

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

COMMERCE AND LABOR COMMITTEE

Monday, September 11, 2000
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Eliot Glassheim, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Eliot Glassheim, Rick Berg, Curtis E. Brekke, Byron Clark, Glen Froseth, Howard Grumbo, Nancy Johnson, George J. Keiser, Lawrence R. Klemin, Amy N. Kliniske, Dale C. Severson, Elwood Thorpe; Senators Karen K. Krebsbach, Harvey Sand

Members absent: Representatives William E. Gorder, Dorvan Solberg; Senators Tony Grindberg, Deb Mathern, Duane Mutch, Harvey D. Tallackson, Vern Thompson

Others present: See attached appendix

It was moved by Representative Berg, seconded by Representative Froseth, and carried on a voice vote that the minutes of the July 10-11, 2000, meeting be approved as distributed.

RENAISSANCE ZONE BILL DRAFT

Chairman Glassheim called on committee counsel to present the renaissance zone bill draft. Committee counsel said the bill draft is in response to a committee directive to implement the possible legislative changes recommended by Mr. Richard Gray, Americans with Disabilities Act Building Code Program Manager, Division of Community Services. A copy of the Division of Community Services document listing the 32 potential items for possible legislative changes is on file in the Legislative Council office. She said of the 32 potential items for possible legislative changes, the bill draft implements the following changes, which are primarily technical in nature--1, 4, 6, 11, 12, 13, 14, 15, 16, 17, 21, and 32.

Chairman Glassheim called on Ms. Dina Butcher, Director, Division of Community Services, for comments regarding the bill draft. Ms. Butcher said health reasons prevent Mr. Gray from testifying on the bill draft; however, she did have some proposed changes to the bill draft.

Ms. Butcher said on page 2, line 6, of the bill draft, the word "prefer" should be replaced with "encourage." She said the items from the list of potential items for possible legislative changes which were not included in the bill draft are substantive changes and would be best dealt with by sponsors of the original renaissance zone bill draft. She said the

provisions of the bill draft are primarily technical in nature.

In response to a question from Representative Berg, Ms. Butcher said the bill draft is not intended to tamper with the intent of the renaissance zone legislation.

In response to a question from Senator Sand regarding whether item No. 20 on the list of potential items for possible legislative changes, which provides "Should a city be able to ask for something less than 20 blocks on something less than 15 years and amend upward at a later date?", Ms. Butcher said under the current law the 20-block area is the maximum area allowed for a renaissance zone, and smaller areas are being accepted.

In response to a question from Representative Berg regarding item No. 20, Ms. Butcher said the Division of Community Services has not received a request to add additional blocks to a renaissance zone of less than 20 blocks, but this may become an issue as renaissance zones become more established.

In response to a question from Representative Froseth regarding Section 9 of the bill draft which repeals North Dakota Century Code Section 40-63-08, Ms. Dee Wald, Tax Department, said the section became obsolete as a result of changes made to the renaissance zone legislation during the course of the legislative session.

Representative Berg said he would prefer to keep the technical and substantive changes in one bill draft. He said he recommends the committee take no action on the bill draft at this time, and if committee members want to provide Legislative Council staff with proposals for substantive changes, those members should contact the Legislative Council before the next meeting to have these substantive changes put in bill draft form.

In response to a question from Representative Keiser regarding why these substantive changes might be needed, Ms. Butcher said, for example, item No. 3, which provides "There needs to be a clear definition of 'parcel of property,' and it needs to be used throughout the Act," is included on the list because the Division of Community Services is uncertain of the intended definition of a block. She said the Division of Community Services has erred on the side of being

permissive but would appreciate legislative direction on the definition of a block. She said item No. 9 provides "Does the legislature want to permit the creation of a statewide renaissance fund corporation?", and this is an issue because current law lacks guidance and needs to be clarified. She said item No. 20 provides "Should a city be able to ask for something less than 20 blocks and something less than 15 years and amend upward at a later date?", and if this change is made, it would allow communities to expand a renaissance zone plan as the plan matures.

