

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2032

2001 SENATE INDUSTRY, BUSINESS AND LABOR
SB 2032

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2032

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date January 10, 2001

Tape Number	Side A	Side B	Meter #
1	x		0 to end
1		x	2.7 to end
2	x		0 to 1.9
(1/29) 2		x	7.5 to end
	3	x	0 to 7.5
(1/31) 3	x		44.9 to 53.1
Committee Clerk Signature <i>Dois E. Pines</i>			

Minutes:

The committee was called to order. Roll call was taken: all members present. The hearing was opened on SB2032: relating to merging the division of community services, department of economic development and finance, and tourism department into a department of commerce. Lee Peterson, Director, Economic Development and Finance, testified in appreciation of the work done by all the people involved in this bill. In favor of consolidation.

Tony Grindberg, Senator District 41, IBL Interim Committee, overview of the work done in the last two years. During last session a study resolution was attached to ED&F project to look at the issue of privatizing this agency. Looked at the state of Wyoming model. Economic development is a process not an event. Keep three things in mind as you listen to testimony: 1) Think about the last twenty years- the process of growth and the efforts to diversify our economy which

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number SB2032

Hearing Date January 10, 2001.

produced results in the 1990s; 2) Think between now and 2010 and the tools put in place, how to become better and smarter to elevate the process of growth in the state; 3) Tax base growth.

Miles Friedman, President, National Association of State Development Agencies (NASDA), written testimony attached.

Senator Mutch: Is NASDA a private or public organization?

M. Friedman: Private nonprofit.

Senator Mathern: Will the Dept of Labor and Job Services be added to the Commerce Department?

M. Friedman: At this point we are trying to get the basic structure in place and then looking forward to filling the details, workforce development is an issue that will be explored.

Senator Mathern: Other agencies will possibly be added to this department?

M. Friedman: One of the important things of this bills is that there is flexibility to allow us to provide the services needed. Rep.

Elliot Glassheim, Chairman, Interim IBL Committee, Consider the bill in the context of population decrease, per capita income not increasing; without action in economic development it would worsen. Increased state commitment to economic development involves focusing resources, setting up structures, assurances, or projects or programs that would give confidence to investors and legislators that additional resources are needed to promote economic development. There is support for additional resources for economic development, there is some disagreement on how to get there, concern about centralization. There is substantial agreement on having a central cabinet, on economic development privatization (Economic Development Private Sector Foundation), skepticism about unified economic development budget, about size

of organization (efficiency). There was little testimony that current system is not working. We need to expand resources and to bring private sector in. There are questions as to which agencies should be involved (banking, finance, insurance?). I don't think the Bank of North Dakota should be involved.

Senator Tollefson: There has been an adversarial position between state ED&F and local developers. How will this work better at the local level?

Rep. Glassheim: There is nothing in the bill that will tell you one way or another. Concern about community development package going into this centralized organization. Question is whether a centralized agency will be more helpful to urban areas than to rural ones.

Senator Tollefson :How cooperation will take place, private sector should have bigger role than public sector, how do you attract capital?

Rep. Glassheim: There are other bills that will address that, trying to encourage North Dakota money to invest in North Dakota.

Jennifer Clark, Legislative Council, neither for nor against the bill, explained substance of the bill. Bulk of the bill is found in pages 32 to 35.

Senator Mathern : In page 8, "director of commerce", is it the same as "commissioner"?

J. Clark: My assumption is that under your department you got your commissioner and underneath that, the division director, there will be a director for the ED&F division. Rulemaking authority is transferred to the department. Corporate Board is advisory.

Senator Klein : Governor will still appoint directors.

J. Clark: Appointments will be made by the commerce commissioner appointed by the governor. Commissioner's duties are spelled out in page 33 line 8 forward. The North Dakota Development Foundation will be comprised of 15 to 30 members appointed by governor, their

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Senate Industry, Business and Labor Committee

Bill/Resolution Number SB2032

Hearing Date January 10, 2001.

role is advisory and to set accountability measures, there is no enforcement mechanism in there.

Commerce Cabinet: pages 34-35. Page 40 (lines 8-12), appropriation clause, there may be transition issues that may need to be worked out. Cabinet is comprised of state agency heads and the foundation of the private sector.

Jack Dalrymple, Lieutenant Governor, Governor Hoeven favors this bill. Real reason for combining agencies: synergy resulting from people working together in common effort. Base program of tourism will not be diminished, consolidation will bring more resources to them. Initial consolidation proposal will show approximately 4 administrative position savings, beyond that would be up to legislature. Rural vs. urban noting in this bill will change what we have now. Needed at state level: more resources, more development dollars, investment tax credit to stimulate investment activity, not more bureaucracy, the rest of the structure is there.

Jim Melland, Vice-president Economic Development Association of North Dakota. In favor of bill. Written testimony attached.

Tracy Potter, President and Executive Director, Fort Abraham Lincoln Foundation, speaking as a private citizen. Written testimony attached. In favor of bill. Envisions conflict between agency and Tourism, economic developers have different focus, tourism loses seat at governor's cabinet, conflicts in tourism promotion.

Senator Mathern: Concern with Commerce Commissioner position being almost autonomous, a lot of power. Intent is important but how it plays out in rule making may turn out completely different.

Terri Thiel, Executive Director, Dickinson Convention and Visitors Bureau, President ND Association of Convention and Visitors Bureaus, No general consensus at this time for or against

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Senate Industry, Business and Labor Committee
Bill/Resolution Number SB2032
Hearing Date January 10, 2001.

the bill, advantageous in being part of process but budget is a concern, also representation in cabinet position. We still need to discuss it among ourselves.

Hearing concluded.

January 29, 2001. Tape 2-B- 7.5 to end; 3- A - 0 to 7.5

Committee reconvened. All members present. Proposed amendments and organizational chart submitted by Senator Grindberg discussed.

Senator Klein: Major changes page 32 "shall" was removed, inserted "may". "Division of international trade" was removed. International trade is outsourced and they would like to keep it that way. The way the language is now, it would be an agency position. We want to make sure tourism is inserted in page 34, line 11. Clarify what foundation will do, seek private funds.

Page 34, line 31, change to include department division directors in the cabinet. In page 35 we are adding transportation, job service and game and fish. We want to make sure tourism and ED&F are there. Eliminate restrictions on meetings in page 35, line 7.

Allan Stenehjem, Tourism Director: with this amendments tourism placed back in governors cabinet. Will retain a voice and keep its identity. There is assurance our budget will be a separate line item. These amendments came out because of the concerns of the CVBs, at their suggestion.

Senator Every: Page 34, line 10 add word geographical to insure small town representation or something to that effect or "rural representation".

Senator Klein: Include after word "cross section" add words "including rural".

Move to accept Grindberg amendment, and the amendment to the amendment.

Senator Espgaard seconded.

Roll call vote: 7 yes; 0 no. Motion carried. Discussion.

Senator Klein: Move do pass as amended. **Senator Espgaard:** seconded.

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Senate Industry, Business and Labor Committee

Bill/Resolution Number SB2032

Hearing Date January 10, 2001.

Roll call vote: 3 yes; 4 no. Motion failed.

January 31, 2001. Tape 3-A-44.9 to 53.1

Discussion held. Amendment presented by Senator Klein discussed.

Senator Klein: Motion to adopt amendment. **Senator Espegard:** Seconded

Roll call vote: 7 yes; 0 no. Motion carried.

Senator Espegard: Motion: do pass as amended. **Senator Tollefson:** Seconded.

Roll call vote: 7 yes; 0 no. Motion carried. Floor assignment : **Senator Klein**

FISCAL NOTE
 Requested by Legislative Council
 12/14/2000

Bill/Resolution No.: SB 2032

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

No fiscal impact. This fiscal note assumes the expenditures for the Department of Commerce are equal to the consolidated expenditures of the Department of Economic Dev. & Finance, Division of Community Services and Dept. of Tourism, all of which are included in the executive budget.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Sandy Paulson	Agency:	OMB
Phone Number:	328-2148	Date Prepared:	01/08/2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2032

Page 26, line 23, overstrike "and"

Page 26, line 24, after "2." insert "An international trade office; and
3."

Page 32, line 8, overstrike "shall" and insert immediately thereafter "may"

Page 32, line 9, overstrike "shall" and insert immediately thereafter "may"

Page 32, line 29, remove "A division of international trade;"

Page 32, line 30, remove "e."

Page 32, line 31, replace "f" with "e"

Page 34, line 11, after "business" insert ", tourism."

Page 34, line 14, replace "nine" with "seven"

Page 34, after line 15, insert:

"3. The foundation shall seek funding for administrative expenses from private sector sources and shall seek and distribute private sector funds for use in commerce-related activities in the state."

Page 34, line 16, replace "3" with "4" and replace "foundation" with "executive committee"

Page 34, line 19, replace "division of economic development and finance's" with "department's"

Page 34, line 21, after "Monitor" insert "tourism and"

Page 34, remove lines 24 through 26

Page 34, line 31, after the first "the" insert "directors of each of the department divisions and of
the"

Page 35, line 2, after the third underscored comma insert "the department of transportation, job service North Dakota, the game and fish department,"

Page 35, line 5, after "development" insert "and tourism"

Page 35, line 7, replace "a minimum of four times and a maximum of twelve times each year"
with "at times determined by the commissioner"

Renumber accordingly

Date: 1/29/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2032

Senate Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt amendments & amendment to amendment

Motion Made By Sen Klein Seconded By Sen Espgaard

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson					

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To include commerce dept. in governor's cabinet
To insert "rural representation"

Date: 1/29/01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass as amended

Motion Made By Sen Klein Seconded By Sen Espgaard

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman		✓	Senator Every		✓
Senator Klein - Vice Chairman	✓		Senator Mathem		✓
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson		✓			

Total (Yes) 3 No 4

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

January 31, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2032

Page 33, line 1, replace "Each division director serves at the will" with "The governor shall appoint the directors of the division of community services, division of economic development and finance, and the division of tourism. Each of these directors serves at the pleasure of the governor and receives a salary set by the governor within the limits of legislative appropriation."

3. The commissioner shall appoint the directors of the division of workforce development and any other division created by the commissioner under subsection 1. Each of these directors serves at the pleasure"

Page 33, line 13, remove "Shall appoint directors to administer each of the department divisions:"

Page 33, line 14, remove "5."

Page 33, line 16, replace "6" with "5"

Page 33, line 17, replace "7" with "6"

Page 33, line 19, replace "8" with "7"

Page 33, line 21, replace "9" with "8"

Page 33, line 25, replace "10" with "9"

Page 33, line 27, replace "11" with "10"

Page 34, line 3, replace "12" with "11"

Page 34, line 4, replace "13" with "12"

Renumber accordingly

Date: 1/31/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2032

Senate Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt amendments as proposed

Motion Made By Sen Klein Seconded By Sen Espgaard

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/31/01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2032

Senate Industry, Business and Labor

Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended

Motion Made By Sen Espgaard Seconded By Sen Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2032: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2032 was placed on the Sixth order on the calendar.

Page 26, line 23, overstrike "and"

Page 26, line 24, after "2." insert "An international trade office: and
3."

Page 32, line 8, overstrike "shall" and insert immediately thereafter "may"

Page 32, line 9, overstrike "shall" and insert immediately thereafter "may"

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Page 32, line 30, remove "e."

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Page 33, line 19, replace "8" with "7"

Page 33, line 21, replace "9" with "8"

Page 33, line 25, replace "10" with "9"

Page 33, line 27, replace "11" with "10"

Page 34, line 3, replace "12" with "11"

Page 34, line 4, replace "13" with "12"

Page 34, line 11, after "business" insert ", tourism."

Page 34, line 12, after "representation" insert ", and must ensure that at least one member represents rural concerns"

Page 34, line 14, replace "nine" with "seven"

Page 34, after line 15, insert:

"3. The foundation shall seek funding for administrative expenses from private sector sources and shall seek and distribute private sector funds for use in commerce-related activities in the state."

Page 34, line 16, replace "3" with "4" and replace "foundation" with "executive committee"

Page 34, line 19, replace "division of economic development and finance's" with "department's"

Page 34, line 21, after "Monitor" insert "tourism and"

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Page 34, line 31, after the first "the" insert "directors of each of the department divisions and of the"

Page 35, line 2, after the third underscored comma insert "the department of transportation, job service North Dakota, the game and fish department."

Page 35, line 5, after "development" insert "and tourism"

Page 35, line 7, replace "a minimum of four times and a maximum of twelve times each year" with "at times determined by the commissioner"

Renumber accordingly

2001 SENATE APPROPRIATIONS

SB 2032

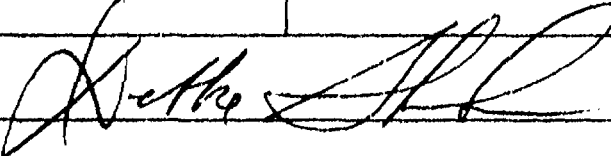
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2032

Senate Appropriations Committee

Conference Committee

Hearing Date February 13, 2001

Tape Number	Side A	Side B	Meter #
1	X		0.0-16.2
Committee Clerk Signature 			

Minutes:

Senator Nething opened the hearing on SB 2032.

Jennifer Clark, Legislative Council, stated she would answer any questions on the amendment changes made by Industry, Business & Labor (I, B & L) Committee on the bill. This is a structured fiscal impact only.

Representative Bruce Eckre, District #25, appeared in favor of the bill and the appropriation.

Carol Two Eagles, appeared in support of the bill to make a hub for native Americans on and off the reservation. This is an economic impact for the Department of Commerce.

Dale Anderson, GNDA, appeared in favor of the bill stating progress will be made with this bill and it is the right combination. GNDA is involved with new economy initiative, this is technology for ND. This will be beneficial for the Department of Commerce.

Senator Nething: This bill is following the Economic, Development and Finance Budget; changes have been made by I, B & L Committee; did this cause any heartburn with you folks.

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Senate Appropriations Committee

Bill/Resolution Number SB 2032

Hearing Date February 13, 2001

Dale Anderson: This bill draft is desirable; U, B & L gave an excellent combination and we support the amendments.

Steve Egeland, EDND, spoke in favor of the bill. We have 100 members across ND who strongly favor this bill. It is good legislation access to the departments.

Senator Grindberg: Please address the foundation part on page 34, Line 13-30.

Lee Peterson, Department of Commerce, responded, this is a private sector side of the bill for funding of \$100,000. The Department of Commerce works with three heads and other strategic planning. This plan will raise over and above the initial investment.

Senator Andrist: There are 30 members and only 1 representing the rural areas?

Lee Peterson: Rural areas are never left out and there is real movement down the road.

Legislation from the interim I, B & L Committee. Open areas in rural representation and it is strong with this committee.

Senator Thane: 40% of our state economy is in agriculture, is it really fair to only have one rural representative in this area, this troubles me, please comment.

Lee Peterson: There is one seat for the rural areas; more seats to be made for agriculture and others. Need people for these committees to be successful. Businesses are the drivers in the state.

Senator Tomac: On page 37 of the bill, what does continuing appropriation apply to and on page 32, ED & F, will this delete other agencies reports?

Lee Peterson: to the first question I'm not sure on the continuing appropriation, second question, the report by the Department of Commerce is for all the departments.

Senator Nething: On the continuing appropriation, is this primarily for federal funds.

Page 3

Senate Appropriations Committee

Bill/Resolution Number SB 2032

Hearing Date February 13, 2001

Jennifer Clark, Legislative Council, For existing commission services. The purpose is for carrying out the Chapter 54-44.5 for continuing appropriation to the departments not the division.

Senator Robinson: My observation on page 40 with effective dates 8/01/01 for this new department; this administrative date, emergency date?

Lee Peterson: We worked with departments and consulted with I, B & L on the date.

Senator Holmberg: 8/1/01 is the effective date anyway; same with all bills.

Bill Schalbo, with Hospitality Association, spoke in favor of the bill and recommended a do pass.

With no opposition the hearing was closed. Senator Nething stated this bill will go into subcommittee with ED & F, Senator Grindberg, chair.

Tape #1, Side A, 16.2

February 16, 2001 Full Committee Action (Tape 1, Side A, Meter No. 39.9-43.7)

Senator Nething reopened the hearing on SB2032.

Discussion. Senator Grindberg moved a DO PASS; seconded by Senator Heitkamp. Call for the

Roll Call Vote: 13 yes; 0 no; 1 absent and not voting. Floor assignment back to Senator Klein, original carrier.

Date: 2-14-01

Roll Call Vote #: _____

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2032

Senate Appropriations Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken As Passed

Motion Made By Sen Grindberg Seconded By Sen Heitkamp

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac	✓				
Joel C. Heitkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman					
John M. Andrist	✓				

Total Yes 13 No 0

Absent _____

Floor Assignment Senator Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 16, 2001 11:36 a.m.

Module No: SR-29-3843
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2032, as engrossed: Appropriations Committee (Sen. Nething, Chairman)
recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed SB 2032 was placed on the Eleventh order on the calendar.

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2032

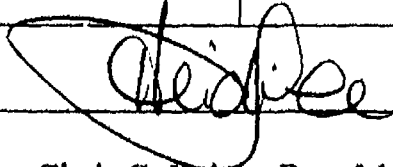
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2032

House Industry, Business and Labor Committee

Conference Committee

Hearing Date March 13, 2001

Tape Number	Side A	Side B	Meter #
1	X		0-42.1
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Kelsner, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Jennifer Clark: *Commerce and Labor Committee* This bill creates the commerce department, cabinet, and ND economic development foundation. This bill provides the definitions, divisions, duties, and committee members.

