

2009 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2060

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2060

Senate Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 13, 2009

Recorder Job Number: 6892

Committee Clerk Signature

*Eva Leibel*

Minutes:

Chairman Klein: Called the meeting to order, opened hearing on Bill # 2060.

Senator Tony Grindberg, Chairman of Work force Committee, testified in support of 2060. (Testimony Attached).

Jennifer Clark, Work Force committee-Legislative Council, testified in support of 2060, addresses the handouts from Senator Grindberg and changes made, (Testimony Attached).

Senator Potter: You can only sell the tax credit if you are selling the property?

Jennifer Clark: That's what I understand.

Chairman Klein: At this point utility infrastructure is not included?

Jennifer Clark: That's my understanding.

Senator Wanzek: On the island concept you can only have one single island, not a bunch of different islands.

Jennifer Clark: That's correct.

Chairman Klein: Will this create a fiscal concern?

Jennifer Clark: I understand the tax credit will be at a local level.

Senator Horne: Regarding the utility tax benefit does this involve installing and removing utility infrastructures?

Jennifer Clark: Generally speaking these utilities need to be addressed in both ways.

Dave Anderson, President of the Downtown Community Partnership in Fargo ND, in support of 2060, (Testimony Attached), Letter from Doug Burgum, of the Kilbourne Group, LLC.

Chairman Klein: You have gotten to this point by working with the utility companies, and they've been in this loop of discussion and understand this bill?

Dave Anderson: Yes.

Bill Shalhoob, Economic Development Association of North Dakota. (Testimony Attached).

Senator Wanzek: With the single exception of the continuous boundaries, would you ever want an opportunity for more than one single exception?

Bill Shalhoob: Don't believe that's ever come up.

Connie Sprynczynatyk, North Dakota League of Cities, in support of 2060. In 1999 when the Renaissance Zone was originally passed, we have continued to improve it. We have 357 incorporated cities and when are members get together they talk about the success, in every corner of the state.

Joseph Becker, State Tax Office. We don't take a position with this bill. On the property tax side it is limited in a sense the local authority can decide how much of a property tax exemption to grant in respect to the situation. Another limitation on that is the front end of that bill there is a definitional change for rehabilitation and that indicates that if it's a rehab type project, the cost of that has to be at least fifty percent or more of the current true and full value

of that for property tax purposes in order to qualify. So what I'm reading in here is the utility will have to come in and actually apply to get zone project status and show that they meet that condition.

Senator Potter: Not about the bill so much but existing law. If you make any improvement in your commercial property within a Renaissance Zone your exempt from all taxes on income for the next five years?

Joseph Becker: No, the way it generally works is this, on page two of the bill line six. That provision, sub section two relates to a business income exemption and the way it works if a business approaches the zone authority, gets project status, then the zone approves that then the income tax break kicks in from our end. We look at the amount of property associated with that project. That is then divided by their property throughout their business throughout the state and we will come up with a ratio of how much of their business income will get exempt.

Marcie Dickerson, State Supervisor of Assessments, under the Property Tax Division.

My comment refers to page three beginning on line eight with number two, about municipalities not having the power to grant exemptions on utility infrastructure. My recommendation is to leave existing language without the new language in line two and then add in the other sentence the State Board of Equalization may grant a partial or full exemption on utility infrastructure.

Chairman Klein: We will close the hearing on 2060. We will get a group here to work with the tax department and Senator Grindberg. Senator Wanzek and Senator Potter need to iron out the issues. Hearing was closed.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2060

Senate Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7382

Committee Clerk Signature
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Minutes:

Chairman Klein: We will have further discussion on Senate Bill 2060.

Senator Wanzek: In the subcommittee meeting, we came up with the definition of public utility infrastructure. We wanted to define those utilities that would qualify.

Discussion continued on the definition of public utility infrastructure.

Senator Potter: Is there a process of going to the state board? Is it the renaissance zone, property management, property owner, can they go directly there or do they have to get approval? I thought it ought to be the renaissance zone asking for the exemption.

Gordon: They would go through the regular application process. The city would have to approve the project then it would come to the commerce department and then approved by me, the renaissance zone manager.

Discussion followed.

Senator Wanzek: Who qualifies and who doesn't? What utility upgrades qualify?

Dave Anderson: As I've struggled with that language, it seemed to me as the best and proper way to apply those adjacent credits. These would be properties that are in the zone adjacent to this utility upgrade.

Senator Nodland: As I read this that's what it is saying in the amendment.

Chairman Klein: So that's the language we'd be looking for the adjacent language.

Senator Andrist: I like the open ended language. What if a person isn't in the zone and the renaissance zone requests it, you should be able to get the credit.

Senator Potter: That's my concern as well and I am not sure why it should be limited. It seems to me if you've been effected by the project, why not be able to receive the credit?

Chairman Klein: Because before you do the project, you have to bring your application forward and you have to prove this is going to work.

Senator Wanzek: I see hear we want to target those that are affected but are not participating. The two qualifying criteria as first there needs to be a project and you have to be directly affected.

Discussion followed.

Chairman Klein: Some where we would say the party needs authority from the renaissance zone.