Representative Berg said item No. 7, which provides "Does the legislature want to modify Section 5 to permit the use of property tax exemptions for making improvements?", should be put in the bill draft to clarify that the benefits of the renaissance zone legislation should not be expanded to increase the exemption for improvements. He said item No. 9, which provides "Does the legislature want to permit the creation of a statewide renaissance fund corporation?", should result in a bill draft that allows for a statewide fund. He said item No. 10, which provides "What happens to a renaissance fund corporation and its funds after the duration of a renaissance zone expires?", should be addressed in a bill draft to provide if a fund dissolves, the funds should be returned proportionally to investors. He said item No. 20, which provides "Should a city be able to ask for something less than 20 blocks and something less than 15 years and amend upward at a later date?", should result in legislation that would allow expansions totaling up to 20 blocks and allow these new expanded areas renaissance zone designation for a period of 15 years.

It was moved by Representative Berg, seconded by Representative Keiser, and carried on a voice vote that the Legislative Council staff be requested to draft a second version of the renaissance zone bill draft which incorporates Representative Berg's proposed changes for potential item Nos. 7, 9, 10, and 20.

Representative Keiser said item No. 23, which provides "There needs to be a clear definition in the Act of a 'block' and it should, as we have tried to do, include how to handle blocks with tax-exempt government buildings and perhaps city-owned parking lots. We do not recognize a parking lot as a building.", should result in legislation, so that if a full city block is used by a government building, the zone receives a full block credit; whereas, if less than a full block is covered by a government building, the renaissance zone area receives a one-half block credit. He said, for example, in Bismarck the post office covers an entire block.

Representative Keiser said item No. 7 addresses an inequity. He said current owners of a building do not receive a credit for improvement; however, if the

building is sold to a new person, the new person can get credit for an improvement.

Ms. Butcher said item No. 5, which provides "Does the legislature want to include rehabilitation as qualifying someone for a tax exemption?", is relevant to item No. 7, and both are very substantive issues.

Ms. Wald said the committee should remember that tax benefits for improvements are being allowed for existing owners if the improvement is valued at least 50 percent of the value of the building.

In response to a question from Senator Krebsbach regarding Representative Berg's proposal on item No. 20, Ms. Wald said implementing Representative Berg's proposal would be a realistic request for the Tax Department.

In response to a question from Senator Sand regarding Representative Berg's proposal to item No. 20, Ms. Wald said the length of time a zone is in effect can be less than 15 years if a community so chooses.

Representative Berg requested Ms. Butcher provide the committee with information regarding the number of renaissance zones approved at this time and the number of projects underway.

ECONOMIC DEVELOPMENT STUDY

Chairman Glassheim called on Ms. Laura Willard, Business Development Manager, Department of Economic Development and Finance, for a presentation of Regional Economic Modeling, Inc., Policy Insight computer software used to run computer simulations using various economic factors. Ms. Willard provided two written documents summarizing the presentation, copies of which are on file in the Legislative Council office.

Ms. Willard said the Department of Economic Development and Finance has had the Regional Economic Modeling, Inc., software for three months. She explained that the model is a modified input-output model, in which there are over 2,500 possible policy variables that can be used to evaluate population, production costs, employment, taxes, training, productivity, demand, and a host of other factors.

Ms. Willard ran a simulation of the economic impacts of an expansion of the credit and finance industry in North Dakota. The analysis showed a change in economic activity caused by the industry expansion.

In response to a question from Senator Sand, Ms. Willard said the software does not consider the impact changes a particular industry might have on existing businesses.

In response to a question from Representative Glassheim, Ms. Willard said the Department of Economic Development and Finance is using the software to assess possible economic development and finance projects.

In response to a question from Representative Clark, Ms. Willard said although the software is limited

to addressing North Dakota and not neighboring states, the software can address federal factors.

