Carla Braun Hixson, Bismarck State College, for comments regarding the southwest training region. Ms. Braun Hixson continued to utilize the computer presentation.

Ms. Braun Hixson said for the 2009-10 fiscal year, the region has set the following goals:

- Provide solutions to 188 business clients.
- Make 450 business contacts.
- Train 2,700 employees.
- Have 66 percent of the businesses request repeat training.
- Achieve a direct training revenue goal of \$1,006,000.
- Achieve a 99 percent satisfaction for responsiveness.
- Conduct 750 training events per year.

In response to a question from Representative Clark, Ms. Braun Hixson said the region provides training across the spectrum, including training for white-collar and blue-collar jobs and for entry-level and management positions.

In response to a question from Representative Glassheim, Ms. Braun Hixson said the region continually seeks to improve the services it provides. She said the region has been providing consulting services to employers, and this is perceived to be a valuable service. Additionally, she said, the region continues to serve small businesses, which have limited funding and find it difficult for employers to get away from work for training.

In response to a question from Senator Seymour, Ms. Braun Hixson said the region does provide training in a variety of forms, including providing written material and online training.

Comments

Chairman Grindberg called on Mr. Greg Redekopp, Employee Development Coordinator, Basin Electric Power Cooperative. Mr. Redekopp continued the computer presentation. He said he has been an advisory board member since 2004 and in that

capacity has reviewed business plans and budgets for the southwest quadrant.

Mr. Redekopp said of Basin Electric Power Cooperative's more than 2,000 employees, 16 percent are Bismarck State College graduates. He said Basin Electric Power Cooperative has an ongoing relationship with Bismarck State College, including training in the areas of welding, computers, communication, power plant technology, and interactive video networks used for training.

Mr. Redekopp said in addition to working with Bismarck State College, Basin Electric Power Cooperative is also using services of other training quadrants in the state.

Senator Grindberg said he has a concern that the private sector funding component that was initially conceived when the training program was created has gone by the wayside. He suggested that at a future meeting the committee receive information addressing the full spectrum of business models, including fees, expenses, and unmet needs. He said the committee should receive information on how the regions use their profits and what the next phase should be for the training regions. Dr. Krotseng said she would welcome the opportunity to provide this information and assist the committee in furthering this study.

Chairman Grindberg called on Mr. Dale Knutson, True North Development, LLC, Fargo, for comments regarding TrainND.

Mr. Knutson said that he is a business owner and a former Southwest North Dakota Workforce Training Board member. He said he supports the concept of TrainND; however, he thinks the current structure of the program needs to be improved. He said under the current structure, the chain of command is unclear. Additionally, he said, the programs vary significantly from quadrant to quadrant.

Mr. Knutson said TrainND program collaboration should be improved among each of the four quadrants. He said in his experience business needs have gone unmet due to poor collaboration among the four regions. He said current shortcomings in the program could be addressed by providing for a single administrator and shared administrative support amongst the quadrants.

Mr. Knutson said he is concerned that TrainND competes with the private sector. He said the state program should not compete with the private sector.

Senator Nething said under the TrainND program the local advisory boards should be a real strength, ensuring that the regions are doing what is needed for that particular area. He said there is a dilemma in creating a single system as it undermines the benefit of local advisory boards at the local level. However, he said, the lack of collaboration may be an issue that needs to be addressed.

Mr. Knutson said under the current TrainND system, there is not a clearinghouse that can be accessed if there is a problem or if there is misalignment of services.

In response to a question from Senator Seymour, Mr. Knutson said although he recognizes that duplication of services is common in the economic development sector, within the workforce training regions it is inefficient to have duplication of training by providers such as the Department of Commerce, the Dakota Manufacturing Extension Partnership, TrainND, and Job Service North Dakota.

TECHNOLOGY-BASED ECONOMIC DEVELOPMENT

State Science and Technology Institute

Chairman Grindberg called on Mr. Dan Berglund, President and CEO, State Science and Technology Institute (SSTI), for a presentation regarding technology-based economic development. Mr. Berglund addressed the committee via videoconference and distributed written material ([Appendix D](#)).