Lee Peterson: *ED&F director* Explained organization of the setup of the Dept. of Commerce. This allows for a foundation for money and this is also by private industry. The cabinet coordinates the issues to get them in action faster. The Governor now would appoint the heads. I'd like to move it back to the Commissioner. The heads of the departments would be unclassified.

Rep. Ekstrom: How does marketing fit in?

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2032

Hearing Date March 13, 2001

Peterson: We have a two-year plan to do trade-shows, media, and so forth and we hope to bring in more tourism.

Rep. Pietsch: Is there a limit on how long each position can be served.

Peterson: No but it is likely to change with the change of the Governor.

Chairman Berg: What are your staff plans?

Peterson: They would come out of the administrative groups.

Rep. Jensen: Who is likely to give money?

Peterson: Private industries will invest.

Rep. Ekstrom: How will you address a 'turf building' question?

Peterson: There is going to be less turf and I feel the issue is already very small.

Steve Egeland: (33.2) *Economic Developer* We support this bill because it creates a focal point for everyone.

Bill Shalhoob: *ND Hospitality Assoc.* We support this bill and feel that tourism is important to be appointed by the Governor. There are marketing synergies there.

Chairman Berg: How will this benefit tourism?

Page 3

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2032

Hearing Date March 13, 2001

Shalhoob: Marketing synergies to create traffic in ND and this may be streamlined to create more dollars.

Chairman Berg: We'll close the hearing on SB 2032.

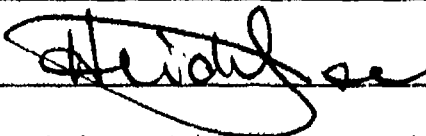
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2032(B)

House Industry, Business and Labor Committee

Conference Committee

Hearing Date March 20, 2001

Tape Number	Side A	Side B	Meter #
1	X		0-49.7
1		X	47.2-58.5
2		X	9.1-17.6
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Chairman Berg: Provided and explained amendments for bill.

Vice-Chair Keiser: Why not add hospitality and tourism?

Chairman Berg: I just had the core things in mind as I drafted this.

Rep Kasper: "including average annual wage".

Chairman Berg: That doesn't generally include ag.

Rep Thorpe: I move the amendment.

Rep Koppang: I second.

Vice-Chair Keiser: Primary sector jobs are well defined in this bill and tourism isn't included.

Rep Thorpe: I withdraw my motion.

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House Industry, Business and Labor Committee

Bill/Resolution Number SB 2032(B)

Hearing Date March 20, 2001

Chairman Berg: This bill evolved in the Interim Committee. We felt that tourism seems to be automatically involved in economic development.

Vice-Chair Keiser: I oppose adding tourism to this bill.

Rep Kasper: Primary sector jobs are good but they're quite a few businesses that are economic developments not falling in as a primary sector.

Chairman Berg: Primary sector is making a product and creating money from out of state consumers.

Rep Pietsch: I think tourism is an export industry because outside consumers are spending their money here.

Rep Severson: Tourism seems to be a part of our commerce.

Rep Thorpe: I think tourism would be a much smaller entity if it wasn't included.

Vice-Chair Keiser: Where are the dollars coming from? Tourism money would come out of other places at others' expense. This could take money from a new business to fund a part-time (summer) industry.

Rep M. Klein: (35.8) We need to move in a direction to get this moving and work on it over time to see what works and what won't.

Rep Ekstrom: I agree, we can tweak it as we go.

Rep Koppang: A promotion of tourism is a promotion to get new businesses to come in.

Rep Froseth: Adding tourism won't hurt the mission.

Rep Kasper: This doesn't talk about technology or other "now" industries.

Rep Ruby: I don't think anyone would ignore that.

Rep Severson: Anything goes as far as expanding businesses.

Page 3

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2032(B)

Hearing Date March 20, 2001

Rep Pietsch: Any product that has most of it's consumers from out of state counts.

Jennifer Clark: (T1B 47.2) *Legislative Council* Explained amendments and offered to review state boards listed. Prepared some of the amendments needed, 10190.0302.

Clark: (T2B 9.1) Provided and explained amendments .0303.

Vice-Chairman Keiser: I move the amendments.

Rep M. Klein: I second.

Rep Froseth: I move a do pass as amended.

Rep Lemieux: Second.

12 yea, 1 nay, 2 absent Carrier Chairman- Rick Berg

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2032

Page 1, line 17, after the first semicolon insert "to provide for correction of statutory references;"

Page 28, line 3, after the semicolon insert "and"

Page 28, line 4, overstrike "Report at least annually to an interim committee designated by the legislative"

Page 28, line 5, overstrike "council on performance of all divisions of the", remove "division", and overstrike "of economic"

Page 28, overstrike line 6

Page 28, line 7, overstrike "satisfaction the", remove "division", and overstrike "of economic development and finance has in"

Page 28, overstrike lines 8 through 11

Page 28, line 12, overstrike "9."

Page 33, replace lines 3 through 11 with:

"2. The commissioner shall appoint the directors of the division of community services, division of economic development and finance, division of workforce development, and any division created by the commissioner under subsection 1. Effective August 1, 2005, the commissioner shall also appoint the director of the division of tourism. Each director serves at the pleasure of the commissioner and is entitled to receive a salary set by the commissioner within the limits of legislative appropriation. Until August 1, 2005, the governor shall appoint the director of the division of tourism, who shall serve at the pleasure of the governor and is entitled to receive a salary set by the governor within the limits of legislative appropriation."

Page 34, line 7, replace "on" with ":

a. On"

Page 34, line 8, replace ", on" with ":

b. On"

Page 34, line 9, replace ", on" with ":

c. On"

Page 34, line 10, replace ", and summarizing" with ":

d. On"

Page 34, line 11, after the underscored semicolon insert "and

e. On commerce benchmarks, including the average annual wage in the state, the gross state product exclusive of agriculture, and the number of primary sector jobs in the state;"

Page 40, after line 21, insert:

"SECTION 56. LEGISLATIVE COUNCIL CORRECTION OF STATUTORY REFERENCES. The legislative council may replace references to the "department of economic development and finance", "division of community services", "tourism department", and "department of economic development and finance division of finance" with references to the "department of commerce division of economic development and finance", department of commerce division of community services", "department of commerce division of tourism", "department of commerce division of economic development and finance finance office", "department of commerce", and "commissioner of commerce", or any variation of these terms as appropriate, in any measure enacted by the fifty-seventh legislative assembly."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2032

Page 26, line 30, remove "Director" and overstrike "- Appointment" and insert immediately thereafter "Director"

Page 26, line 31, overstrike "The" and remove "commissioner of"

Page 27, line 1, remove "commerce" and overstrike "shall appoint as director a person who is qualified by training, knowledge, and"

Page 27, overstrike lines 2 and 3

Page 27, line 4, overstrike "of the", remove the first "commissioner", overstrike "and shall receive a salary set by the", and remove the second "commissioner"

Page 27, line 5, overstrike "within the limits of legislative appropriations."

Page 30, line 17, overstrike "1."

Page 30, line 21, overstrike "2. The", remove "commissioner of commerce", overstrike "shall appoint a director of the", and remove "division of"

Page 30, line 22, overstrike "tourism", overstrike "who shall serve at the will of the", remove "commissioner", and overstrike the period

Renumber accordingly

Date: 3-20-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2032

House Industry, Business and Labor Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Froseth Seconded By Lemieux

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser		✓	Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich		✓	Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson		✓
			Rep. Elwood Thorpe	✓	

Total (Yes) 12 No 1

Absent 2

Floor Assignment Rep Berg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2032, as engrossed: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (12 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). Engrossed SB 2032 was placed on the Sixth order on the calendar.

Page 1, line 17, after the first semicolon insert "to provide for correction of statutory references;"

Page 26, line 30, remove "Director" and overstrike "- Appointment" and insert immediately thereafter "Director"

Page 26, line 31, overstrike "The" and remove "commissioner of"

Page 27, line 1, remove "commerce" and overstrike "shall appoint as director a person who is qualified by training, knowledge, and"

Page 27, overstrike lines 2 and 3

Page 27, line 4, overstrike "of the", remove the first "commissioner", overstrike "and shall receive a salary set by the", and remove the second "commissioner"

Page 27, line 5, overstrike "within the limits of legislative appropriations."

Page 28, line 3, after the semicolon insert "and"

Page 28, line 4, overstrike "Report at least annually to an interim committee designated by the legislative"

Page 28, line 5, overstrike "council on performance of all divisions of the", remove "division", and overstrike "of economic"

Page 28, overstrike line 6

Page 28, line 7, overstrike "satisfaction the", remove "division", and overstrike "of economic development and finance has in"

Page 28, overstrike lines 8 through 11

Page 28, line 12, overstrike "9."

Page 30, line 17, overstrike "1."

Page 30, line 21, overstrike "2. The", remove "commissioner of commerce", overstrike "shall appoint a director of the", and remove "division of"

Page 30, line 22, overstrike "tourism", overstrike "who shall serve at the will of the", remove "commissioner", and overstrike the period

Page 33, replace lines 3 through 11 with:

"2. The commissioner shall appoint the directors of the division of community services, division of economic development and finance, division of workforce development, and any division created by the commissioner under subsection 1. Effective August 1, 2005, the commissioner shall also appoint the director of the division of tourism. Each director serves at the pleasure of the commissioner and is entitled to receive a salary set by the

commissioner within the limits of legislative appropriation. Until August 1, 2005, the governor shall appoint the director of the division of tourism, who shall serve at the pleasure of the governor and is entitled to receive a salary set by the governor within the limits of legislative appropriation.

Page 34, line 7, replace "on" with ";

a. On"

Page 34, line 8, replace ", on" with ";

b. On"

Page 34, line 9, replace ", on" with ";

c. On"

Page 34, line 10, replace ", and summarizing" with ";

d. On"

Page 34, line 11, after the underscored semicolon insert "and

e. On commerce benchmarks, including the average annual wage in the state, the gross state product exclusive of agriculture, and the number of primary sector jobs in the state;"

Page 38, line 5, overstrike "hereby"

Page 38, line 6, overstrike "which" and insert immediately thereafter "that"

Page 38, line 8, overstrike "and it" and insert immediately thereafter ", The council" and overstrike the second "shall"

Page 38, line 9, overstrike "consist" and insert immediately thereafter "consists" and after "of" insert "a traffic counsel selected by the members of the council, a representative of the railways serving the state who is selected by the council, and"

Page 38, line 14, overstrike "livestock industry council" and insert immediately thereafter "North Dakota stockmen's association"

Page 38, line 15, after "Dakota" insert "state"

Page 38, line 18, overstrike "farmers"

Page 38, line 19, overstrike "The North Dakota railway lines."

Page 38, line 20, overstrike "10."

Page 38, line 21, overstrike "11." and insert immediately thereafter "10."

Page 38, overstrike lines 22 and 23

Page 40, after line 21, insert:

SECTION 56. LEGISLATIVE COUNCIL CORRECTION OF STATUTORY REFERENCES. The legislative council may replace references to the "department of

REPORT OF STANDING COMMITTEE (416)
March 23, 2001 11:37 a.m.

Module No: HR-51-6531
Carrier: Berg
Insert LC: 10190.0303 Title: .0400

economic development and finance", "division of community services", "tourism department", and "department of economic development and finance division of finance" with references to the "department of commerce division of economic development and finance", department of commerce division of community services", "department of commerce division of tourism", "department of commerce division of economic development and finance finance office", "department of commerce", and "commissioner of commerce", or any variation of these terms as appropriate, in any measure enacted by the fifty-seventh legislative assembly."

Renumber accordingly

2001 HOUSE APPROPRIATIONS

SB 2032

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2032

House Appropriations Committee

Conference Committee

Hearing Date March 30, 2001

Tape Number	Side A	Side B	Meter #
03-30-01 tape #1	1649 - 3105		
Committee Clerk Signature <i>Kathie Hall</i>			

Minutes:

The committee was called to order, and opened the hearing on SB 2032.

Chairman Timm: SB 2032 was referred to our committee and it relates to the department of commerce. It came from the IBL committee and they sent it out with a Do Pass and rereferred it to us.

Rep. Martinson: Handed out amendments. Wants to keep his remarks brief, and although the amendments are 4 pages long, they are simple. They remove Tourism from the proposed Economic Development Department. He requests a recorded vote. If he doesn't win, he would request a minority vote. He gives statistics: from 1990 to 1998 agriculture grew 1/10 of 1%, manufacturing grew 61%, coal grew 7.3%, oil decreased 12.7%, and tourism grew 517%. From 1998 to 1999 tourism grew 35.5%. Tourism represents 30% of the ND economy. Thinks its too important and too good for us to merge it into another department. Moves amendment 10190.0304. Seconded by Rep. Carlisle.

Rep. Skarphol: Looking at the third page of the amendment, what does page 38, line 9 do?

Rep. Martinson: Does not know. He asked the LC to write an amendment that would remove Tourism from the proposed department of commerce. Explains that this is an amendment to the engrossed bill.

Rep. Kempenich: Explains how he sees the wording, as a shift of where they were.

Jim Smith, LC: Because these are in lieu of amendments, they also include what was done by the House IBL committee. This amendment consolidates what was done in IBL and what was requested of Rep. Martinson, and may not directly relate to tourism.

Rep. Skarphol: Cannot resist saying this, and feels that tourism has done such a good job in this state, and they need to help the economic development department.

Rep. Glassheim: Rep. Martinson do you know what is composed in your statistics, what are we counting as part of tourism, are we counting every burger sold, every hotel spending, every gallon of gas sold? Some of this is not really as a result of the tourism industry.

Rep. Martinson: These statistics were gathered by NDSU, department of ag economics, and has a data sheet he could provide. They would count all of that, he believes.

Rep. Koppelman: Comments that the commerce bill has not passed out of this committee yet, but the subcommittee did make some effort to protect tourism in the budget bill. We have tried to protect the dollars earmarked for tourism, if it does indeed become part of the department of commerce.

Chairman Timm: Representative Martinson has requested a recorded roll call vote, and a minority report. (laughter at that) Okay, either a majority or minority report, we'll find out.

Roll call vote, 9 yes, 12 no, 0 absent and not voting. Motion fails.

Page 3

House Appropriations Committee

Bill/Resolution Number SB 2032

Hearing Date March 30, 2001

Chairman Timm: Motion fails, 9 to 12.

Rep. Martinson: Requests the minority report.

(Some discussion as to minority report options, and Jim Smith from LC gives some direction).

Rep. Byerly: Moves DO PASS. Seconded by Rep. Koppelman.

Rep. Kerzman: Asks for counsel/directions from Jim Smith of LC, as to the minority report, and where the amendment from the House IBL committee stands.

Jim Smith: States that the House had already voted on them, and we will be back to the bill with those amendments.

Vote on Do Pass : 20 yes, 1 no, 0 absent and not voting. Motion passes.

Rep. Warner: Asks about how the minority report, amendment is to be carried to the floor.

Rep. Glassheim: Asks for clarification of carrying the minority report to the floor.

Rep. Timm is assigned to carry this bill to the floor.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2032

In lieu of the amendments to Senate Bill No. 2032 as printed on pages 1074 through 1076 of the House Journal, Engrossed Senate Bill No. 2032 is amended as follows:

Page 1, line 5, after the sixth comma insert "and" and remove "and"

Page 1, line 6, remove "24-03-21,"

Page 1, line 10, after the seventh comma insert "and"

Page 1, line 11, remove "54-34.4-01, 54-34.4-02, and 54-34.4-04,"

Page 1, line 13, after the first comma insert "and" and remove ", and subsection 6 of section 57-39.2-28"

Page 1, line 14, replace the second comma with "and"

Page 1, line 15, remove ", and tourism department"

Page 1, line 17, after the first semicolon insert "to provide for correction of statutory references;"

Page 9, remove lines 12 through 18

Page 26, line 30, remove "Director" and overstrike "- Appointment" and insert immediately thereafter "Director"

Page 26, line 31, overstrike "The" and remove "commissioner of"

Page 27, line 1, remove "commerce" and overstrike "shall appoint as director a person who is qualified by training, knowledge, and"

Page 27, overstrike lines 2 and 3

Page 27, line 4, overstrike "of the", remove the first "commissioner", overstrike "and shall receive a salary set by the", and remove the second "commissioner"

Page 27, line 5, overstrike "within the limits of legislative appropriations."

Page 28, line 3, after the semicolon insert "and"

Page 28, line 4, overstrike "Report at least annually to an interim committee designated by the legislative"

Page 28, line 5, overstrike "council on performance of all divisions of the", remove "division", and overstrike "of economic"

Page 28, overstrike line 6

Page 28, line 7, overstrike "satisfaction the", remove "division", and overstrike "of economic development and finance has in"

Page 28, overstrike lines 8 through 11

Page 28, line 12, overstrike "9."

Page 30, remove lines 14 through 30

Page 31, remove lines 1 through 30

Page 32, remove lines 1 through 14

Page 32, line 24, replace the first underscored comma with "and" and remove "and the department of tourism"

Page 32, line 29, remove "A division of tourism;"

Page 32, line 30, remove "d."