Gordon: The renaissance zone authority and that point forward they would do the same process, when the project is completed, the cost is verified.

Chairman Klein: Having a thorough process in place and if the tax department needs that information that's available to them.

Discussed the changes needed in the amendment.

Chairman Klein: Committee we will close the hearing on 2060.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2060

Senate Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7453

Committee Clerk Signature
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### Minutes:

Chairman Klein: Opened meeting on Bill 2060.

Senator Wanzek: Handed out amendment, and explained the changes made.

Further discussion on the amendment.

Chairman Klein: Hearing closed on Senate Bill 2060.

Moved by Senator Wanzek to pass the amendment. Seconded by Senator Potter

Roll Call Vote: Yes: 7 No:0 Absent:0

Moved by Senator Wanzek to pass as amended. Seconded by Senator Behm.

Roll Call Vote: Yes: 7 No: 0 Absent:0

Floor Assignment: Senator Potter

**FISCAL NOTE**  
**Requested by Legislative Council**  
03/18/2009

Amendment to: Engrossed  
SB 2060

**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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 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.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2060 with House Amendments expands the definition of "rehabilitation" to include utility infrastructure for renaissance zone purposes.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

It is not known if there are any zone projects that will qualify for these expanded tax exemptions and credits. The negative fiscal impact cannot be computed.

**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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	03/19/2009

**FISCAL NOTE**  
**Requested by Legislative Council**  
12/08/2008

Bill/Resolution No.: SB 2060

**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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 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.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2060 expands the definition of "rehabilitation" to include utility infrastructure for renaissance zone purposes. The bill also expands the income tax exemption and provides for the transfer of certain zone project income tax credits if the property is sold before the credits are used.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

It is not known if there are any zone projects that will qualify for these expanded tax exemptions and credits. The negative fiscal impact cannot be computed.

**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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	701.328.3402	<b>Date Prepared:</b>	12/31/2008

PROPOSED AMENDMENTS TO SENATE BILL NO. 2060

Page 1, line 10, after "or" insert "public"

Page 1, line 11, after "or" insert "public"

Page 2, line 6, strikethrough "or" and after "rehabilitates" insert ", or makes leasehold improvements to," and after the underscored comma insert "public"

Page 3, line 9, remove "utility infrastructure,"

Page 3, line 10, after the period insert "The State Board of Equalization may grant a partial or complete exemption from ad valorem taxation on utility infrastructure rehabilitated as a zone project."

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2060

Page 1, line 3, after "of" insert "public"

Page 1, line 10, after "or" insert "public"

Page 1, line 11, after "or" insert "public"

Page 2, line 6, overstrike "or", after "rehabilitates" insert ", or makes leasehold improvements to", and after the underscored comma insert "public"

Page 2, line 26, replace "An income tax credit" with "The credit must be approved by the local renaissance zone authority. The credit must be claimed in the taxable year in which the related project was completed. The credit may not exceed the taxpayer's tax liability, and an unused credit may be carried forward up to five taxable years."

Page 2, remove line 27

Page 3, line 9, remove "utility infrastructure."

Page 3, line 10, after the period insert "The state board of equalization may grant a partial or complete exemption from ad valorem taxation on public utility infrastructure rehabilitated as a zone project."

Renumber accordingly

Date: 1/21/09  
Roll Call Vote #: 1

**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

Senate

Committee

**Industry, Business and Labor**

☐ Check here for Conference Committee

Legislative Council Amendment Number Amendment

Action Taken ☒ **Pass** ☐ **Do Not Pass** ☐ **Amended**

Motion Made By Senator Wanzek Seconded By Senator Potter

Senator	Yes	No	Senator	Yes	No
Senator Jerry Klein - Chairman	✓		Senator Arthur H. Behm	✓	
Senator Terry Wanzek - V.Chair	✓		Senator Robert M. Horne	✓	
Senator John M. Andrist	✓		Senator Tracy Potter	✓	
Senator George Nodland	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: 1/21/09  
Roll Call Vote #: 2

**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

Senate

Committee

**Industry, Business and Labor**

☐ Check here for Conference Committee

Legislative Council Amendment Number 90296-0201 Title. 0300

Action Taken ☒ **Pass** ☐ **Do Not Pass** ☒ **Amended**

Motion Made By Senator Wanzek Seconded By Senator Behm

Senator	Yes	No	Senator	Yes	No
Senator Jerry Klein - Chairman	✓		Senator Arthur H. Behm	✓	
Senator Terry Wanzek - V.Chair	✓		Senator Robert M. Horne	✓	
Senator John M. Andrist	✓		Senator Tracy Potter	✓	
Senator George Nodland	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Potter

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

**REPORT OF STANDING COMMITTEE**

**SB 2060: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2060 was placed on the Sixth order on the calendar.

Page 1, line 3, after "of" insert "public"

Page 1, line 10, after "or" insert "public"

Page 1, line 11, after "or" insert "public"

Page 2, line 6, overstrike "or", after "rehabilitates" insert ", or makes leasehold improvements to", and after the underscored comma insert "public"

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Page 2, remove line 27

Page 3, line 9, remove "utility infrastructure,"

Page 3, line 10, after the period insert "The state board of equalization may grant a partial or complete exemption from ad valorem taxation on public utility infrastructure rehabilitated as a zone project."