Mr. Berglund said SSTI is a nonprofit organization with the mission of leading supporting and strengthening efforts to improve state and regional economies through science, technology, and innovation.

In response to a question from Senator Taylor, Mr. Berglund said experts believe that entrepreneurial programs can be taught in kindergarten through grade 12. He said historically the states in the Great Lakes and prairie regions have not been very entrepreneurial.

In response to a question from Senator Grindberg, Mr. Berglund said it may be possible to inventory the state's best practices. He said typically these inventories are performed at a local level, such as at the city level.

In response to a question from Representative Glassheim regarding whether there are programs that allow individuals who have small amounts of money to invest in startup businesses, Mr. Berglund said he is not aware of any specific program for small investments, but it may be worth investigating the issue. He said the Angel Capital Association, based in Kansas City, Missouri, may have more information on this subject.

IDEA Center

Chairman Grindberg called on Ms. Julie Kuennen, Executive Director, Incubator for Developing Entrepreneurial Activity (IDEA) Center, for a presentation ([Appendix E](#)) regarding the activities at the IDEA Center.

Ms. Kuennen said the IDEA Center is located in Bismarck and provides services for business ideas and startup businesses, including project management services, a board of mentors, community involvement, a physical facility, and shared services with other like-minded facilities in the state. She said in the last year alone, she has reviewed approximately 92 business project plans.

In response to a question from Senator Krebsbach, Ms. Kuennen said the IDEA Center receives funding from a variety of sources, including benevolent and local businesses, as well as state funding through House Bill No. 1202 (2009).

In response to a question from Representative Clark, Mr. Ryan Tacke, Director, IDEA Center, stated approximately one-half of the business spaces are currently available for future tenants.

In response to a question from Representative Johnson, Ms. Kuennen said the IDEA Center has created partnerships with the University of North Dakota Center for Innovation, the North Dakota State University Research and Technology Park, and the Strom Center in Dickinson.

Department of Commerce

Chairman Grindberg called on Mr. Shane C. Goettle, Commissioner of Commerce, for comments regarding the entrepreneurial environment in the state. Mr. Goettle said that our traditional education system is not supportive of entrepreneurial development. He said children are inherently very creative at play; however, the traditional education system is a pass-fail structure that does not foster creativity and entrepreneurialship. He said at the higher education level, we need to harness our resources more effectively.

In response to a question from Senator Nething regarding what the appropriate role may be for government in growing entrepreneurs, Mr. Goettle said our education system is a way to positively influence entrepreneurial growth in the state. Additionally, he said, strengthening the business climate is another way the state can impact and foster entrepreneurialship. He said InnovateND is an example of a successful state program that receives both private and public funding.

In response to a question from Representative Johnson regarding opportunities for investors to make small investments in local businesses, Mr. Goettle said the securities laws impact the ability of individuals to invest. He said the way the investments laws are structured are less favorable for small investors.

Great Plains Applied Energy Research Center

Chairman Grindberg called on Mr. Bill Wocken, City Administrator, city of Bismarck, for comments ([Appendix F](#)) regarding the Great Plains Applied Energy Research Center. He said the Great Plains Applied Energy Research Center is currently under development. He said the center will test energy technology applications on a small scale so technologies may be more readily implemented in the field at a lower cost and will have greater opportunity for success.

Mr. Wocken said House Bill No. 1350 (2009) provided a \$5 million appropriation to the Department of Commerce for the purpose of providing a grant for construction of the Great Plains Applied Energy

Research Center on the Bismarck State College campus. He said in order to access the funding, there needs to be \$3 of nonstate matching funds for each \$1 of grant funds.

In response to a question from Senator Schneider, Mr. Wocken said in preparing the feasibility study, it is possible that it will be determined that there is duplication of research being conducted at other facilities across the state.

In response to a question from Senator Nething regarding the request for proposal (RFP) process in order to secure the services of a consultant to complete the feasibility study, Mr. Wocken said it was a learning process to figure out how to solicit proposals. He said it is his belief that the first RFP did not reach the appropriate individuals; whereas, when the RFP was reopened there were steps taken to ensure the RFP was routed to the appropriate people.

No further business appearing, Chairman Grindberg adjourned the meeting at 3:20 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:6