Page 33, line 1, replace "e" with "d"

Page 33, replace lines 3 through 11 with:

"2. The commissioner shall appoint the directors of the division of community services, division of economic development and finance, division of workforce development, and any division created by the commissioner under subsection 1. Each director serves at the pleasure of the commissioner and is entitled to receive a salary set by the commissioner within the limits of legislative appropriation."

Page 34, line 7, replace "on" with ";"

a. On"

Page 34, line 8, replace ", on" with ";"

b. On"

Page 34, line 9, replace ", on" with ";"

c. On"

Page 34, line 10, replace ", and summarizing" with ";"

d. On"

Page 34, line 11, after the underscored semicolon insert "and

- e. On commerce benchmarks, including the average annual wage in the state, the gross state product exclusive of agriculture, and the number of primary sector jobs in the state;

Page 34, line 20, remove "tourism."

Page 35, line 3, remove "tourism and"

Page 35, line 17, remove "and tourism"

Page 38, line 5, overstrike "hereby"

Page 38, line 6, overstrike "which" and insert immediately thereafter "that"

Page 38, line 8, overstrike "and it" and insert immediately thereafter "The council" and overstrike the second "shall"

Page 38, line 9, overstrike "consist" and insert immediately thereafter "consists" and after "of" insert "a traffic counsel selected by the members of the council, a representative of the railways serving the state who is selected by the council, and"

Page 38, line 14, overstrike "livestock industry council" and insert immediately thereafter "North Dakota stockmen's association"

Page 38, line 15, after "Dakota" insert "state"

Page 38, line 18, overstrike "farmers"

Page 38, line 19, overstrike "The North Dakota railway lines."

Page 38, line 20, overstrike "10."

Page 38, line 21, overstrike "11." and insert immediately thereafter "10."

Page 38, overstrike lines 22 and 23

Page 40, remove lines 15 through 19

Page 40, after line 21, insert:

"SECTION 51. LEGISLATIVE COUNCIL CORRECTION OF STATUTORY REFERENCES. The legislative council may replace references to the "department of economic development and finance", "division of community services", and "department of economic development and finance division of finance" with references to the "department of commerce division of economic development and finance", department of commerce division of community services", "department of commerce division of economic development and finance finance office", "department of commerce", and "commissioner of commerce", or any variation of these terms as appropriate, in any measure enacted by the fifty-seventh legislative assembly."

Page 40, line 23, replace the first comma with "and" and remove ", and"

Page 40, line 24, remove "tourism department"

Renumber accordingly

Date: 3-30-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2032

House APPROPRIATIONS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 10190.0304

Action Taken Motion to adopt amendment

Motion Made By Rep. Martinson Seconded By Rep Carlisle

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman		✓			
Wald - Vice Chairman	✓				
Rep - Aarvold	✓		Rep - Koppelman		✓
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly		✓	Rep - Monson		✓
Rep - Carlisle	✓		Rep - Skarphol		✓
Rep - Delzer		✓	Rep - Svedjan	✓	
Rep - Glassheim		✓	Rep - Thoreson		✓
Rep - Guleson		✓	Rep - Warner	✓	
Rep - Huether		✓	Rep - Wentz	✓	
Rep - Kempenich		✓			
Rep - Kerzman	✓				
Rep - Kliniske		✓			

Total (Yes) 9 No 12

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Motion failed

Date: 3-30-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2032

House APPROPRIATIONS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do PASS

Motion Made By Rep. Byerly Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer		✓	Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleson	✓		Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman	✓				
Rep - Kliniske	✓				

Total (Yes) 20 No 1

Absent 0

Floor Assignment Rep. Timm

If the vote is on an amendment, briefly indicate intent:

2001 SENATE INDUSTRY, BUSINESS AND LABOR

CONFERENCE COMMITTEE

SB 2032

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2032

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date April 19, 2001.

Tape Number	Side A	Side B	Meter #
1	x		0 to end
		x	0 to 4.4
(4/20) 1	x		0 to 14.1
Committee Clerk Signature <i>Doris & Perez</i>			

Minutes:

Committee was called to order. Present: Senator Mutch, Senator Tollefson, Senator Every, Representative Berg; Representative Keiser and Representative Lemieux.

Senator Mutch: We thought the bill was sent to the House in good shape. Please explain what needs to be worked on. You want the Commissioner to appoint all division heads except the Tourism Department which will be a four year appointment made by the Governor.

Rep. Keiser: The other departments are truly departments of government. Tourism is a cabinet level position which the others are not. We had a lot of debate on the House about whether Tourism should be spawned out of this bill, if there was some risk in losing Tourism by moving it into this larger organization, some of its power and contact with the governor would be lost. A compromise was reached to make the transition. As the bill is, it will be a semi-cabinet position for four years and the governor will appoint the director. Rather than removing it completely there will be an interim step. This will give a chance to work everything out. In that time, if

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number SB 2032

Hearing Date April 19, 2001.

everything works well, Tourism will be transitioned into the Commerce Department, if not (and there was a lot of concern in the House about that) it can be moved back out without too much disruption. That is my interpretation.

Rep. Berg: My concern was more from the long term structure standpoint. If you have a person appointed by someone else working for you, it creates a convoluted chain of command.

Obviously the Commissioner is going to appoint people the Governor wants.

Senator Mutch: Could the Governor "un-appoint" them?

Rep. Kelsner: I think he could. Concern is imposing heads of departments on Commissioner. I cannot think of an organization in which you hire a supervisor or manager and tell them somebody else will select the heads of the departments

Rep. Berg: Long term one of the problems in ED&F is a lot of turnover in those top positions. Part of the direction in this whole effort is to get more stability. Maybe these positions will attract career people instead of governor appointees. They may still be removed but they may carry over from one administration to the other.

Senator Mutch: That may be wishful thinking you are dealing with a political body not with a business situation.

Senator Tollefson: We discussed that at length, the feeling is that it is political regardless of how you cut it. The people elect the governor, governor makes those appointments. This is a brand new area, a brand new concept. You have to gain the confidence of the people in these first four years, hopefully. That is why I felt it is important that the governor become directly involved with the appointment of those commissioners at least for the first four years.

Rep. Berg: If someone needs to be replaced it will be easier for the director than for the governor.

Discussion held.

Senator Tollefson: This is experimental, we don't know how it will work. The fear of some people is that industry will have to stop at the state house rather than in Fargo or Bismarck to receive what they think is particular attention for them.

Rep Berg: I certainly agree. I don't think governor can avoid accountability however the department is set. I think, long term, it should be the governor appointing the Commissioner and him appointing the others.

Rep. Keiser: I strongly support Rep. Berg's argument that we come back in two years and we tweak and refine this bill. No matter how we call it, this is a government department, we need the commissioner to have authority and responsibility to appoint others. Ultimately the governor will be accountable. This is a legislative initiative that both candidates endorsed.

Rep Berg: I want to reiterate that this evolved from a study resolution from last session focused on how to do better economic development. We had national resource people put this package together. One of the problems was the continuous shift of focus or maybe the lack of focus on what we are trying to achieve with economic development. We are missing some of the core stuff but one of the problems was having key people be political appointees and not economic development professionals. Balancing act the committee had was how to continue to give the governor control and at the same time allow some people to make a career on long term economic development and give consistency to those efforts. That was one of the reasons why we tried to remove the governor appointing some of these key people. I have no problem with the governor making those appointments right now, because I think that is what is going to happen anyhow. However if we are looking long term we should at least have those things sunset so that as least people see where we are going . If there is a big concern raised in the future we are going to have other legislative sessions to deal with it.

Senator Tollefson: I believe the sunset for the whole structure should be four years, that would be acceptable for most people.

Rep. Lemieux: Compromise might be to leave Tourism sunset at four and the others at two. We are going to be back in two years and work at it again.

Senator Tollefson: I am thinking in terms of Hoeven's term. He is appointing the commission. In four years if he is not back you will see new commission. The ripple effect and the political effect into those other appointments will be there too.

Rep Lemieux: You should not wait four years to transition because should there be a different governor you go back to square one on everything. The transition should take place within this term so that it can be managed by the same governor.

Rep Berg: There are other amendments I would like to propose. One of the issues with economic development is the perception in the rest of the country about our tax rate.

Rep Kelsner: We talked about de coupling and other things. In discussions with the Tax Commissioner we looked for way to make this simpler. Asked him if when we disclose the tax rate we disclose an effective rate instead of saying it is 14%. It would disclose it at two or five percent or whatever the rate is in terms of publishing, it would be a percentage of the gross. This simply deals with economic development and not actual rate itself but the effective rate. We will have some additional amendments. Currently reported tax rate is based on the long form and the long form has a variable rate that gets complicated and is higher. Perhaps it is more appropriate to say that our official reporting rate will be based on the short form which is lower and completely standardized. We are going to add this to the amendment so that we will not only report the effective rate but use the short form as the basis for the rate, not the long form as we

are currently doing. Other states are doing the same thing, putting their best foot forward. That will be very beneficial for economic development.

Rick Clayburgh, Tax Commissioner. We did a quick review to make sure it would not create any problems. We don't believe it will create any constitutional or administrative problems. We will work with John Bjorson from the Legislative Council to fix this amendment.

Discussion held.

Senator Mutch: All in agreement we should proceed with the amendment.

Rep Berg: This commerce deal has 3 different legs: Commerce Dept. with Workforce and Tourism on it; the cabinet which would include Higher Ed and DOT and everyone coming together to coordinate; the third leg is the Foundation. Foundation will be a public/private partnership, the nucleus that will drive the department and puts together strategic plan. This is in harmony with what the governor is thinking, there is an appropriation of 100 thousand for foundation to develop strategic planning. Two roles of Foundation: 1. strategic planning and 2. will hold economic development effort to some measure of accountability. Intention of the amendment is to clarify the role of the foundation, that is why sections c (strategic plan and accountability standards.) and d are added. The other issue relates to agriculture. There has been a wall between economic development and agricultural production. Value added agricultural industries have been pushed over. As we look at strategic planning, foundation should also consider value added agriculture as area where revenues and jobs can be increased.

Senator Tollefson: I agree there has been a wall between agriculture and economic development. Agriculture is such a major part of industry in ND that it should be working together with economic development.

Senator Mutch: What are the wished of the committee? Any problems with this language change and the proposed amendment?

Rep Berg: Version 400, Page 34, lines 6 to 8 that was one of the amendments put on the House and talks about three key bench marks: average annual wage, gross state product; and number of primary sector jobs. Those are measurements to look at to see if we are improving or not. My question was to make sure it goes into the right version of the bill.

Senator Tollefson: General public looks for accountability of where the money is going.

Rep Keiser: This amendments clarify definition of accountability and make clear we expect accountability.

Rep Berg: This are clear and measurable benchmarks.

Discussion held.

Senator Mutch distributed copies of amendment 10190.0306 which returns bill to original form and puts all employees out of central personnel and whole department on the same footing as ED&F which is out of job classifications.

Discussion on why amendments don't correspond with engrossed version of the bill. Legislative Council prefers conference committee recede from all amendments in second house and amend engrossed bill.

Rick Berg: Now we are bringing departments classified under central personnel in with ED&F which is not, blending employees that have different systems. Options would be to take all out of central personnel or include all.

Senator Mutch: To make adjustments in the number of employees it is easier if all not classified, we have seen that in Worker's Comp.

Rep Keiser: What do we gain by making all non classified?

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Senate Industry, Business and Labor Committee

Bill/Resolution Number SB 2032

Hearing Date April 19, 2001.

Rep Berg: I think termination of employment would be easier and also would give managers flexibility to institute bonuses and incentives.

Rep Keiser: One way to depoliticize would be to have them classified, like in the tax department where we have people with a lot of knowledge which cannot be terminated because of a change in administration. Hopefully with this new department we will get some professionals in there. In order to do that would we have to classify some positions or not? What we have done with economic development is train people that leave.

Rep Berg: We are trying to put together a new department, we don't want to set up barriers at the beginning that prevent putting the structure together.

Senator Tollefson: Classification revolves around tenure. Are there any other benefits?

Rep Keiser: Job security. If we look at number of people that have been trained and leave then classification would be a good idea.

Senator Tollefson: You don't want to create a conflict between the classified and non classified. Maybe at the beginning all should be non classified and then work from there.

Rep Keiser: I don't have a problem with that.

Senator Every: Certainly nobody would want to have to hire and train new people every four years.

Senator Mutch: Are we ready for any particular decision or do we need to ponder this further?

Rep Lemieux: There were technical corrections made in the House that if we were to recede from our amendments would need to be addressed. Page 38: line 12 "livestock industry council" we replaced it with " ND Stockmen Assn." line 16: "ND grain dealers assn." was replaced.

Rep. Berg: I can put all amendments together. The issue of concern: the appointments: one alternative would be to let governor appoint everyone and in two years let Commissioner appoint

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Senate Industry, Business and Labor Committee
Bill/Resolution Number SB 2032
Hearing Date April 19, 2001.

rest (Workforce, ED&F and Division of Community Services) and in four years Tourism would transition. Would we want to declassify employees and transition them into classified? As Rep Keiser says all of this will be reviewed in two years.

Rep Keiser: I want to make it clear that our intent is to look at it in two years and see whether some people will need to be classified.

Senator Tollefson: Then initially all employees should be unclassified.

Meeting adjourned.

April 20/01 Tape 1-A-0 to 1-A-14.4

Conference committee reconvened. All members present. Review and discussion of amendments.

Rick Claybrough, Tax Commissioner. By making the short form the main form and the long form the optional form our reporting will be focused on the short form. The way you are stating it we would be publishing all information according to the short form based on the effective rate of the short form interest. We have no problem with that. We would be listed like Vermont and Rhode Island. If Congress changes the tax rate it will be a prorate switch. I think this is very workable and addresses a lot of economic development concerns. Regarding page 5, subsection 2, all it does is renumerate that section of the code, it deals with exempt federal interest, there is no wording in there regarding municipal interest which is being addressed in HB 1399.

Rep Lemieux: Only changes made to tax code are the technical corrections underlined, otherwise rest is in the statute.

Discussion held.

Rep Lemieux: In page two of the amendments regarding the tourism director, why was the appointment date effective August of 2005?

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Senate Industry, Business and Labor Committee

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Hearing Date ~~April 19, 2001~~ 4-20-01

Rep Berg: That was what we had in the House. It will allow time for the new governor to appoint someone.

Rep Keiser: I move that the House recede from its amendments and the adoption of these amendments.

Senator Tollefson: Second.

Roll call vote : 6 yes; 0 no; 0 absent not voting. Motion carried. Floor assignment: Senator

Mutch.

10190.0306
Title.

Prepared by the Legislative Council staff for
Senator Mutch

April 17, 2001

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2032

That the House recede from its amendments as printed on pages 1160-1162 of the Senate Journal and pages 1074-1076 of the House Journal and that Engrossed Senate Bill No. 2032 be amended as follows:

Page 35, line 29, remove "commerce division of" and overstrike "economic"

Page 35, line 30, overstrike "development and finance" and insert immediately thereafter "commerce"

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2032

That the Senate accede to the House amendments as printed on pages 1160-1162 of the Senate Journal and pages 1074-1076 of the House Journal and that Engrossed Senate Bill No. 2032 be further amended as follows:

Page 34, line 29, replace "executive committee" with "foundation"

Page 35, line 1, replace ", including counsel in the" with ";

- c. Develop a strategic plan for economic development in the state and set accountability standards, measurements, and benchmarks to evaluate the effectiveness of the department in implementing the strategic plan;
- d. Develop a strategic plan for the development of value-added agriculture in the state; and

Page 35, remove line 2

Page 35, line 3, replace "c" with "e"

Page 35, line 4, replace "; and" with an underscored period

Page 35, remove line 5

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2032

That the Senate accede to the House amendments as printed on pages 1160-1162 of the Senate Journal and pages 1074-1076 of the House Journal and that Engrossed Senate Bill No. 2032 be further amended as follows:

Page 1, line 12, remove "and" and after "55-06-01" insert ", and 57-38-54"

Page 1, line 16, after "commerce" insert "and publication of statistics by the tax commissioner"

Page 40, after line 3, insert:

"SECTION 52. AMENDMENT. Section 57-38-54 of the North Dakota Century Code is amended and reenacted as follows:

57-38-54. Publication of statistics. The tax commissioner shall prepare and publish biennially statistics reasonably available with respect to the operation of this chapter, including amounts collected, classification of taxpayers, and such other facts as are deemed pertinent and valuable. The commissioner shall publish the tax rate imposed under section 57-38-30.3 as a percentage of adjusted federal tax liability and as the corresponding range of marginal tax rates as if the tax were imposed on taxable income."

Renumber accordingly

Short Form official

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2032

That the House recede from its amendments as printed on pages 1160-1162 of the Senate Journal and pages 1074-1076 of the House Journal and that Engrossed Senate Bill No. 2032 be amended as follows:

Page 1, line 3, remove "and"

Page 1, line 5, remove "and"

Page 1, line 6, remove "and"

Page 1, line 11, remove "and"

Page 1, line 12, remove "and" and after "55-06-01" insert ", 57-38-29, 57-38-30.3, 57-38-54"

Page 1, line 16, after "commerce" insert ", income tax filing methods for individuals, and publication of statistics by the tax commissioner"

Page 1, line 17, after the first semicolon insert "to provide for correction of statutory references;"

Page 26, line 30, remove "Director" and overstrike "- Appointment" and insert immediately thereafter "Director"

Page 26, line 31, overstrike "The" and remove "commissioner of"

Page 27, line 1, remove "commerce" and overstrike "shall appoint as director a person who is qualified by training, knowledge, and"

Page 27, overstrike lines 2 and 3

Page 27, line 4, overstrike "of the", remove the first "commissioner", overstrike "and shall receive a salary set by the", and remove the second "commissioner"

Page 27, line 5, overstrike "within the limits of legislative appropriations."