In response to a question from Representative Glassheim regarding the possible benefit of using the software to determine which sectors in which to invest, Ms. Willard said the software is helpful to indicate which industries might provide the most benefit to the state; however, the department is not relying solely on the software.

In response to a question from Senator Krebsbach, Ms. Willard said because the software was just recently received by the department, she is not certain what weight the department will be giving simulation results. She said it is important in preparing the simulations that the variable information is entered correctly. She said human judgment is still a very important factor in making economic development decisions.

Chairman Glassheim called on Mr. Kevin J. Cramer, Director, Department of Economic Development and Finance, for comments regarding the Regional Economic Modeling, Inc., software. Mr. Cramer said the software may help to show local developers which projects might be beneficial and worth pursuing in their particular communities.

ECONOMIC DEVELOPMENT STUDY BILL DRAFTS

The committee reviewed the economic development goals bill draft, which had been discussed at a previous meeting. Committee counsel said if the committee recommends this bill draft, the bill draft should be amended to remove the references to the Myron G. Nelson Fund, Incorporated, language, which is in existing law, and according to the Bank of North Dakota is obsolete.

Representative Glassheim presented and distributed a copy of an economic development goals bill draft, which was drafted by the Legislative Council at his request. He said his bill draft provides less detail in the economic development goals than the committee's economic development goals bill draft. It is his desire, he said, that the committee consider amending the committee's economic development goals bill draft to reflect the language in his economic development goals bill draft.

In response to a question from Senator Sand, Representative Glassheim said his economic development goals bill draft would not conflict with the committee's commerce department bill draft, and he said the intent of his economic development goals bill draft is to improve the Department of Economic Development and Finance.

Representative Thorpe said the goals in Representative Glassheim's bill draft seem to reflect the current unwritten goals in the Department of Economic Development and Finance.

It was moved by Representative Berg and seconded by Representative Keiser that the

committee's economic development goals bill draft be approved and recommended to the Legislative Council. The motion failed on a roll call vote. Representatives Glassheim, Berg, Brekke, Clark, Froseth, Grumbo, Johnson, Keiser, Klemin, Kliniske, Severson, and Thorpe and Senators Krebsbach and Sand voted "nay." No one voted in favor of the motion.

It was moved by Senator Krebsbach and seconded by Representative Thorpe that Representative Glassheim's economic development goals bill draft be adopted by the committee as a committee bill draft and be approved and recommended to the Legislative Council.

In response to a question from Senator Sand regarding the 120-day requirement on page 4, line 6, Representative Glassheim said the 120-day requirement is in existing law and is not being amended in the bill draft.

Senator Krebsbach said she supports the concepts establishing economic development goals; however, she questions the effectiveness of failing to provide consequences if the Department of Economic Development and Finance does not meet the goals.

Representative Glassheim said if the Department of Economic Development and Finance fails to meet the economic development goals, the realistic consequence may be a decrease in legislative funding to the department.

Representative Keiser said he is opposed to the bill draft. He said a bill draft that states the obvious in the North Dakota Century Code is unnecessary. Additionally, he said, there are problems with the language used in the amendments.

In response to a question from Representative Berg regarding the new language being added on page 2, lines 24 through 26, Representative Glassheim said it is possible to delete the language requiring the Department of Economic Development and Finance to submit to the Governor a department budget necessary to obtain the goals provided under the bill draft.

Senator Sand said he is opposed to the language on page 2, lines 11 through 14, regarding the mission of the Department of Economic Development and Finance.

Senator Krebsbach questioned whether North Dakota Century Code references to the Myron G. Nelson Fund, Incorporated, might be removed in a technical amendments bill draft.

The motion failed on a roll call vote. Representatives Glassheim, Grumbo, and Thorpe voted "aye." Representatives Berg, Brekke, Clark, Froseth, Johnson, Keiser, Klemin, Kliniske, and Severson and Senators Krebsbach and Sand voted "nay."

The committee reviewed the student loan forgiveness bill draft.