Page 28, line 3, after the semicolon insert "and"

Page 28, line 4, overstrike "Report at least annually to an interim committee designated by the legislative"

Page 28, line 5, overstrike "council on performance of all divisions of the", remove "division", and overstrike "of economic"

Page 28, overstrike line 6

Page 28, line 7, overstrike "satisfaction the", remove "division", and overstrike "of economic development and finance has in"

Page 28, overstrike lines 8 through 11

Page 28, line 12, overstrike "9."

Page 30, line 17, overstrike "1."

Page 30, line 21, overstrike "2. The", remove "commissioner of commerce", overstrike "shall appoint a director of the", and remove "division of"

Page 30, line 22, overstrike "tourism", overstrike "who shall serve at the will of the", remove "commissioner", and overstrike the period

Page 33, replace lines 3 through 11 with:

- "2. The commissioner shall appoint the director of any division created by the commissioner under subsection 1. Effective August 1, 2003, the commissioner shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development. Effective August 1, 2005, the commissioner shall appoint the director of the division of tourism. Each director appointed by the commissioner serves at the pleasure of the commissioner and is entitled to receive a salary set by the commissioner within the limits of legislative appropriation. Until August 1, 2003, the governor shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development and until August 1, 2005, the governor shall appoint the director of the division of tourism. The individuals appointed by the governor shall serve at the pleasure of the governor and are entitled to receive a salary set by the governor within the limits of legislative appropriations."

Page 34, line 7, replace "on" with ":

a. On"

Page 34, line 8, replace ", on" with ":

b. On"

Page 34, line 9, replace ", on" with ":

c. On"

Page 34, line 10, replace ", and summarizing" with ":

d. On"

Page 34, line 11, after the underscored semicolon insert "and

e. On commerce benchmarks, including the average annual wage in the state, the gross state product exclusive of agriculture, and the number of primary sector jobs in the state;"

Page 34, line 29, replace "executive committee" with "foundation"

Page 35, line 1, replace ", including counsel in the" with ";

- c. Develop a strategic plan for economic development in the state and set accountability standards, measurements, and benchmarks to evaluate the effectiveness of the department in implementing the strategic plan;
- d. Develop a strategic plan for the development of value-added agriculture in the state; and"

Page 35, remove line 2

Page 35, line 3, replace "c" with "e"

Page 35, line 4, replace "; and" with an underscored period

Page 35, remove line 5

Page 35, line 29, remove "commerce division of" and overstrike "economic"

Page 35, line 30, overstrike "development and finance" and insert immediately thereafter "commerce"

Page 38, line 5, overstrike "hereby"

Page 38, line 6, overstrike "which" and insert immediately thereafter "that"

Page 38, line 8, overstrike "and it" and insert immediately thereafter "The council" and overstrike the second "shall"

Page 38, line 9, overstrike "consist" and insert immediately thereafter "consists" and after "of" insert "a traffic counsel selected by the members of the council, a representative of the railways serving the state who is selected by the council, and"

Page 38, line 14, overstrike "livestock industry council" and insert immediately thereafter "North Dakota stockmen's association"

Page 38, line 15, after "Dakota" insert "state"

Page 38, line 18, overstrike "farmers"

Page 38, line 19, overstrike "The North Dakota railway lines."

Page 38, line 20, overstrike "10."

Page 38, line 21, overstrike "11." and insert immediately thereafter "10."

Page 38, overstrike lines 22 and 23

Page 40, after line 3, insert:

SECTION 52. AMENDMENT. Section 57-38-29 of the North Dakota Century Code is amended and reenacted as follows:

57-38-29. ~~Rate of tax on individuals~~ Optional method of computing tax. ~~Notwithstanding the other provisions of this chapter, an individual, estate, or trust may elect to determine state income tax liability by applying the provisions of this section.~~ A tax is hereby imposed upon every individual, to be levied, collected, and paid annually with respect to the taxable income of such individual as defined in this chapter, computed at the following rates:

1. On taxable income not in excess of three thousand dollars, a tax of two and sixty-seven hundredths percent.
2. On taxable income in excess of three thousand dollars and not in excess of five thousand dollars, a tax of four percent.
3. On taxable income in excess of five thousand dollars and not in excess of eight thousand dollars, a tax of five and thirty-three hundredths percent.
4. On taxable income in excess of eight thousand dollars and not in excess of fifteen thousand dollars, a tax of six and sixty-seven hundredths percent.
5. On taxable income in excess of fifteen thousand dollars and not in excess of twenty-five thousand dollars, a tax of eight percent.
6. On taxable income in excess of twenty-five thousand dollars and not in excess of thirty-five thousand dollars, a tax of nine and thirty-three hundredths percent.
7. On taxable income in excess of thirty-five thousand dollars and not in excess of fifty thousand dollars, a tax of ten and sixty-seven hundredths percent.
8. On taxable income in excess of fifty thousand dollars, a tax of twelve percent.

SECTION 53. AMENDMENT. Section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30.3. Simplified ~~optional~~ method of computing tax.

1. ~~Notwithstanding the other provisions of this chapter, an individual, estate, or trust may elect to determine state income tax liability by applying the provisions of this section. Any taxpayer electing to determine the taxpayer's income tax liability pursuant to this section is only eligible for those adjustments or credits which are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return pursuant to the provisions of this chapter, but who has not computed a federal taxable income or federal income tax liability figure shall compute such a federal taxable income figure using a pro-forma return pursuant to the provisions of this section in order to determine a federal income tax liability figure to be used as a starting point in computing state income tax.~~
2. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. This tax is fourteen percent of the individual's, estate's, or trust's adjusted federal income tax liability for the taxable year. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section.

Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal income tax liability figure, shall compute a federal income tax liability figure using a pro forma return in order to determine a federal income tax liability figure to be used as a starting point in computing state income tax under this section.

3. 2. The adjusted federal income tax liability for a resident individual, estate, and trust must be determined by multiplying the federal income tax liability by a fraction, the numerator of which is the adjusted gross income taxable to this state and the denominator of which is the total adjusted gross income as reported on the federal income tax return. To the extent they are included in the taxpayer's federal adjusted gross income, the following amounts must be excluded from the numerator:
- a. Interest income from obligations of the United States and income exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - b. The portion of a distribution from a qualified investment fund described in section 57-38-01 which is attributable to investments by the qualified investment fund in obligations of the United States, obligations of North Dakota or its political subdivisions, and any other obligation the interest from which is exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - c. An amount equal to the earnings that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.
4. 3. The adjusted federal income tax liability of a nonresident individual, estate, and trust must be determined by multiplying the federal income tax liability by a fraction, the numerator of which is the adjusted gross income derived from sources within this state and the denominator of which is the total adjusted gross income as reported on the federal income tax return. To the extent they are included in the taxpayer's federal adjusted gross income, the following amounts must be excluded from the numerator:
- a. Interest income from obligations of the United States and income exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - b. The portion of a distribution from a qualified investment fund described in section 57-38-01 which is attributable to investments by the qualified investment fund in obligations of the United States, obligations of North Dakota or its political subdivisions, and any other obligation the interest from which is exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - c. An amount equal to the earnings that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.
5. 4. For purposes of this section, "federal income tax liability" means the individual's, estate's, or trust's federal income tax computed for the taxable year under Internal Revenue Code sections 1 and 3, relating to the computation of the regular federal income tax before credits, including

calculation and tax rate modifications prescribed under other provisions of the Internal Revenue Code, adjusted as follows:

- a. Add the alternative minimum tax computed under Internal Revenue Code section 55;
- b. Add the tax on a lump sum distribution computed under Internal Revenue Code section 402; however, this adjustment does not apply if the lump sum distribution is received while a nonresident of this state and is exempt from taxation by this state under federal law;
- c. Add the tax on an accumulation distribution of a trust computed under Internal Revenue Code section 667;
- d. Add the tax computed under Internal Revenue Code section 72(m)(5) on excess benefits received from a qualified plan under Internal Revenue Code section 401(a) or a qualified annuity under Internal Revenue Code section 403(a);
- e. Add the tax computed under Internal Revenue Code section 72(q)(1) on an early distribution from an annuity contract;
- f. Add the tax computed under Internal Revenue Code section 72(t)(1) on an early distribution from a qualified retirement plan;
- g. Add the tax computed under Internal Revenue Code section 4973(a) on excess contributions to an individual retirement account, medical savings account, and certain Internal Revenue Code section 403(b) and annuity contracts; however, this adjustment does not apply if the individual, estate, or trust is a nonresident of this state;
- h. Add the tax computed under Internal Revenue Code section 4974(a) on excess accumulations in a qualified retirement plan; however, this adjustment does not apply if the individual, estate, or trust is a nonresident of this state;
- i. Add the tax computed under Internal Revenue Code section 4980A on excess distributions from a qualified retirement plan; and
- j. Subtract the credit for prior year minimum tax computed under Internal Revenue Code section 53.

Unless specifically provided for in this subsection, no federal income tax credit may be subtracted in determining the federal income tax liability for purposes of this section.

- ~~6~~ 5. A husband and wife filing a joint federal income tax return shall file a joint state income tax return if the return is filed under this section. If separate federal income tax returns are filed, one spouse's state income tax return may be filed under this section and the other spouse's income tax return may be filed under the other provisions of this chapter.
- ~~7~~ 6.
 - a. A resident individual, estate, or trust must be allowed a credit against the tax otherwise due under this section for the amount of any income tax imposed on the taxpayer for the taxable year by another state or territory of the United States or the District of Columbia on income derived from sources therein and which is also subject to tax under this section.

- b. The credit provided under this subsection may not exceed the proportion of the tax otherwise due under this section that the amount of the taxpayer's adjusted gross income derived from sources in the other taxing jurisdiction bears to the taxpayer's entire adjusted gross income as reported on the taxpayer's federal income tax return.
- ~~8.~~ 7. a. Individuals, estates, or trusts receiving a refund of federal income tax for a year for which an election to file state income tax returns has been made under this section shall file amended state income tax returns reducing the federal income tax liability for the year for which the federal income tax refund is granted and may not report the federal income tax refund in the year received.
- b. Individuals, estates, or trusts assessed additional federal income tax for a year for which an election to file state income tax returns has been made under this section shall file amended state income tax returns increasing the federal income tax liability for the year for which the additional federal income tax is assessed and may not report increased federal income tax liability in the year in which the additional federal income tax is paid.
- ~~9.~~ 8. The tax commissioner may prescribe procedures and guidelines to prevent requiring income that had been previously taxed under this chapter from becoming taxed again because of the provisions of this section and may prescribe procedures and guidelines to prevent any income from becoming exempt from taxation because of the provisions of this section if it would otherwise have been subject to taxation under the provisions of this chapter.
- ~~10.~~ 9. A taxpayer filing a return under this section is entitled to the credit provided under section 57-38-01.20.
- ~~11.~~ 10. A taxpayer filing a return under this section is entitled to the exemptions or credits provided under sections 40-63-04, 40-63-06, and 40-63-07.

SECTION 54. AMENDMENT. Section 57-38-54 of the North Dakota Century Code is amended and reenacted as follows:

57-38-54. Publication of statistics. The tax commissioner shall prepare and publish biennially statistics reasonably available with respect to the operation of this chapter, including amounts collected, classification of taxpayers, and such other facts as are deemed pertinent and valuable. The commissioner shall publish the tax rate imposed under section 57-38-30.3 as a percentage of adjusted federal tax liability and as the corresponding range of marginal tax rates as if the tax were imposed on taxable income.

Page 40, after line 21, insert:

"SECTION 59. LEGISLATIVE COUNCIL CORRECTION OF STATUTORY REFERENCES. The legislative council may replace references to the "department of economic development and finance", "division of community services", "tourism department", and "department of economic development and finance division of finance" with references to the "department of commerce division of economic development and finance", "department of commerce division of community services", "department of commerce division of tourism", "department of commerce division of economic development and finance finance office", "department of commerce", and "commissioner of commerce", or any variation of these terms as appropriate, in any measure enacted by the fifty-seventh legislative assembly."

Page 40, line 27, replace "This" with "Sections 52 through 54 of this Act are effective for taxable years beginning after December 31, 2000, and the remainder of this"

Renumber accordingly

Date: April 19, 2001.
Roll Call Vote #: /

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2032

Senate INDUSTRY, BUSINESS AND LABOR Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 10190.0309

Action Taken House recede from House amendments and adoption of these amendments
Motion Made By Rep. Leiser Seconded By Sen. Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Mutch	✓		Representative Berg	✓	
Senator Tollefson	✓		Representative Keiser	✓	
Senator Every	✓		Representative Lemieux	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen Mutch

If the vote is on an amendment, briefly indicate intent:

REPORT OF CONFERENCE COMMITTEE

SB 2032, as engrossed: Your conference committee (Sens. Mutch, Tolletson, Every and Reps. Berg, Kelsner, Lemieux) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1160-1162, adopt amendments as follows, and place SB 2032 on the Seventh order:

That the House recede from its amendments as printed on pages 1160-1162 of the Senate Journal and pages 1074-1076 of the House Journal and that Engrossed Senate Bill No. 2032 be amended as follows:

Page 1, line 3, remove "and"

Page 1, line 5, remove "and"

Page 1, line 6, remove "and"

Page 1, line 11, remove "and"

Page 1, line 12, remove "and" and after "55-06-01" insert ", 57-38-29, 57-38-30.3, 57-38-54"

Page 1, line 16, after "commerce" insert ", income tax filing methods for individuals, and publication of statistics by the tax commissioner"

Page 1, line 17, after the first semicolon insert "to provide for correction of statutory references;"

Page 26, line 30, remove "Director" and overstrike "- **Appointment**" and insert immediately thereafter "Director"

Page 26, line 31, overstrike "The" and remove "commissioner of"

Page 27, line 1, remove "commerce" and overstrike "shall appoint as director a person who is qualified by training, knowledge, and"

Page 27, overstrike lines 2 and 3

Page 27, line 4, overstrike "of the", remove the first "commissioner", overstrike "and shall receive a salary set by the", and remove the second "commissioner"

Page 27, line 5, overstrike "within the limits of legislative appropriations."

Page 28, line 3, after the semicolon insert "and"

Page 28, line 4, overstrike "Report at least annually to an interim committee designated by the legislative"

Page 28, line 5, overstrike "council on performance of all divisions of the", remove "division", and overstrike "of economic"

Page 28, overstrike line 6

Page 28, line 7, overstrike "satisfaction the", remove "division", and overstrike "of economic development and finance has in"

Page 28, overstrike lines 8 through 11

Page 28, line 12, overstrike "9."

Page 30, line 17, overstrike "1."

Page 30, line 21, overstrike "2. The", remove "commissioner of commerce", overstrike "shall appoint a director of the", and remove "division of"

Page 30, line 22, overstrike "tourism", overstrike "who shall serve at the will of the", remove "commissioner", and overstrike the period

Page 33, replace lines 3 through 11 with:

"2. The commissioner shall appoint the director of any division created by the commissioner under subsection 1. Effective August 1, 2003, the commissioner shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development. Effective August 1, 2005, the commissioner shall appoint the director of the division of tourism. Each director appointed by the commissioner serves at the pleasure of the commissioner and is entitled to receive a salary set by the commissioner within the limits of legislative appropriation. Until August 1, 2003, the governor shall appoint the directors of the division of community services, division of economic development and finance, and division of workforce development and until August 1, 2005, the governor shall appoint the director of the division of tourism. The individuals appointed by the governor shall serve at the pleasure of the governor and are entitled to receive a salary set by the governor within the limits of legislative appropriations."

Page 34, line 7, replace "on" with ";

a. On"

Page 34, line 8, replace ", on" with ";

b. On"

Page 34, line 9, replace ", on" with ";

c. On"

Page 34, line 10, replace ", and summarizing" with ";

d. On"

Page 34, line 11, after the underscored semicolon insert "and"

e. On commerce benchmarks, including the average annual wage in the state, the gross state product exclusive of agriculture, and the number of primary sector jobs in the state;"

Page 34, line 29, replace "executive committee" with "foundation"

Page 35, line 1, replace ", including counsel in the" with ";

g. Develop a strategic plan for economic development in the state and set accountability standards, measurements, and benchmarks to evaluate the effectiveness of the department in implementing the strategic plan;

- d. Develop a strategic plan for the development of value-added agriculture in the state; and

Page 35, remove line 2

Page 35, line 3, replace "c" with "d"

Page 35, line 4, replace "; and" with an underscored period

Page 35, remove line 5

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Page 38, line 8, overstrike "and it" and insert immediately thereafter "The council" and overstrike the second "shall"

Page 38, line 9, overstrike "consist" and insert immediately thereafter "consists" and after "of" insert "a traffic counsel selected by the members of the council, a representative of the railways serving the state who is selected by the council, and"

Page 38, line 14, overstrike "livestock industry council" and insert immediately thereafter "North Dakota stockmen's association"

Page 38, line 15, after "Dakota" insert "state"

Page 38, line 18, overstrike "farmers"

Page 38, line 19, overstrike "The North Dakota railway lines."

Page 38, line 20, overstrike "10."

Page 38, line 21, overstrike "11." and insert immediately thereafter "10."

Page 38, overstrike lines 22 and 23

Page 40, after line 3, insert:

"SECTION 52. AMENDMENT. Section 57-38-29 of the North Dakota Century Code is amended and reenacted as follows:

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1. On taxable income not in excess of three thousand dollars, a tax of two and sixty-seven hundredths percent.

2. On taxable income in excess of three thousand dollars and not in excess of five thousand dollars, a tax of four percent.
3. On taxable income in excess of five thousand dollars and not in excess of eight thousand dollars, a tax of five and thirty-three hundredths percent.
4. On taxable income in excess of eight thousand dollars and not in excess of fifteen thousand dollars, a tax of six and sixty-seven hundredths percent.
5. On taxable income in excess of fifteen thousand dollars and not in excess of twenty-five thousand dollars, a tax of eight percent.
6. On taxable income in excess of twenty-five thousand dollars and not in excess of thirty-five thousand dollars, a tax of nine and thirty-three hundredths percent.
7. On taxable income in excess of thirty-five thousand dollars and not in excess of fifty thousand dollars, a tax of ten and sixty-seven hundredths percent.
8. On taxable income in excess of fifty thousand dollars, a tax of twelve percent.

SECTION 53. AMENDMENT. Section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30.3. Simplified optional method of computing tax.

1. ~~Notwithstanding the other provisions of this chapter, an individual, estate, or trust may elect to determine state income tax liability by applying the provisions of this section. Any taxpayer electing to determine the taxpayer's income tax liability pursuant to this section is only eligible for those adjustments or credits which are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return pursuant to the provisions of this chapter, but who has not computed a federal taxable income or federal income tax liability figure shall compute such a federal taxable income figure using a pro forma return pursuant to the provisions of this section in order to determine a federal income tax liability figure to be used as a starting point in computing state income tax.~~
2. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. This tax is fourteen percent of the individual's, estate's, or trust's adjusted federal income tax liability for the taxable year. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal income tax liability figure, shall compute a federal income tax liability figure using a pro forma return in order to determine a federal income tax liability figure to be used as a starting point in computing state income tax under this section.

- 3. 2.** The adjusted federal income tax liability for a resident individual, estate, and trust must be determined by multiplying the federal income tax liability by a fraction, the numerator of which is the adjusted gross income taxable to this state and the denominator of which is the total adjusted gross income as reported on the federal income tax return. To the extent they are included in the taxpayer's federal adjusted gross income, the following amounts must be excluded from the numerator:
- a. Interest income from obligations of the United States and income exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - b. The portion of a distribution from a qualified investment fund described in section 57-38-01 which is attributable to investments by the qualified investment fund in obligations of the United States, obligations of North Dakota or its political subdivisions, and any other obligation the interest from which is exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - c. An amount equal to the earnings that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.
- 4. 3.** The adjusted federal income tax liability of a nonresident individual, estate, and trust must be determined by multiplying the federal income tax liability by a fraction, the numerator of which is the adjusted gross income derived from sources within this state and the denominator of which is the total adjusted gross income as reported on the federal income tax return. To the extent they are included in the taxpayer's federal adjusted gross income, the following amounts must be excluded from the numerator:
- a. Interest income from obligations of the United States and income exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - b. The portion of a distribution from a qualified investment fund described in section 57-38-01 which is attributable to investments by the qualified investment fund in obligations of the United States, obligations of North Dakota or its political subdivisions, and any other obligation the interest from which is exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.
 - c. An amount equal to the earnings that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under chapter 57-35.3.
- 5. 4.** For purposes of this section, "federal income tax liability" means the individual's, estate's, or trust's federal income tax computed for the taxable year under Internal Revenue Code sections 1 and 3, relating to the computation of the regular federal income tax before credits, including calculation and tax rate modifications prescribed under other provisions of the Internal Revenue Code, adjusted as follows:
- a. Add the alternative minimum tax computed under Internal Revenue Code section 55;

- b. Add the tax on a lump sum distribution computed under Internal Revenue Code section 402; however, this adjustment does not apply if the lump sum distribution is received while a nonresident of this state and is exempt from taxation by this state under federal law;
- c. Add the tax on an accumulation distribution of a trust computed under Internal Revenue Code section 667;
- d. Add the tax computed under Internal Revenue Code section 72(m)(5) on excess benefits received from a qualified plan under Internal Revenue Code section 401(a) or a qualified annuity under Internal Revenue Code section 403(a);
- e. Add the tax computed under Internal Revenue Code section 72(q)(1) on an early distribution from an annuity contract;
- f. Add the tax computed under Internal Revenue Code section 72(t)(1) on an early distribution from a qualified retirement plan;
- g. Add the tax computed under Internal Revenue Code section 4973(a) on excess contributions to an individual retirement account, medical savings account, and certain Internal Revenue Code section 403(b) and annuity contracts; however, this adjustment does not apply if the individual, estate, or trust is a nonresident of this state;
- h. Add the tax computed under Internal Revenue Code section 4974(a) on excess accumulations in a qualified retirement plan; however, this adjustment does not apply if the individual, estate, or trust is a nonresident of this state;
- i. Add the tax computed under Internal Revenue Code section 4980A on excess distributions from a qualified retirement plan; and
- j. Subtract the credit for prior year minimum tax computed under Internal Revenue Code section 53.

Unless specifically provided for in this subsection, no federal income tax credit may be subtracted in determining the federal income tax liability for purposes of this section.

~~6.~~ 5. A husband and wife filing a joint federal income tax return shall file a joint state income tax return if the return is filed under this section. If separate federal income tax returns are filed, one spouse's state income tax return may be filed under this section and the other spouse's income tax return may be filed under the other provisions of this chapter.

~~7.~~ 6. a. A resident individual, estate, or trust must be allowed a credit against the tax otherwise due under this section for the amount of any income tax imposed on the taxpayer for the taxable year by another state or territory of the United States or the District of Columbia on income derived from sources therein and which is also subject to tax under this section.

b. The credit provided under this subsection may not exceed the proportion of the tax otherwise due under this section that the amount of the taxpayer's adjusted gross income derived from sources in the

other taxing jurisdiction bears to the taxpayer's entire adjusted gross income as reported on the taxpayer's federal income tax return.

- ~~8.~~ 7. a. Individuals, estates, or trusts receiving a refund of federal income tax for a year for which an election to file state income tax returns has been made under this section shall file amended state income tax returns reducing the federal income tax liability for the year for which the federal income tax refund is granted and may not report the federal income tax refund in the year received.
- b. Individuals, estates, or trusts assessed additional federal income tax for a year for which an election to file state income tax returns has been made under this section shall file amended state income tax returns increasing the federal income tax liability for the year for which the additional federal income tax is assessed and may not report increased federal income tax liability in the year in which the additional federal income tax is paid.
- ~~9.~~ 8. The tax commissioner may prescribe procedures and guidelines to prevent requiring income that had been previously taxed under this chapter from becoming taxed again because of the provisions of this section and may prescribe procedures and guidelines to prevent any income from becoming exempt from taxation because of the provisions of this section if it would otherwise have been subject to taxation under the provisions of this chapter.
- ~~10.~~ 9. A taxpayer filing a return under this section is entitled to the credit provided under section 57-38-01.20.
- ~~11.~~ 10. A taxpayer filing a return under this section is entitled to the exemptions or credits provided under sections 40-63-04, 40-63-06, and 40-63-07.

SECTION 54. AMENDMENT. Section 57-38-54 of the North Dakota Century Code is amended and reenacted as follows:

57-38-54. Publication of statistics. The tax commissioner shall prepare and publish biennially statistics reasonably available with respect to the operation of this chapter, including amounts collected, classification of taxpayers, and such other facts as are deemed pertinent and valuable. The commissioner shall publish the tax rate imposed under section 57-38-30.3 as a percentage of adjusted federal tax liability and as the corresponding range of marginal tax rates as if the tax were imposed on taxable income.

Page 40, after line 21, insert:

"SECTION 59. LEGISLATIVE COUNCIL CORRECTION OF STATUTORY REFERENCES. The legislative council may replace references to the "department of economic development and finance", "division of community services", "tourism department", and "department of economic development and finance division of finance" with references to the "department of commerce division of economic development and finance", "department of commerce division of community services", "department of commerce division of tourism", "department of commerce division of economic development and finance finance office", "department of commerce", and "commissioner of commerce", or any variation of these terms as appropriate, in any measure enacted by the fifty-seventh legislative assembly."

REPORT OF CONFERENCE COMMITTEE (420)
April 24, 2001 6:20 p.m.

Module No: SR-73-9220

Insert LC: 10190.0309

Page 40, line 27, replace "This" with "Sections 52 through 54 of this Act are effective for taxable years beginning after December 31, 2000, and the remainder of this"

Renumber accordingly

Engrossed SB 2032 was placed on the Seventh order of business on the calendar.

2001 TESTIMONY

SB 2032

Testimony of Miles Friedman, President, National Association of State Development Agencies (NASDA), on the Proposal to Create a North Dakota Department of Commerce (Senate Bill 2032)...Before the Senate Industry, Business & Labor Committee...January 10, 2001

Mr. Chairman, Senators, good morning, and thank you for this opportunity to address the Committee on the proposed North Dakota Department of Commerce and related organizational proposals. This is a subject near and dear to me, as I have been involved in helping to develop this proposal and have spent considerable time working with the staff of the North Dakota Department of Economic Development and Finance (ED&F), with the Governor's office, with members of the Interim Committee on Commerce and Labor, with members of the Economic Development Association of North Dakota (EDND) and the Greater North Dakota Association (GNDA), and with many other members of the North Dakota economic development community.

Background

By way of background, the company I work for, NASDA, was asked to assist the leadership of ED&F and the Interim Committee and we began collaborating with them in March of 2000. We were asked specifically to address the potential for consolidation of economic development programs and the prospects for increasing private sector participation in the state's program.

At NASDA, we traditionally work with all fifty states on issues like these, and have been doing so for over fifty years. We are an association of state development agencies, which has grown over the years into a comprehensive national economic development organization. Throughout the years, including my twenty plus years at its helm, NASDA has addressed the central issue of how states organize for economic development, including the movement in the past decade to "privatize" this function.

NASDA Perspective

For over fifty years, NASDA has worked with state development agencies all over the country to help them stay on top of the latest trends in economic development and to find ways to strengthen their own programs. In that capacity, NASDA has assisted with and documented the evolution of state agencies as they progressed from very rudimentary, single purpose offices, to broad based, multi-faceted organizations with a wide range of program responsibilities.

We maintain special programs in most major areas of concentration for economic development agencies, including: marketing and investment attraction; international trade and investment; travel and tourism development; economic development research; local/regional economic development and enterprise zones; technology development; business finance; and workforce development. We compile the most complete directory of state business incentives in the United States and document state efforts in international trade and most functional areas of economic development.

States depend upon us to keep up with and inform them on creative and effective ways to address

economic development needs and opportunities, and we do so through numerous workshops, white papers, focus groups, training programs, website services, newsletters and special events. For more than twenty years, we have also served as a non-profit consultant to states in each of the areas mentioned above, as well as conducting program assessments, re-organizations and strategic planning studies for the states.

Most recently, NASDA launched a special program for state and regional organizations interested in privatization and public-private partnerships. We have formed the National Resource Center for Public-Private Partnerships, have conducted two workshops on the subject and have compiled a database of state and regional partnerships for economic development. We are also in the process of forming a National Technology Alliance, which will become a clearinghouse for the numerous regional technology partnerships that are arising around the country.

It was this experience and these services, that led ED&F and the Interim Committee to ask for our assistance in helping to assess opportunities for enhancing the North Dakota economic development program.

A First Look at North Dakota

We started out by looking at the way the state was organized and funded for its economic development programs, and were somewhat surprised to learn that there were more than 20 different agencies and organizations which were receiving state funds to operate economic development programs. We worked to determine what the perception was of: what constitutes an economic development program, and of course found a wide range of opinions on this subject. One thing that many people agreed upon was that there was a broad range of program areas that were essential to the state's economic development function.

Intrinsic to our work was the background look we took at ED&F, and we were encouraged to find that, for the most part, the state would not have to overcome any serious image problems. In fact, the agency got generally high marks from those we talked to, (as did most of the existing players). The biggest concerns were about: the diversity of players getting state funds, with no central clearinghouse; the absence of a strong global development program; the concern over relative roles between state and local developers; whether the resources available to economic development were adequate; and the degree of private sector involvement in the state program.

The predominant feeling was that ED&F had many of the tools it needed, and that those that were missing could be added to this basic structure fairly comfortably. With the addition of some functions and the incorporation of others that were currently outside the agency, most people felt that an expanded ED&F could evolve into the Commerce Department that the state needed. In other words, rather than a radical departure, this would be a smooth, evolutionary process, that would leave the state in a stronger position, without causing a major disruption.

As the central player at the state level, ED&F got generally high marks for its performance, but there were concerns that its mandate was not broad enough and that some in the business

community and the local economic development community did not find it to be a "full service" agency. Functions such as international trade were underdeveloped, and others such as training, tourism and community development were operated outside the agency. A stronger, more coordinated organization, which at the same time was able to more aggressively mobilize to support local economic efforts, was what many people were hoping for. In fact, local development officials, through their association (EDND) had already drafted just such a proposal and had endorsed the concept of a revamped state ED agency in this mold.

The other inescapable issue was one that raised the question of how to more fully involve the private sector in the state's program. Some, including members of the state legislature nearly two years ago, had called for a change that would turn the entire state ED program over to a private organization, as has been tried in several other states. Others were looking for alternatives, that would increase private sector input and support, without switching the entire program to purely private control. Experience suggested to us that a solution short of complete privatization had the best chance of working.

What NASDA Recommends and Why

Our recommendations were all based on what has worked in other states, with modifications built around North Dakota's own unique circumstances. Large, comprehensive commerce departments have become the norm for coordinating and piggybacking diverse economic development programs. Other mechanisms have been sought to bring some consistency to a state's overall program mix and to augment accountability, and creative methods are being implemented to channel private sector interests and resources in support of state programs.

It is fair to say that building on the innovations of other states can allow North Dakota to create its own individual mix of tools, while allowing it to maintain its competitive position among its neighbors and other states.

Essential to any recommendations was our attempt to assess what North Dakotans thought that economic development is and how they thought it should be pursued. We also looked at what roles people saw for state, local and other players.

First, we suggested creating a centralized, comprehensive North Dakota Department of Commerce. *The critical idea was to create more synergy among the state's economic development programs, creating an atmosphere in which optimal opportunities for coordination of programs might occur. Beyond that thought was the idea of creating something close to a one stop shop, where businesses and communities would know where to turn in order to access the state's resources. Furthermore, a more unified agency would provide better command and control for the Governor and more accountability to the legislature and the taxpayers of North Dakota. Such a move would also place North Dakota more in the mainstream in terms of the direction that most other states have been taking in the way they organize.*

Central to this theme was that of creating the critical mass of program areas needed to operate a

strong state program. This meant including the core of the ED&F program, such as services to existing businesses, investment attraction, finance, research, and reinvigorating the global business development program. It also meant folding in some programs from among other crucial economic development program areas, such as travel and tourism, employment and training, and community development. In addition, we strongly recommended building a strong regional outreach network, that could serve as a mechanism for delivering state services to the communities and expanding it out by the local developers to the state program. Last, but not least, we have urged that North Dakota embark on a process to devise a long term strategic economic development plan for the state; but more on that a bit later.

It should be noted that moving development programs into the Commerce Department need not weaken those programs, but rather, should allow them to flourish. Travel and tourism, for example, has been folded into more traditional economic development program organizations in most states, as they have realized that this is one of the top industries and employers in most states. Tourism programs benefit by becoming more closely intertwined with business development programs and finding their way into the strategic planning process for economic development. This can pay huge dividends when it comes to investing in infrastructure, setting up guidelines for business assistance programs, developing criteria for financing and incentive programs and looking for synergies with outreach and marketing programs. What's more, an increasing number of local economies have set tourism as their primary goal for economic expansion, especially in smaller rural communities. The strongest mandate we have from the NASDA Tourism Division members, has been to help them become more fully integrated into the economic development planning and management system.

Second, we recommended that a Commerce Cabinet be established, so as to maximize cooperation and collaboration among the various state funded bodies that retain some economic development responsibilities. Naturally, not every state funded ED program would be folded into the new Commerce Department. A Commerce Cabinet would provide a forum through which the various relevant agencies could communicate, coordinate and cooperate. It would increase the ability of the Governor to mount a unified economic development program and to hold his or her agencies accountable for results. Likewise, it would allow the legislature greater peace of mind, that it was not funding a string of uncoordinated and unconnected set of state programs. The Commerce Cabinet would consist of agency heads or senior deputies, who would meet regularly, under the chairmanship of the Commerce Secretary.

Third, as the glue that would hold the apparatus together, we recommended that the state move to a unified economic development budget. This budget would cover all agencies that expend state funds for economic development, and would be submitted through the Commerce Department. All agencies with ED budget requests would have to submit them to the Secretary of Commerce to be vetted, and he/she would determine how those budget requests dovetail with the state's overall economic development strategy. Thus, the Governor's submission to the legislature would place all ED expenditures in one place, which would allow both the Governor and the legislature to identify all such expenditures, and to see how they fit together. Once again, this would strengthen the Governor's ability to lead a unified consistent program, and would enhance overall accountability to the legislature for how state funds are being spent.