In response to a question from Representative Klemin, Ms. Wald said it appears that under the

student loan forgiveness bill draft, the student loan forgiveness would not be taxed as income for federal income tax purposes.

Representative Kliniske said she would recommend creation of a new version of this student loan forgiveness bill draft which provides for a creation of a pool of funds in a specified amount from the general fund. She said the maximum distribution per student per year could be \$2,000, and the Workforce Development Council could be directed to specify industries that would be covered in order to encourage students to pursue particular fields.

Senator Krebsbach said under the student loan forgiveness bill draft, nursing and education are not listed as target industries. She said these are areas of need in the state.

Mr. Randy Schwartz, Department of Economic Development and Finance, said the targeted industries listed in the student loan forgiveness bill draft are a result of a target industry study performed in 1997. He said he does not necessarily recommend all the target industries be listed because some target industries do not further economic development, and some targeted industries listed in the bill draft are less relevant today than they were three years ago.

Senator Sand said the student loan forgiveness bill draft is problematic in that it creates inequities. He said the bill draft benefits students who borrow money versus students who save for college or who pay for college expenses as the expenses are incurred.

Representative Keiser recommended removing the specifically identified targeted industries and delegating the determination of target industries to some other state agency. He questioned the in-state school requirement, as it does not address the situation in which North Dakota students who attend school out of state may want to return to North Dakota.

Representative Kliniske questioned what would happen if the targeted industries changed every year, and how this might impact graduates of previous target industries.

Representative Kliniske said the student loan forgiveness bill draft is simplified in that it is limited to Bank of North Dakota student loans, and there are problems associated with expanding the bill draft to include additional lending institutions; however, she said it may be possible to include student loan forgiveness for out-of-state students.

Representative Keiser said even in-state students frequently use lending institutions other than the Bank of North Dakota for student loans. He said the money should be sent to the students or the lending institution.

Representative Kliniske said one reason for limiting the student loan forgiveness bill draft to one lending institution is because of the problems associated with expanding it to a large number of lending institutions. She said under the student loan system, students make monthly payments throughout the

year. Additionally, she said, although the student loan forgiveness program would not be available to all students, the fact this bill draft is selective is not unique to this particular program.

Representative Grumbo said he recognizes there is a serious problem with people leaving the state, and the committee needs to do something to address this need. He said the Bank of North Dakota puts millions of dollars into the state general fund, and some of this money should be used to keep students in the state.

Representative Berg said Bank of North Dakota profits are being used to help the youth in the state via programs such as foundation aid.

Representative Klemm said there are internal inconsistencies within the student loan forgiveness bill draft relating to the in-state residency requirements.

Representative Kliniske said she does not think there are internal inconsistencies within the bill draft. She said in order to be eligible for the program under the bill draft, a graduate must live in the state for the period of time to meet the eligible period requirement. She said if the graduate leaves the state, at that time the graduate is no longer eligible.

In response to a question from Representative Klemm, Ms. Wald said if the student loan forgiveness bill draft is changed to remove the listed target industries, the result may be that the federal income tax system would consider the student loan forgiveness to be income.

Representative Berg said it does not necessarily matter whether the student loan forgiveness benefit would be taxable. Additionally, he said, it might be possible to give graduates some type of financial incentive regardless of whether the graduate has a student loan.

Representative Keiser said the student loan forgiveness bill draft needs to address all students. He said under the current system, the Bank of North Dakota money is not being utilized to the extent it could. He said profits from the Bank of North Dakota could be used to pay the principal on the student loan. Additionally, he said, the bill draft could be changed to require that a graduate work for one year and then become eligible for payment of the second-year student loan. He said money does not necessarily need to be sent to the student but could be sent to the financial institution to pay the principal of the loan.

Representative Brekke said a student loan forgiveness program should provide for the payment of interest first and principal second.

Representative Keiser said it does not necessarily matter whether the money goes to pay interest or principal.