Fourth, we addressed the privatization issue by recommending the creation of an economic development foundation, with a private board that would be appointed by the governor. The *Foundation Board would become a valued advisory panel for the Governor and Commerce Department and would serve as a valued opportunity for key private players to have input to the state program.* The Foundation itself could undertake several functions that would tap the unique private expertise and standing of its membership. Specifically, the Foundation would be the ideal body to oversee strategic planning and goal setting that would guide the state's efforts to strengthen its economy and could help set benchmarks with which to assess the effectiveness of the state's programs. Furthermore, the Foundation would be a resource for such uniquely private programs such as state ambassadors and mentors programs. Serving as ambassadors, company executives could help represent the state to outside interests, and as mentors they could assist instate companies. The Foundation Board could be selected by the Governor, with input from the legislature, and with nominations coming from key private sector groups in the state. Staggered terms would help gain some timeline consistency, without compromising accountability.

The foundation concept is based on the best of what has worked in other states. For the most part, those experiments with complete privatization have been characterized by confusion, controversy, dissension, competition and ultimately, re-organization. The most successful and enduring arrangements have been those where private non-profits have been established with specific, gap-filling functions in mind. This approach would effectively engage the private sector in support of the state's program and would add broader capacity to meet state economic development goals. All in all, the foundation would serve as an effective partner to the Commerce Department, would add a helpful tool in developing and implementing the Governor's program, would increase the confidence of the legislature that the state ED program was addressing private sector needs, and would provide a source of input and buy-in to the state program for businesses around the state.

It is important to note that the overall proposal would not be creating a more bureaucratic monolith at the state level, but in fact, would be putting in place a more flexible tool for pursuing economic development objectives, and one that would be more capable of being responsive to businesses and local economic development officials. It would do so by creating a focal point for accessing all state resources and by allowing parties throughout the state an easier opportunity to hold the state accountable for its programs. What's more, this more comprehensive, more connected, more unified structure, would be in a stronger position to support local economic development efforts, especially once the regional outreach program was in place. By developing a long term strategic economic development plan, the state would also add some predictability to its programming and would provide a guidepost against which all parties could assess program success.

In Conclusion

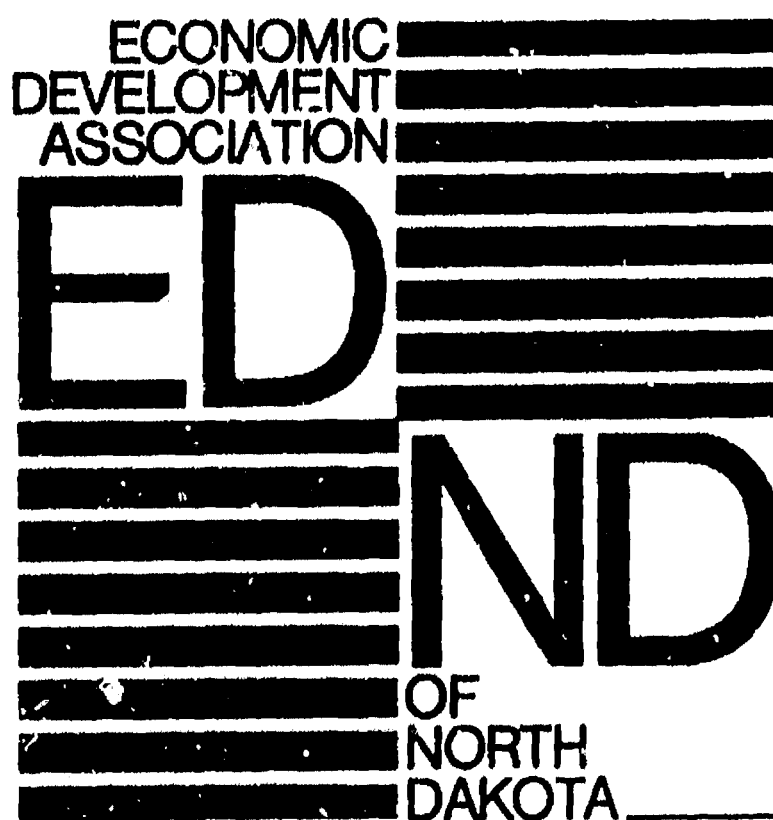
I believe that these proposals would help position North Dakota at the forefront of the national economic development movement and would enable the state to take full advantage of a unique opportunity to advance its economy for the next millennium. There is a window here for this Governor and Legislature to take historic steps that will move the state forward in great strides, while building on a solid foundation of North Dakota resources and tradition.

The excitement of a new Administration, coupled with the enthusiastic bi-bipartisan support for growth and change, are buttressed by a stirring commitment from the business community and local economic developers. This is a crossroads that should not be ignored. A great deal of momentum has gathered for enhancing the State's economic development program, and this should not be wasted. I applaud the foresight demonstrated by the legislature's Interim Committee, and the courage of Governor Hoveen in endorsing the Commerce proposal during the campaign. Now, the time is here to step boldly forward, making a statement to businesses and developers, not only in North Dakota, but all over the country, as to the strength and direction of your commitment.

As always, NASDA stands ready to assist in any way you need, and we will be aggressive in publicizing these exciting changes to the development community all over the United States.

Thank you again, for inviting me here today, and for the opportunity to work with so many fine people and organizations in North Dakota.

***E*CONOMIC *D*EVELOPMENT
ASSOCIATION OF *N*ORTH *D*AKOTA**



"VISION FOR THE NEW MILLENNIUM"

January, 2001

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA

"EDND'S VISION FOR THE NEW MILLENNIUM"

Goal #1 - 25,000 new primary sector jobs will be created in ND between 2000 and 2005

Goal #2 - ND's per capita income will be at least 93% of the national average by 2005

To achieve these goals, a clear definition of economic development must be understood. Economic development is a process - not an event - where public policy and the free enterprise intersect to generate "Primary Sector" growth that creates better jobs and personal wealth creation resulting in a higher standard of living for every member of the State.

The new millennium is bringing new economic development trends which the State of North Dakota needs to recognize and adjust to in order to capitalize on existing and future economic opportunities. These trends include:

- Globalization
- Technology & Telecommunications
- Regionalism
- Sustainable Development & Financial Commitment
- Workforce Development

The purpose of the Economic Development Association of North Dakota (EDND) vision is to develop a realistic approach for EDND, the State Legislature and the citizens of North Dakota to follow for understanding and promoting a positive economic future for the State. The following are specific issues that EDND recommends the State of North Dakota address and incorporate into a solid and comprehensive legislative strategy and vision for North Dakota.

1.) **Establish a North Dakota Department of Commerce structure.** State agencies who play a particularly active role in promoting economic development in North Dakota would come together under the umbrella of one public/private agency allowing them to function together with a shared strategic plan maximizing each others strengths. This issue is currently being explored by the Interim Commerce & Labor Committee. Agencies to be considered for inclusion in the Department of Commerce would include:

- ND Department of Economic Development & Finance
- ND Tourism Department
- ND Department of Community Services
- ND Labor Department
- ND Workforce Development Council

2.) **Economic Development finance and incentive programs.** The State of North Dakota must continue to provide finance and incentive programs to support future business start-up, expansion and recruitment projects. The following are existing programs the EDND supports remaining intact and funded at the suggested levels.

- ND PACE - Leave the program as is presently structured -- \$6,600,000
- AG-PACE - Leave the program as is presently structured -- \$1,500,000
- North Dakota Development Fund - Keep the program in place while keeping the regional rural development portion of the fund in place -- \$5,000,000
- Community Development Block Grant Program - Leave the program as is presently structured.
- Renaissance Zones - Recommend the following enhancements to the program.
 - Increase the tax credits available for Renaissance Venture Corporations and additional \$2,500,000
 - Allow the income and property tax exemption for renovation of currently owned residential property if it meets the minimum criteria.
- Corporate Income Exemptions - Leave the program as is presently structured
- Property Tax Exemptions - Leave the program as is presently structured
- Sales & Use Tax Exemptions on Manufacturing & Processing Equipment
 - Maintain the program as is presently structured to provide the exemption for primary sector manufacturing and processing companies. Recommend expanding the exemption to be applied to primary sector information processing companies as well. Such companies make up one of North Dakota's primary targeted industries and the State of North Dakota is not affording these businesses an equal opportunity to benefit from the Sales & Use Tax Exemption on Manufacturing & Processing Equipment as it is presently structured. Recommend that the exemption be expanded to be applicable to equipment within North Dakota based primary sector information processing companies. This equipment would include phone switches, WAN & LAN equipment, PBX equipment, servers, storage equipment, etc. It would not include desktop hardware and/or peripherals.

In order to attract and develop new companies that will compete in today's changing economy, new programs need to be established. Such programs would include:

- Investment Capital Fund - Recommend the establishment of a public/private risk investment fund aimed at providing start-up capital for entrepreneurial business. Targeted at e-commerce, information technology, and advanced technology companies.

- **Speculative Building Program** - Recommend the establishment of a speculative building finance program. The program would encourage private sector investment in speculative commercial buildings for primary sector business use. The program would offer a two-year waiver of property taxes and special assessments as long as the buildings constructed meet with the approval of the community and local development corporations. The Bank of North Dakota would provide participation loans to private developers to finance the speculative building on a short-term basis offering a two year window of no principle or interest payments on the permanent financing. If within this two year period the developer sells the building for a non-primary sector use, the developer would be required to repay the value of the incentives including the value of the tax exemption received up to the point of sale.

3.) **Workforce Development**. Despite North Dakota's declining population, the State is realizing a growth in new jobs being created and total statewide employment. This has begun to create a shortage of workers in the State. To support continued growth, the State of North Dakota must continue to support workforce development, training, and recruitment programs. Existing programs that have been extremely successful (although underfunded) that must be continued and funded at higher levels include:

- **Workforce 2000** - Restore to a higher level of funding and reinstate the original intent of the "New Job Definition" so retraining and upgrading for existing employees qualify. Restrict assistance to primary sector jobs only. -- \$2,500,000
- **New Jobs Training Program** - Maintain the program as presently designed.
- **Workforce Training Initiative** - Support the Workforce Training Initiative passed by the 1999 legislative session. The quadrant workforce training initiative offices would be supported through a combination of public/private funding sources.

Other workforce training programs/initiatives that warrant consideration based upon the growing demand for skilled workers include:

- Development of a state supported labor recruitment program
- Development of an incentive program for college graduates to stay and work in ND
- Explore a low interest mortgage rate program that would attract employees back to North Dakota working in targeted industries.
- Direct the ND University System to be strengthen and/or develop program offerings that are flexible, responsive and relevant to statewide economic development targeted industries and emerging industries. "Supplying Tomorrow's Workforce".

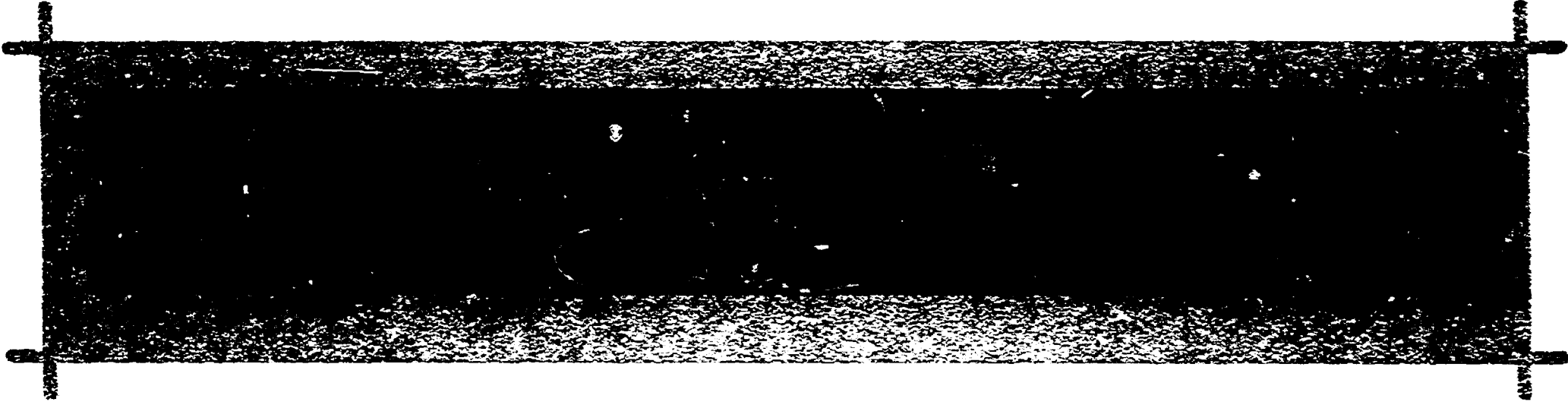
4.) **Economic Development Marketing, Public Relations & Education.** North Dakota is well known to the world as a tourist destination. However, it is virtually unknown as a destination for primary sector business operations and investment. To realize earlier stated goals, the State of ND must successfully start-up new companies, expand existing companies and recruit outside companies through a well defined strategy that would include:

- Develop and adequately fund a business attraction marketing program to bring more primary sector employment into ND. -- \$2,000,000 minimum appropriation.
- Locate & promote venture capital investment into North Dakota businesses
- Maintain programs like the Manufacturers Extension Partnership program to assess the needs of ND businesses and inform them of opportunities to support their continued growth.
- Promote entrepreneurship offerings taking place statewide.
- Support educational programs targeted at promoting professionalism and skills development for in-state economic development professionals.

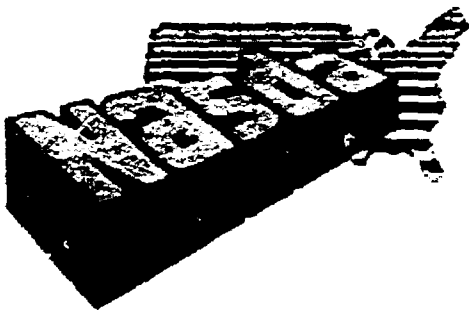
5.) **Technology Infrastructure Development.** Development and implementation of a statewide plan connecting all of North Dakota with a replete fiber optics and broad bandwidth network is a necessity for North Dakota to compete in the ever-expanding worldwide marketplace. The sooner North Dakota (state-wide) is more completely connected to the rest of the world, the quicker the State can begin to reap the rewards of new growth that will follow.

6.) **Agriculture Support & Development.** Regardless of the huge strides the State of North Dakota has made to diversify its economy, agriculture still remains one of our most vital industries. Every effort must be made at the state level to continue to support existing programs as they presently exist and to consider developing new programs that have the capacity to support the shift in our State from a commodity producing State to a food producing State.

- Support the Ag Products Utilization Commission at its current level of funding (i.e. with rural gas tax funding).
- Support the Beginning Farmer Loan Program as is presently structured.
- Support the Ag Mediation & Adult Farm Management Program as is presently structured.



Establishing a Game Plan for
Economic Development in
North Dakota...



January 10, 2001



ND Senate I,B & L
Committee/Testimony of Miles
Friedman

We Started at Ground Zero

- # What do you think of as Economic Development?
- # What should the state's role be?
- # What are the roles of Localities? Regions?
- # What are the roles of the many non-profits in North Dakota?
- # Can the private sector be more directly involved?

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

Evolution of a North Dakota System

- # Why are there so many ED programs in North Dakota, situated in so many agencies and organizations?
- # What are the goals for the ED system in North Dakota, and why?
- # Can we achieve: consolidation; coordination; stronger private sector role; greater tracking ability?

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

January 10, 2001

Where do the programs go?

- ✦ Which programs belong in the state ED agency, and which do not?
- ✦ How will the “others” be coordinated?
- ✦ How do you deal with: state agencies? Non-profits? Independent authorities?
- ✦ What are the criteria?

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

The Intrastate Network

- # What do the regions and localities do best?
- # What are the opportunities for cooperation?
- # How can local support be built for a more coordinated North Dakota ED system?
- # Can the State do more to support local efforts?

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

January 10, 2001

A Public-Private Partnership for North Dakota

- # What is the primary goal in wanting to directly involve the private sector in the State program?
- # Are there particular forms in which the private sector could participate?
- # Can you achieve private sector involvement in a way that strengthens a public sector program?
- # Can you keep the private sector engaged and meet private sector expectations?

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Committee/Testimony of Miles
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Where did we go from here?

- # What is the agenda?
- # What courses of action are available?
- # What can realistically be accomplished?

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What Did We Find in North Dakota?

- # A good base in ED&F and other agencies
- # A great deal of diversity among programs
- # Too many pieces in too many places
- # Strong base at local/regional levels
- # Support amongst private players
- # Bi-partisan belief in development
- # A few pieces missing

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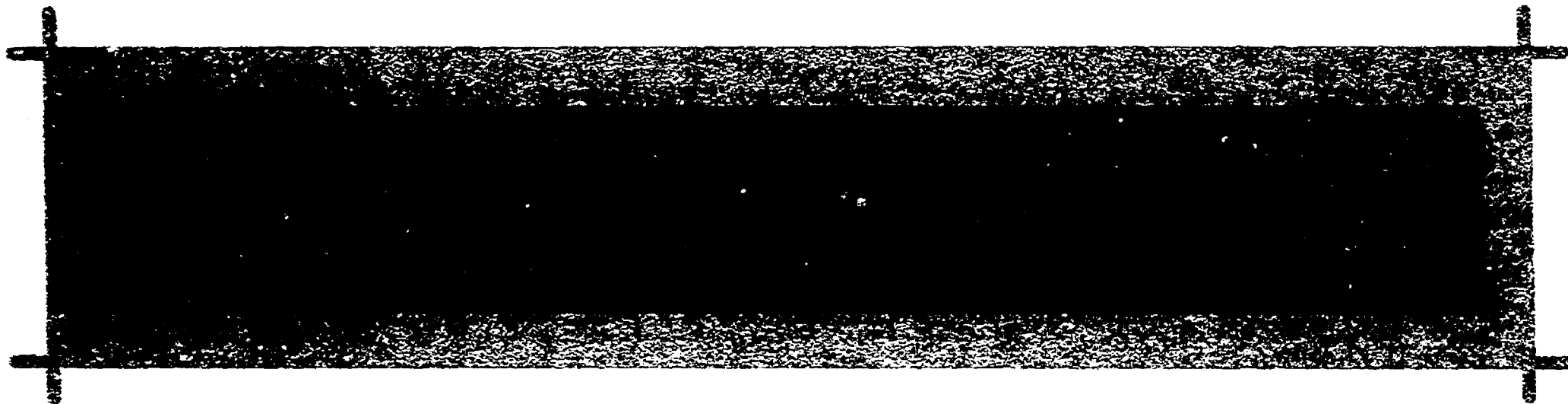
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National Trends

- Most states have comprehensive departments of commerce
- States are experimenting with public-private partnerships
- States guide their programs with long-term strategic plans
- States want to improve ROI and accountability
- States are building intrastate networks
- States want to address business demand/input

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How Can the System Better Serve...



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The Key Players

- # The Governor & Legislature
- # The Business Community
- # Local and Regional Governments
- # The Citizens of ND

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Major Recommendations

- # Create a Comprehensive ND Department of Commerce
- # Launch a Commerce Cabinet
- # Initiate a Unified ED Budget for ND
- # Establish a Public/Private Foundation
- # Develop a Comprehensive Strategic ED Plan

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Proposed ND Dept of Commerce

- ✦ Business Services
- ✦ Global Business
- ✦ Investment Attraction
- ✦ Research
- ✦ Finance
- ✦ Travel & Tourism
- ✦ Employment & Training
- ✦ Community Development
- ✦ Regional Outreach

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Commerce Cabinet

- # Heads of Relevant Agencies Meet Regularly
- # Communication, Cooperation, Coordination
- # Consistency with a State Strategic ED Plan
- # Chaired by Commerce Director
- # Greater Accountability

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Unified State ED Budget

- # All state funded programs must submit request
- # Coordinated and presented by Director of Commerce
- # All requests must be consistent with State ED plan
- # Consistency and Accountability

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ND ED Foundation

- ✦ Private board, staggered terms
- ✦ Bd appointed by Governor
- ✦ Established as a not for profit corporation
- ✦ Blended funding
- ✦ Little or no staff
- ✦ Contract for most products
- ✦ Rep major state interests
- ✦ Assist and complement State DOC
- ✦ Advise Governor, Legislature
- ✦ Big picture, long term
- ✦ Strategic ED Plan
- ✦ Assess progress/success
- ✦ Ambassadors, mentors
- ✦ Special events/fundraising

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Major Advantages of the Proposed Reorganization

- # Better communication, cooperation and coordination among ED programs
- # Get more out of resources
- # More predictable, easier to access
- # More accountable
- # More flexible, responsive

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Advantages, continued

- # Easier to mobilize
- # Strengthens individual programs
- # Better able to address new economy challenges
- # More competitive with other states
- # Continuity of purpose over time
- # Likely to garner national recognition

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The Momentum is There for Positive Change

- ✦ Work of the Interim Committee
- ✦ Background research by ED&F
- ✦ Bi-partisan support
- ✦ Good place in the process, with continuity
- ✦ A Governor with ED qualifications
- ✦ Economic opportunities
- ✦ Support of local developers and businesses
- ✦ Chance to be a national leader

January 10, 2001

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**Testimony on SB 2032, Senate Industry Business and Labor Committee
Tracy Potter, Bismarck
January 10, 2001**

Chairman Mutch, members of the committee, my name is Tracy Potter. I am president and executive director of the Fort Abraham Lincoln Foundation, but I come before you today without consultation about the Department of Commerce with the Board of Directors of our Foundation. I really don't know what position the Board would take on this issue, either collectively or individually. I am speaking as a private citizen who has been involved in tourism promotion and development for more than thirteen years and as someone who has served in both the Tourism Department and in the Tourism Division, when it was a smaller part of two larger agencies. I urge you to amend SB2032 to remove the Tourism Department from the new Department of Commerce.

The state travel division was born in the Highway Department. It became the Tourism Division of the Economic Development Commission and then was taken out of EDC and merged into the Parks and Tourism Department. It didn't fit in any of those agencies.

Tourism marketers are not your typical bureaucrats. North Dakota tourism promoters are even less bureaucratic than their peers in other states. They are what is known as "guerilla marketers." Given North Dakota's lack of reputation as a tourism hotspot, they need to be creative and often irreverent guerilla marketers. An agency with a mindset like that can do a lot of good for our state, but it doesn't fit in with the way things are done in any other state agency I've seen.

Creating an independent Tourism Department was a long-held goal of North Dakota's tourism sector. During George Sinner's last term it seemed possible to pass legislation creating a Tourism Department, but Governor Sinner let it be known that he opposed it. As soon as Ed Schafer was elected, the 1993 Session made the Tourism Department an independent cabinet-level agency and Governor Schafer signed it into law as one of his administration's first accomplishments.

Governor Hoeven and the Commerce Department proponents have only honorable intentions. They believe that tourism promotion will be well served in the new agency. They told me that when I told them I would have to oppose taking tourism out of the cabinet. They are wrong about the results of this effort.

Three bad things happen when Tourism is made part of a bigger agency. First, staff meetings. Second, money and staff get diverted in the interests of the larger agency. Third, tourism advertising gets misdirected.

Often it is true that the most attractive elements of a tourism destination are exactly contrary to the image economic developers wish to present. Tourism presents scenic vistas without people, without smokestacks, without powerlines. Economic developers tend to like those things when they are trying to site a new industry.

Senate IBL 2032, comments of Tracy Potter

Then too, the places tourism needs to advertise are entirely different than the places economic developers wish they would advertise. Their markets are entirely different.

Two last points. First, in diminishing the status of the Tourism Director, you would be undercutting your own ability to influence tourism policy. Today the Tourism Director has two "bosses," the Governor and the Legislature. Give him three bosses, and put one of them directly over him on a day-to-day basis, and the Legislature's directions will naturally become less important to the director.

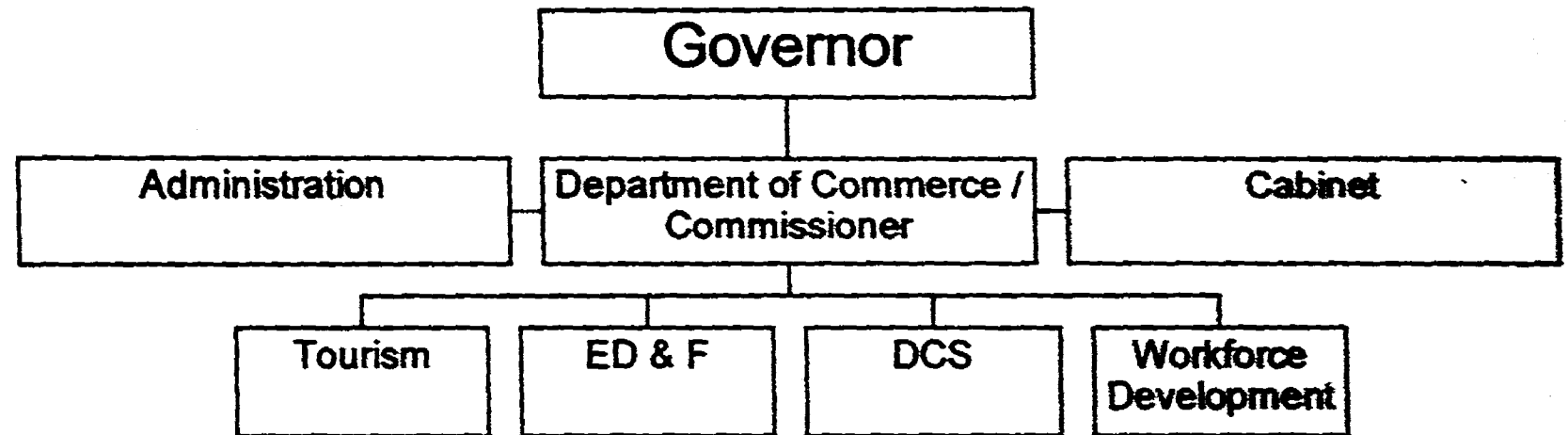
And lastly, tourism is an important, stable and growing sector of our state's economy. It is only going to become more important in the coming decades. The many historical attractions, the hotels, Medora, the restaurants, the Peace Garden, the bed and breakfasts, the guides and outfitters, the gas stations, and all the people who work in those places, they deserve an agency that works and speaks for them. The Tourism Department does that. Please let it keep on doing that.

Private Industry

Advisory
Executive
Committee

Foundation
Fundraising

Department of Commerce Organizational Chart



Name	Department	Phone
Allan Stenehjem	ND Tourism	328-2527
Ron Rauschenberger	ND Div. of Community Service	328-4499
Lee Peterson	ED & F	328-5300
Linda Butts	ED & F	328-5342
Randy Schwartz	ED & F	328-5314
Jim Hirsch	ED & F Workforce	328-5345
Miles Friedman	NASDA	(703) 490-6777 mfriedman@nasda.com



STATEMENT BY DALE O. ANDERSON, PRESIDENT, GREATER NORTH DAKOTA ASSOCIATION, REGARDING ENGROSSED SB 2032, NORTH DAKOTA HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE; MARCH 13, 2001.

Chairman Berg and members of the House Industry, Business and Labor Committee. I am Dale O. Anderson, President, Greater North Dakota Association. Thank you for this opportunity to provide comments regarding Engrossed SB 2032.

The Greater North Dakota Association is the voice for business and principal advocate for positive change for North Dakota. GNDA was organized in 1925 as a statewide, general business organization. The organization's membership of 1,000 is an economic and geographic cross section of North Dakota's private sector, including statewide associations and local chambers of commerce, development organizations and convention and visitors entities. GNDA is governed by a 25 member Board of Directors elected by GNDA's membership. The Board of Directors establishes the organization's policy.

GNDA is involved in a new initiative referred to as "The New Economy Initiative." The thrust of this initiative is that the "New Economy" is not composed of new industries, rather it is industries functioning in fundamentally different ways.

One important aspect of the New Economy is the breakdown of borders and physical distances as relevant in company location strategies. This means that North Dakota no longer simply must compete with its neighbors, but must consider each state in the U.S. – if not global peers – as its true competitors.

SB 2032

GNDA is actively supporting SB 2032 because the department's structure would:

Fill a priority need in one stop shopping;

- Create better communication, cooperation and coordination among those involved in economic development;

(-over-)

- **Allow the state to achieve more with its limited resources;**
- **Provide for more accountability; and**
- **Allow for more flexibility to address New Economy challenges and opportunities.**

Chairman Berg and members of the House Industry, Business and Labor Committee, GNDA, the voice of business and principal advocate for positive change for North Dakota, recommends a do pass for Engrossed SB 2032. I welcome your questions.

Briefing Paper on Program Interrelations within DCS

In viewing the respective programs within DCS we have, for budgetary purposes, categorized our programs into four major strategies. These are: Community Development; Energy Efficiency/Renewable Energy; Self Sufficiency(Low Income Assistance); and Technical Assistance. On the surface a conclusion could be reached that the programs within each area and, therefore, the strategies might be separate and distinct. This conclusion could be drawn based upon several factors including clientele served, and program purpose.

However, there are interrelations and commonalities between the programs and strategies that need to be recognized and examined to fully understand the inter-relationships that exist.

Community Development

The programs within this strategy include: the Community Development Block Grant (CDBG) program, the HOME, program, and the Emergency Shelter Grants Program(ESGP). All three programs are funded by the U.S. Dept. of Housing & Urban Development(HUD).

- The CDBG program focuses on housing, infrastructure, and economic development projects which benefit low and moderate income individuals.
- The HOME program is for developing and providing housing opportunities for low and moderate households.
- The ESGP programs focus is on assisting shelters and other organizations benefitting homeless individuals.

Clearly CDBG and HOME programs have a common community development focus(housing, infrastructure, & economic development) while ESGP has a focus on homelessness. However, all three of these programs are governed by a single plan (The Consolidated Plan) which serves as a single application for these grant programs. The Consolidated Plan is a federal program requirement by HUD. Also all three programs primarily benefit low and moderate income persons.

Energy Efficiency/Renewable Energy

The programs within this strategy include: the State Energy Plan (SEP), the State Building Energy Conservation Program, and other energy efficiency/renewable energy initiatives. Much of the funding for these programs comes from the U.S. Dept. of Energy. The commonality for these programs are apparent. What is not so apparent is the potential that renewable energy has in the area of economic/community development. This is evidenced by the recent interest and potential that the wind energy industry has as a source of jobs and income in its development.

An example of the interrelationships of programs within the energy strategy with other DCS programs noted in other strategies would be a low income housing project in Kenmare, ND. A six-unit low income housing project in Kenmare was assisted by both the HUD HOME program and funding through a DCS renewable energy initiative. The HOME funds were used to assist with the construction of the complex, while energy funds were used to purchase and install a ground source heat pump system to heat & cool the facility.

Self Sufficiency (Low Income Assistance)

Programs within this DCS strategy include: the Community Services Block Grant (CSBG) program, the Community Food & Nutrition Program (CF&N); the Weatherization Assistance Program (WAP), and the Emergency Heating & Cooling Program. While the CSBG and CF&N programs receive their funds from the U.S. Dept of Health & Human Services, the Weatherization program receives funding from the U.S. Dept. of Energy (DOE) with supplemental funds from the LIHEAP (U.S. Dept. of HHS) program. The LIHEAP program also provides funding for the Emergency Heating & Cooling program.

- The CSBG program focuses on a multitude of initiatives and programs to reduce poverty, revitalizing low-income communities, and assisting low income individuals become self sufficient (up to and including workforce training). In North Dakota CSBG funds are required to be channeled to the states' seven community action agencies (CAA's) to provide outreach and administrative services in all areas of the state.
- The CF&N is a small program designed to provide grants to entities within the state which support statewide efforts that facilitate food & nutrition services to low & moderate income individuals. The CF&N funds are a component of and come from the CSBG program.
- The Weatherization program focuses on installing energy efficiency improvements within the homes of low and moderate income households. As with the CSBG program Weatherization services are provided through the seven Community Action Agencies within the state.
- The Emergency Heating & Cooling Program in a way is a complementary program of the Weatherization program. Its focus is to repair or replace unsafe or unusable furnaces in low & moderate income households. It also purchases and repairs air conditioners for low & moderate income persons where there is a documented medical need.

All the programs within this strategy on the surface could be considered to be socially related programs since they are aimed at assistance programs for low income individuals. However, so can the programs under the community development strategy since those programs are also targeted toward low & moderate income persons. At the same time the DOE & LIHEAP weatherization programs and Emergency Heating & Cooling Program are energy programs which

relate to the energy strategy.

One major commonality of all the programs within this strategy is the service delivery channel. All these programs utilize the states' seven Community Action Agencies (CAA's) to deliver the services locally. Even the Century Code (chapter 54-44.5) which establishes DCS ties the CAA's to DCS.

Within this strategy CSBG funds not only assist in outreach and administrative costs associated with the HOME program, weatherization programs, and other community based programs. The CSBG program also contributes to community development/workforce development in so far as the Workforce Investment Act of 1998 specifies that CSBG be a part of, and coordinated with, in the development and facilitation of workforce initiatives. This has resulted in ties between the self-sufficiency initiatives of CSBG and the workforce development efforts within North Dakota. An example would be the coordination and ties with the CRISND.com web site and the one stop center established by the North Dakota workforce development council.

Since the Weatherization programs and Emergency Heating & Cooling focus on rehabilitating the energy effective components of low income housing, the DCS is taking steps to further leverage CDBG & HOME housing rehabilitation dollars by coordinating where possible resulting in a leveraging of available funds. The CAA's are also related to the HOME program as they directly administer HOME funds to provide housing for low & moderate income individuals as part of the community development strategy.

Technical Assistance Strategy

Programs within this strategy include the Renaissance Zone program, Building Code Administration, American with Disabilities Act (ADA) technical assistance, Section 504 of the Rehabilitation Act of 1973, and federal & state fair housing laws. Funding for these initiatives comes from the States' General Fund.

The Renaissance Zone program is a redevelopment/development tool for communities clearly relate to the community development strategy since the tax incentives provided directly impact economic development, infrastructure, and housing projects in cities which obtain zone status.

The Building Code activities directly relate to housing and commercial development/redevelopment.

The ADA technical assistance also relates to issues of construction and development since businesses and units of government must take the ADA requirements into consideration when constructing, remodeling, or expanding facilities. For entities receiving federal grant funds, Section 504 along with ADA is an issue, as is the construction of apartments with four or more dwelling units that must comply with the federal and state fair housing laws and state & local building codes.