It was moved by Representative Keiser, seconded by Representative Kliniske, and carried on a voice vote that Legislative Council staff be requested to prepare a second version of the student loan forgiveness bill draft which provides

student loan payment directly to the financial institution, in an amount not to exceed \$166 per month and which payment is provided after one year of meeting eligibility requirements, and that the second version provide for a \$2 million fund from which to provide student loan payments.

Representative Johnson questioned whether targeted industries should be listed in the student loan forgiveness bill draft and whether the targeted industries should include teachers and nurses.

Representative Froseth said the student loan forgiveness bill draft opens a Pandora's box. He said the labor shortage in North Dakota covers a large variety of industries, and therefore it would be more equitable to provide some assistance to all students who stay in North Dakota.

Representative Glassheim said it would be financially prohibitive to provide all graduates financial assistance to stay in North Dakota.

Senator Sand said by limiting the student loan forgiveness program to \$2 million for the first biennium, the possibility exists that all the money may be used in the first biennium. He said he would prefer providing a tax credit over providing student loan forgiveness.

Mr. Schwartz said the committee may want to consider creating a program that would increase the number of student internships in the state.

Representative Kliniske said although an interesting topic, increasing the number of internships in the state is not directly related to the issue of student loan forgiveness.

Representative Clark said it may be possible for the prepaid tuition program to be used to fund student loan forgiveness programs.

It was moved by Representative Berg, seconded by Representative Johnson, and carried on a voice vote that the second version of the student loan forgiveness bill draft also decrease the length of the program from five years to two years and that references to targeted industries be removed, and instead the Department of Economic Development and Finance be directed to report to the Legislative Assembly during the 2001 legislative session regarding proposed target industries.

WORKERS' COMPENSATION REPORTS

Chairman Glassheim called on Mr. Paul R. Kramer, Acting Director, Workers Compensation Bureau, for comments regarding the statutory studies of the bureau's recommendation from the study of the benefits available to persons receiving long-term disability or death benefits and the statutory study of the awards provided to injured employees with permanent impairments caused by compensable work injuries. Mr. Kramer provided a brief history of the legislative history leading to the studies and explained

the bureau contracted with Professional Risk Management to perform the two studies.

Chairman Glassheim called on Mr. Malcolm Dodge, Vice President, Professional Risk Management, Oakland, California, to present the two studies. Mr. Dodge distributed a bound document containing the North Dakota workers' compensation interim long-term disability study and a bound document containing the North Dakota workers' compensation interim permanent partial impairment study, as well as a smaller, written document summarizing the presentation. A copy of each is on file in the Legislative Council office.

Mr. Dodge summarized the long-term disability study, reviewing the existing supplementary benefit structure, advantages and disadvantages of this current law, the supplement benefit structure in other states, and recommendations and options for the North Dakota system. He said recommendations include eliminating the different qualifying periods effective August 1, 2006; retaining the current qualifying period of seven years for permanent total disability benefit recipients; applying a supplementary benefit method that treats each permanent total disability or death benefit recipient in a similar manner, based on three options; and reduction of the qualifying period for death benefit recipients to the first July after the benefits fall below 60 percent of the state average weekly wage.

In response to a question from Representative Glassheim, Mr. Kramer said if the committee does not pursue legislation implementing the study recommendations, he will bring the recommendations to the Workers Compensation Board to discuss whether the board wishes to pursue the recommendations. He said the recommendations under the study would more evenly distribute benefits between high-wage and low-wage earners.

In response to a question from Representative Johnson, Mr. Dodge said of the seven comparison states, once a North Dakota permanent total disability recipient meets the seven-year period, North Dakota is the most generous of the seven states in the case of low-wage earners.

In response to a question from Representative Keiser, Mr. Dodge said an analysis of the current model versus the proposed model under which the proposed model is phased in over several years has not been performed; however, such an analysis could be performed.

In response to a question from Senator Sand, Mr. Dodge said there are no federal income tax repercussions in changing the benefits because benefits are not subject to federal income tax.

Mr. Dodge summarized the study on permanent partial impairment, explaining how the study was performed, the state's current permanent partial impairment benefit structure, the advantages and disadvantages of the current law, the permanent

partial impairment structure of other states, considerations and recommendations made as a result of the study, and the fiscal impact of implementing these recommendations.

Mr. Dodge said the recommendations included retaining the existing method of impairment evaluation; changing the evaluation so it does not include a disability component; modifying the threshold to either 10 or 11 percent; clarifying who qualifies for benefits under the new system; considering a schedule for amputations; and retaining the existing permanent partial impairment benefit rate of 33.3 percent of state average weekly wage.

ECONOMIC DEVELOPMENT BILL DRAFTS

Representative Berg suggested the committee consider drafting a bill that would create an investment tax credit. He said the bill could provide for a voucher system for individual use on the short-form income tax form. Under the program, he said, an agency such as the Department of Economic Development and Finance could qualify a business and thereby allow that business to raise funds for improvements.

Representative Glassheim said there is an existing seed capital investment tax credit that is available on the long form but is not available on the short form of the state income tax form.

Senator Sand said he supports Representative Berg's idea.

Representative Severson said it is important that a program such as that proposed by Representative Berg adequately meets the needs of the rural communities.

It was moved by Representative Berg, seconded by Senator Sand, and carried on a voice vote that the Legislative Council staff be requested to work with Representative Berg to prepare a bill draft that provides for an individual tax credit for investment in North Dakota businesses.

It was moved by Senator Krebsbach and seconded by Representative Severson that the Legislative Council staff work with Mr. Paul Lucy, Economic Development Associations of North Dakota, to prepare a bill draft that provides matching funds to local communities for economic development.

Ms. Joy Johnston, Greater North Dakota Association and Economic Development Associations of North Dakota, stated the bill draft idea is not being pursued by the Economic Development Associations of North Dakota but perhaps is being pursued by the Minot Area Development Association. Senator Krebsbach withdrew her motion, and Representative Severson withdrew his second.

Representative Thorpe presented and distributed a copy of a bill draft addressing the structure and

funding of the Department of Economic Development and Finance which was drafted by the Legislative Council at his request. He explained the bill draft would require the Department of Economic Development and Finance include a marketing division and a service provider division and would also provide that the department would be funded by a portion of the profits of the Bank of North Dakota. He said the bill draft would provide that the cost of administering the Bank of North Dakota would be funded by profits of the Bank of North Dakota in an amount equal to at least 21 percent of the Bank's profits.

Representative Thorpe said taxpayers are being hit hard, and it is difficult to ask them to fund economic development; whereas, the Bank of North Dakota was originally set up in part to further economic development in the state. He requested the committee members review the bill draft and that the bill draft be considered at the next meeting.

Representative Froseth said the result of Representative Thorpe's bill draft would be removal of the Bank of North Dakota funds from the general fund. He said regardless of the source of funding, taxpayers' moneys will not be saved.

Representative Thorpe said the bill draft was not necessarily intended to save taxpayers' moneys, but if economic development is successful, more tax moneys will come from new industry.

Representative Glassheim said under Representative Thorpe's bill draft, it may be easier for citizens to understand funding for economic development comes from the Bank of North Dakota.

Chairman Glassheim called on committee counsel to present the second version of a commerce department bill draft. Committee counsel said the only change made in the second version of the commerce department bill draft is that the Department of Labor has been removed from the new commerce department.

Chairman Glassheim called on Mr. Miles Friedman, Executive Officer, and Ms. Nancy McCray, Project Manager, National Association of State Development Agencies, via teleconference to make comments regarding proposed changes to the commerce department bill draft. Mr. Friedman provided a written document of recommendations concerning the creation of the North Dakota Economic Development Foundation and in regard to establishing a North Dakota commerce department, copies of which are on file in the Legislative Council office.