Administrative Support

Administrative support in DCS centers around fiscal support and clerical support. Over 95% of the funding for DCS comes from federal or other sources subject to federal or other judicially imposed regulations. In addition, ninety-three percent (93%) of the funds requested in DCS's budget are passed on to sub-recipient or grantee agencies in the form of grants or contracts. This requires that programmatic staff within DCS have extensive support from both fiscal and clerical staff.

The fiscal staff, in consultation with the program staff, is responsible for issuing and tracking all the grants and contracts for the agency programs. The grants and contracts issued by DCS must comply with applicable state and Federal laws, regulations and program rules. Fiscal staff also process all grant payment requests, disbursements to sub-grantees, and draw down of funds from the Federal government for the Federally funded programs. The fiscal staff work with the program staff to design and implement the grant management systems that the agency uses to track the various programs.

The grants management systems used by DCS are complex and require continual updating and maintenance. The fiscal staff also participate with program staff in establishing the policies and procedures relating to the grant programs. In addition, fiscal staff provide considerable technical assistance to assist sub-grantees to assist them in properly managing and accounting for program funds.

All the Federal programs administered by the Division of Community Services require that the state monitor the sub-recipients to ensure compliance with the program rules as well as Federal financial management standards. DCS fiscal staff along with program staff conduct these monitoring visits to assure compliance with both programmatic and financial standards. This requires DCS fiscal staff to have extensive knowledge and training in Federal grants management.

Clerical staff also play an important role in office/program support. In addition to what is considered normal clerical support, DCS clerical staff are taking on an ever greater role in support of program and fiscal staff. Due to increasing programmatic demands and sheer volume of grant activity, which has caused fiscal staff to be more involved in program management, clerical staff have had to assume some of the duties that have traditionally been that of fiscal staff. Examples include: data entry for fiscal tracking systems; assisting in processing grants & contracts; and processing of grant closeouts.

Due to the extensive record keeping requirements of DCS programs, clerical staff work closely with programmatic staff to maintain the agencies record management system. This requires considerable experience and knowledge of federal programmatic records retention/processing requirements.

The Division of Community Services is unique because of the variety of interrelated Federal

programs administered by the agency. Most of the programs are able to leverage other programs in the agency to use the funds more efficiently. The experience and knowledge of the programmatic, fiscal, and administrative staff adds to the efficiency and effectiveness of program delivery.

SB 2032
Goes with 5

**SENATE BILL 2019
HOUSE OF REPRESENTATIVES
INDUSTRY, BUSINESS AND LABOR COMMITTEE
REPRESENTATIVE RICK BERG, CHAIRMAN
MARCH 13, 2001**

Mr. Chairman and members of the committee my name is Jim Hirsch, Director of the North Dakota Workforce Development Council.

Retention of North Dakota's youth and reducing the out migration of the State's population are dependent upon the creation of high skill, high pay jobs in the State.

- The lack of available workers and skill shortages has prevented some North Dakota businesses from expanding and is a major obstacle when recruiting new business to the State.
- At the same time, in parts of our state there is an available labor pool that is being underutilized. Job creation projects are needed in the rural and reservation areas of our state.
- Customized training options need to be developed to allow dislocated workers and underemployed workers the ability to retrain, in a short period of time, for high wage and high skill jobs.

The recruitment of a workforce to support creation of high skill, high wage jobs are important for business retention, expansion and new business starts.

- Employers need to have current wage survey data so that they can effectively recruit workers. If the wage being offered is below market or below the competition (intra or interstate) recruitment will not work.
- Economic development professionals and site selectors need information related to the state's workforce. This could include information on:
 - workforce availability,
 - workforce skill sets,
 - underemployment,

- worker dislocations,
- workforce productivity,
- absenteeism,
- turnover rates, etc.

The available workforce needs to have the education and skill training demanded by those businesses and industries creating the employment opportunities in the State.

- The partners of North Dakota's Workforce Development System need to have a common vision and work toward a common goal.
- Scarce resources for workforce development and training need to be targeted to support the State's goals of new job and new wealth creation.
- The system needs to have identified outcome goals and a plan for continuous quality improvement.

The Workforce Development Division would provide a single point of contact for business, site selectors, economic development professionals, and others wishing to obtain information and/or sources of information related to North Dakota's workforce and programs and services to educate and train the workforce.

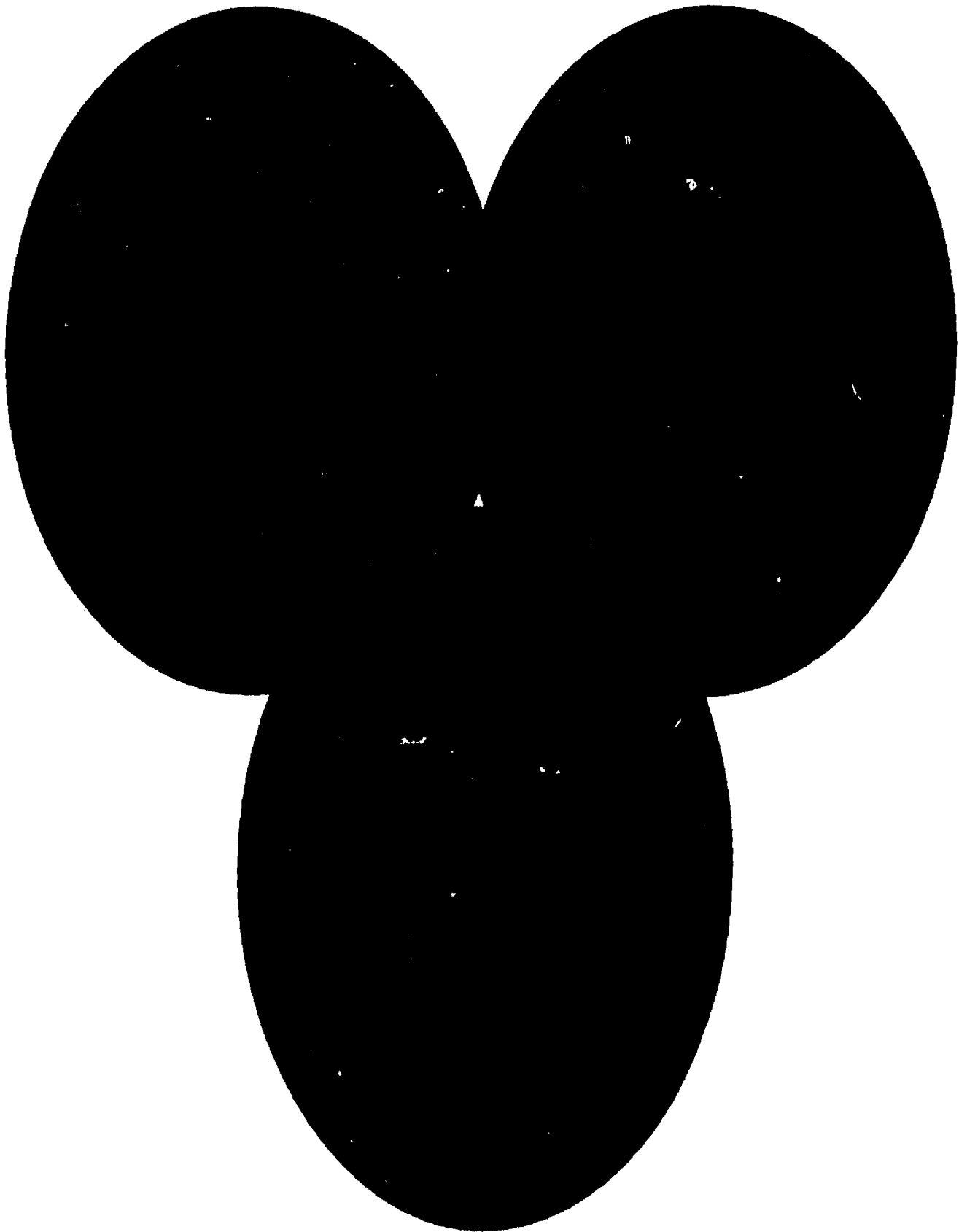
A successful response to work force recruitment, workforce development and workforce training requires coordination and collaboration between all the partners in the Workforce Development System.

This system includes:

- those agencies charged with the delivery of human resource programs and services that are designed to recruit workers and develop disadvantaged and underutilized segments of the population;
- the local, state and private workforce development and workforce training providers who educate and train the State's workforce; and

- the private sector employers and development corporations who develop and create new high skill, high wage jobs which results in employment for the workforce and new wealth creation for the State.

WORKFORCE DEVELOPMENT SYSTEM PARTNERS



NORTH DAKOTA WORKFORCE DEVELOPMENT DIVISION

The Workforce Development System partners must share a common vision and coordinate their use of scarce resources to achieve desired goals.

The State's Workforce Development System must be flexible and quickly able to respond to demands brought about by labor shortages, a high-tech society and a work-based welfare system.

This response must support and create new linkages between employers and potential employees.

The coordination of the North Dakota Workforce Development System could be accomplished through activities of the North Dakota Workforce Development Council which is a support function of the North Dakota Workforce Development Division.

The North Dakota Workforce Development Council was authorized under executive order 95-01.

The Council is a twenty five member board which serves in an Advisory capacity to the Governor.

The Council membership includes representation from the private sector, organized labor, education, community based organizations and the State agency heads responsible for the administration of the federal funded human resource programs identified in the Workforce Investment Act.

Responsibilities of the Council include:

- **the coordination and the development of a common vision for the North Dakota Workforce Development System, and**
- **Recommendation of policies and goals for the system that support the Governors vision for economic development, new job creation and new wealth creation for the State**

Having the Workforce Development Division housed in the Department of Commerce would provide Workforce Development with greater synergies through integration, collaboration and coordination with the other Divisions. An available workforce is critical to economic development and tourism in North Dakota.

During the next biennium, it will be critical for the State to develop a comprehensive plan to:

- address the development of a workforce statistical data base which will meet the needs of site selectors, business and development professionals;
- to develop a plan and an approach to target workforce recruitment to attract workers and former residents back to the state; and
- Develop a "Return on Investment" model should be adopted by the system to provide an accounting for the use of resources.

The Workforce Development Division could be the catalyst to allow this to happen.

Mr. Chairman, members of the committee, workforce has emerged as one of the most important issues effecting new job creation and new wealth creation for State.

Most mid-western states are facing similar problems.

The States who are successful in developing their available labor pools and recruiting critical skill shortages will be the winners. The creation of a Department of Commerce will position the State of North Dakota to be a leader in this effort.

Mr. Chairman, that concludes my testimony. I would be happy to answer any questions.

**NORTH DAKOTA
WORKFORCE
DEVELOPMENT DIVISION**

**NORTH DAKOTA
DEPARTMENT OF
COMMERCE**

**2001-2003 Biennium Plan of
Action**

Workforce is an important issue for the State of North Dakota. The nature of the workforce issue varies from community to community.

- **In some communities, the lack of an available workforce and skill shortages has prevented some North Dakota businesses from expanding ;**
- **At the same time, in other communities, there is an available labor pool that is being underutilized due to unemployment and underemployment.; and**
- **Across the State, customized training options are needed to allow dislocated workers and underemployed workers an opportunity to retrain in a short period of time for available employment opportunities in the State.**

Currently, workforce issues and problems have not been documented and needs assessments have not been formalized. Information and intelligence gathering on the State's workforce is being carried out by a number of agencies and organizations. There is no central "warehousing" of data to make it available for comprehensive planning to address workforce needs in the State.

In order to effectively respond the specific issues or problems must be identified so that the Workforce Development System can bring their collective resources to bear on resolution of the problem.

Accurate and up to date data on the State's workforce is necessary to respond to labor shortages, job shortages and customized training program shortages.

- **In order to effectively recruit a workforce, employers need to have current wage survey data. If the wage being offered is below market or below the competition (intra or interstate) recruitment will not work.**
- **To develop and deliver customized training, information is needed on the job skills required by growth industries in the State and the number of vacancies anticipated through normal attrition, current and projected expansion plans.**
- **To support new job creation and expansion projects, economic development professionals and site selectors need information related to the state's workforce. This could include information on:**
 - **workforce availability,**
 - **workforce skill sets,**

- underemployment,
- worker dislocations,
- workforce productivity,
- absenteeism,
- turnover rates, etc.

The Workforce Development Division should provide a single point of contact for business, site selectors, economic development professionals, educators, workforce training providers, and others wishing to obtain information and/or sources of information related to North Dakota's workforce.

At this time, the structure is not in place to make this a reality.

A successful response to the workforce issues facing the state requires coordination and collaboration between all the partners in the Workforce Development System.

This system includes:

- those agencies charged with the delivery of human resource programs and services that are designed to recruit workers and develop disadvantaged and underutilized segments of the population;
- the local, state and private workforce development and workforce training providers who educate and train the State's workforce; and
- the private sector employers and development corporations who develop and create new high skill, high wage jobs which results in employment for the workforce and new wealth creation for the State.

The Workforce Development System partners must share a common vision and coordinate their use of scarce resources to achieve desired goals.

The State's Workforce Development System must be flexible and quickly able to respond to demands brought about by labor shortages, a high-tech society and a work-based welfare system.

This response must support and create new linkages between employers and potential employees.

Having the Workforce Development Division housed in the Department of Commerce would provide Workforce Development with greater synergies through integration, collaboration and coordination with the other Divisions.

During the 01 -03 biennium, the Workforce Development Division would lead a process to document and define the workforce issues and problems, conduct needs assessments and coordinated the development of plans of action to resolve specific workforce issues.

Goal One: Conduct a workforce availability assessment:

We need to determine the areas of the State where we have actual workforce shortages, skill gap shortages, underemployment and unemployment.

Tactic One: Work with business, economic development professionals, and site selector's to identify the workforce availability data they require to make decisions on business expansion and business locations to the State.

Tactic Two: Based on the input, develop a plan and an approach which will gather the workforce availability data by capturing the information from current clients of the mandatory and voluntary partner's of the One Stop Delivery System.

Tactic Three: Determine 'gaps' and identify options or sources of the information needed to fill the gaps.

Tactic Four: Identify or develop a recommendation to create a "central warehousing" data base to store data on workforce availability.

Goal Two: Develop "Core" workforce statistical information:

We need to determine what "workforce statistical information" is needed by the users of the information and conduct "data mapping" to identify what information is available and where it is available.

Tactic One: By working with economic development professionals, site selectors, business representatives and key partners of the Workforce Development System, identify "core" workforce statistical data requirements.

Tactic Two: Based on "core" workforce statistical data requirements agreed to, conduct "Data Mapping" to identify information already available and the source of the information.

Tactic Three: Determine the gaps in "core" workforce statistical data requirements and develop a plan to fill in the gaps in information.

Tactic Four: Identify or develop a recommendation to create a "central warehousing" data base for "core" workforce statistical information that would be available on a Web Site with "hot links" to additional workforce statistical information available through various agencies and organizations.

Goal Three: Document "job skills" requirements of expanding industries:

We need to document the job skill requirements for business and industry and to determine the job skills required as a result of normal attrition, current vacancies and projected vacancies resulting from expansions.

Tactic One: Through private industry and working with the Greater North Dakota Association's New Economy Initiative, develop support from the Industry Clusters to conduct a survey of current "job skill" requirements of their membership.

Tactic Two: Through the Industry Clusters, survey the current workforce levels by job skill, current vacancies by job skill and projected vacancies by job skill.

Tactic Three: Identify or develop a recommendation to create a "central warehousing" data base for industry job skill and vacancy information.

Goal Four: Develop a "grant and proposal" response capability:

We need to develop our grant and proposal writing capabilities to allow communities, agencies and organizations to apply for federal and private funding to address workforce issues and problems.

Tactic One: Develop consortiums and partnerships to help define workforce issues and problems and develop responses to address the specific workforce issues related to their community or quadrant.

Tactic Two: Research funding opportunities to access federal and private foundation funding to implement planned responses to workforce issues.

Tactic Three: Develop a "grant and proposal" writing expertise and provide technical assistance to communities, agencies and organizations delivering services to address identified workforce issues.

Goal Five: Research "Best Practices" and participate in activities targeted at recruitment of workers or development of an available workforce.

We need to develop plans to support workforce recruitment (intra and interstate) to meet business needs.

Tactic One: Work with employers and communities experiencing workforce and skill shortages to identify the specific skill gaps between the available workforce and employer requirements.

Tactic Two: Coordinate development of salary surveys to insure North Dakota employers have current and up to date wage and fringe benefit data to use in their recruitment efforts.

Tactic Three: Based on documented skill shortages and documented underemployment develop options to provide job skill training to the available workforce to help them meet employer requirements.

Tactic Four: To address a lack of an available workforce, work with business and communities to develop plans to support recruitment from those areas of the State experiencing high unemployment or underutilization of their labor force as well as areas outside North Dakota experiencing significant worker dislocations and pockets of high unemployment.

Tactic Five: Identify specific job opportunities in high skill, high pay jobs that would be candidates for out of state recruitment and determine avenues for exposing these openings to potential candidates outside of North Dakota.

Tactic Six: Identify those entrepreneurial opportunities which would bring skilled, high tech workers to North Dakota rural communities.

Tactic Seven: Research what other states are doing to attract workers to their State, including targeted industry recruitment, participation in job fairs, open houses, etc.

Workforce has emerged as one of the most important issues facing the State.

We must get a handle on what we as a State must to do and are prepared to do. Through the North Dakota Workforce Development System, the resources are available to address many of the workforce issues. The challenge is to coordinate and martial the use of these resources in support of a common vision and common goal for new job creation and new wealth creation in the state.