Mr. Friedman said his recommendations include:

1. The North Dakota foundation should be established as a partner to the proposed commerce department, with the responsibilities for functions such as strategic planning, benchmarking and program evaluation, research, fundraising, measuring, and other roles appropriate to a strong, private partner.

2. The foundation should have an executive director and limited research and administrative support staff, and should rely on outside contractors for most of the foundation's research activities, thereby keeping the staff to five or fewer people and allowing the foundation to take advantage of outside expertise.
3. The foundation should be charged with delivering a strategic economic development plan for the state as soon as reasonably possible. This plan should take into account the priorities of the Governor and the Legislative Assembly and should be prepared in consultation with key local, regional, and private sector players.
4. The foundation board members should be appointed by the Governor with consent of the Legislative Assembly and should serve overlapping terms in order to help achieve continuity in the program.

Mr. Friedman said advantages of his recommendations include creating a public/private partnership with a clear role that complements rather than conflicts with government; engaging private sector board members in a manner most appropriate to the members' time and interest; allowing government to tap private sector resources; putting in place a general type of model that has the most enduring success to date in state government; ensuring continuity and accountability in the state's economic development program; and strengthening the state's commitment to economic development.

Mr. Friedman said he supports the creation of a North Dakota commerce department, although there are several general issues that still need to be addressed, including providing guidance in how the transition from the current agency structure to the new commerce department will be handled as the changes are being made; how the commerce cabinet and unified economic development budget will be handled; how individual personnel issues will be addressed; and the timeline for establishing and implementing the new structure. Additionally, he said, there are specific items that must be worked out, including the mix of community development services that will be housed in the commerce department, and which if any will be continued to be delivered by a separate community services agency; the precise nature of a job training program that will be operated by the commerce department, as Job Service North Dakota evolves to being partially housed within the commerce department; and the means through which the commerce department will evaluate its operations for an intrastate economic development network and determine the best mix of in-house contract and partner agencies to utilize.

In response to a question from Representative Glasheim, Mr. Friedman said the extent of the

foundation's authority over economic development staff and grants would be to make recommendations to the commissioner. He said the foundation can be given grant authority, but this authority would need to be kept consistent with the duties of strategic planning.

Ms. Butcher said if the Division of Community Services is moved to the Department of Commerce, she would like the Division of Community Services to maintain its current duties regarding rules relating to the Model Energy Code. She said retention of these duties may require an amendment of the bill draft.

It was moved by Representative Berg, seconded by Representative Klemin, and carried on a voice vote that the Legislative Council be requested to prepare a new version of the commerce department bill draft which implements Ms. Butcher's request.

Senator Sand said under the bill draft, each division director serves at the will of the commissioner, and this provision puts politics back into the commerce department.

Representative Kliniske said Mr. Friedman suggested that the foundation make division head recommendations to the commissioner.

Representative Froseth said the manner of appointing division heads under the bill draft is similar to what exists now.

Representative Glasheim said he has concerns regarding the bill draft's inclusion of the Tourism Department. He said he does not want to lose focus on the provision of tourism services.

Representative Berg said tourism is a primary sector business and therefore appropriately included in the commerce department.

It was moved by Representative Berg, seconded by Representative Keiser, and carried on a voice vote that the Legislative Council be requested to prepare a new version of the commerce department bill draft which includes a Division of International Trade.

Representative Berg said under the bill draft, there is a commerce cabinet. He suggested that in order to determine the membership of this cabinet, a threshold amount of state funding trigger whether an agency is included on the cabinet. He recommended the committee members bring suggestions to the next committee meeting regarding whether particular cabinet agencies be specified in the bill draft.

Senator Sand said it is not appropriate to include the agricultural commodity boards on the cabinet because the state does not have control over how these boards spend their money.

Representative Klemin said in determining the members of the commerce cabinet, the real concern is inclusion of agencies over which the Governor does not have control.

It was moved by Representative Berg, seconded by Representative Froseth, and carried

on a voice vote that the Legislative Council staff be requested to prepare a new version of the commerce department bill draft which identifies the members of the commerce cabinet as including representatives from the State Board for Vocational Education, the State Board of Higher Education, the Bank of North Dakota, the Department of Agriculture, the Workers Compensation Bureau, and then any additional members appointed by the commissioner.

Representative Kliniske questioned the role the cabinet would play in creation of a state economic development plan versus the economic development plan created by the foundation.

Representative Glassheim said he understands the cabinet would help to organize how state funds are spent, and the foundation would perform strategic planning for economic development.

In response to a question from Representative Klemin regarding how the foundation would be funded, Representative Berg said the foundation should be funded through state moneys and should fund an executive director with a small staff. He said an additional small amount of money should be provided to the foundation to contract for services and to provide per diem payment and reimbursement expenses for members.

Representative Keiser said page 33, lines 15 and 16, of the commerce department bill draft seem to indicate the foundation would raise its own budget, and he would prefer not to appropriate money to the foundation.

Representative Glassheim said he questions whether distribution by the foundation of economic development funds would be consistent with Mr. Friedman's recommendations.

Representative Klemin said if the foundation were to fund itself, the state would be limited in what the state could be able to, or should be able to, direct the foundation to do.

Representative Berg said if the commerce department is reporting to the foundation, it would be a good idea for the state to retain some control over the foundation.

It was moved by Representative Berg and seconded by Representative Keiser that the Legislative Council staff be requested to prepare a new version of the commerce department bill draft which provides that the commerce department report to the Legislative Assembly and the foundation regarding the goals and objectives of the commerce department during the last year; a summary of activities and measurable results achieved by the commerce department; a review of the department's long-term goals and objectives; and the specific goals and activities planned for the next 12 months.

Representative Berg said on page 34, lines 1 through 3, of the commerce department bill

draft, the cabinet is charged with developing an economic development plan that identifies economic development moneys included in budget requests of cabinet agencies. He said he does not think it is the cabinet's duty to coordinate an economic development plan.

It was moved by Representative Keiser that the Legislative Council staff be requested to prepare a new version of the commerce department bill draft which removes the language on page 34, lines 1 through 3, regarding creation of an economic development plan. Chairman Glassheim declared **the motion failed for lack of a second.**

Representative Kliniske said it is important to note that on page 32, line 11, the commissioner is directed to prepare the cabinet's coordinated economic development plan. She said perhaps it would make sense on page 34, line 2, to replace "plan" with the words "flow chart."

It was moved by Representative Klemin, seconded by Representative Severson, and carried on a voice vote that the Legislative Council staff be requested to prepare a new version of the commerce department bill draft which provides for development of a coordinated identification of economic development moneys included in the budget request of cabinet agencies instead of providing for development of a coordinating economic development plan that identifies economic development moneys included in budget requests of cabinet agencies.

It was moved by Representative Klemin and seconded by Representative Berg that the Legislative Council staff be requested to prepare a new version of the commerce department bill draft which provides that one of the purposes of the foundation is to receive funds to finance the operation of the foundation.

Representative Johnson said the appropriation is not one of the purposes of the foundation.

Representative Klemin withdrew his motion, and Representative Berg withdrew his second.

Representative Keiser suggested the language in the bill draft which provides for compensation of foundation members be removed. He said the private sector could be allowed to participate in the foundation if it raised its own funds.

Senator Krebsbach said it is appropriate to provide the foundation with funding in order to get the foundation established and on its feet.

It was moved by Representative Berg, seconded by Representative Keiser, and carried on a voice vote that the Legislative Council staff be requested to prepare two alternative versions of the commerce department bill draft--one providing for a general fund appropriation to fund the foundation and the other providing for private funding to fund the foundation.

Chairman Glassheim said the committee will consider the venture capital bill draft at its next meeting. No further business remaining, Chairman Glassheim adjourned the meeting at 4:40 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:1