Renumber accordingly

2009 HOUSE FINANCE AND TAXATION

SB 2060

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2060**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 2, 2009

Recorder Job Number: 9925

Committee Clerk Signature

Minutes:

**Chairman Belter:** We will open the hearing on SB 2060.

**Jennifer Clark, Legislative Council:** I was lucky enough to work with the interim workforce committee. Although a majority of the activities of the workforce committee dealt with a congress and meeting across the state in workforce focus groups, I am changing gears here because we received an annual report on the renaissance zone status. We also received a report on a summit conducted by the Department of Commerce with all the particulars from the renaissance zone. This pertains to the report we received on that summit and some of the recommendations that came out of that summit with the Department of Commerce. SB 2060 generally makes three changes to the renaissance zone law. The first change is addressed in sections 1, 3 and 4 and expands the application of the income tax and property tax benefits in renaissance zones to include changes made to public utility infrastructure, to rehabilitation made to public utility infrastructure. Change 1 is expanding it to include public utility infrastructure. The second change is in section 2 where it removes the distance requirements for what we call "islands". I will go into that in a little more detail when we get down there. The third change is in section 5 of the bill and that provides for transferability of the historic preservation and renovation tax credit. Let's start with the easiest one first. Going to section 2

of the bill, that island provision, a couple of years ago we made an exception to the renaissance zone. It had been that everything needed to be within one border. We made an exception that if you are within a mile and a half of the renaissance zone, we will give you a small island and let you go outside of your zone and create a free-standing island. The change that is being proposed here is that it takes away that distance limitation saying how close your island needs to be to your zone and will let you put it anywhere within your community. That is the easy change under section 2. The next change I am going to point you to is under section 5; we are forging some new ground here. My understanding is that under existing renaissance zone law that the historic preservation and renovation tax credit belongs to the property owner at the time the changes or improvements are made. This would allow that owner to transfer what might be left of that credit to a new purchaser of the property.

I believe that is available in some other elements of the renaissance zone law. It is not currently available for the historic preservation and renovation tax credit. The third change, which takes up sections 1, 3 and 4, is expanding renaissance zone credit benefits to include rehabilitation to public utility infrastructure. I guess it would also expand it to leasehold improvements to public utility infrastructure. In section 1, we have expanded our definition of rehabilitation to include our public utility infrastructure. Under section 3, we are dealing with the income tax exemption and expanding that to public utility infrastructure and leasehold improvements. Under section 4 is our expansion of the property tax exemption again for the public utilities. (4:25) If you like, I can try to answer some questions on this. However, I do know we have some experts in the room who probably speak tax more fluently than I do.

**Representative Headland:** Give me an example of utility infrastructure you are specifically talking about. Are you talking about water lines?

**Jennifer Clark:** One of the things that we have addressed more often was our utilities being above ground and when you are modifying your building, we put the utilities underground.

That is the most frequent context in which we discussed taking our electric from above ground and putting it underground. Could it include water? I assume it could. That would be a public utility.

**Chairman Belter:** Getting back to the question that Representative Headland asked, you have water which would generally be a government-owned public utility where when you are talking about electricity, are you talking about municipal-owned electricity or can it be electricity provided by an IOU or an REC?

**Jennifer Clark:** Good question. If I can go back to the water and I don't claim expertise as a water law expert; however, I know in my situation, my community owns my main water line. I am responsible for the main line to my building so there a combination here of who is responsible. I would defer to people in the room to talk about that in more detail and how that would apply here. I don't think I have the expertise to talk in detail about public utilities.

**Representative Headland:** When a utility moves their infrastructure, who generally pays for that? Doesn't the person who asked the utility to move their infrastructure end up paying the utility?

**Jennifer Clark:** That is a great question. I don't have an answer for it. Does anyone else have an answer for it?

**Chairman Belter:** We can get that answered.

**Jennifer Clark:** Would you like me to stick around?

**Representative Schmidt:** Everything is five years for the renaissance zone. Now we have had renaissance zones for over five years. Those entities that are over five years old, are they just up or do they ask for extensions? How has it been working?

**Jennifer Clark:** I am not sure I understand the question.

**Representative Schmidt:** All the renaissance zones are for five years, both in income and property tax, but we have had renaissance zones over five years. Those entities that are over five years, do they just go ahead and pay ordinary tax then or have they been asking for extensions or how has it been working?

**Jennifer Clark:** I am not sure what has been happening within the individual zones. My understanding is that the zoning is for longer than that. The zoning is for more than five years so once you make your improvement, you can carry it forward for five years from the date of the improvements. But the property owners may be making improvements over a long span of time. Does that explain how they might be used?

**Representative Schmidt:** I understand it is five years and it is up; that is the way I

understand the renaissance zone. Maybe somebody can find out what is happening to the renaissance zones that have been in place after five years.

**Jennifer Clark:** I think Mr. La France can speak to that when he comes up.

**Representative Wrangham:** My section is in section 2. It seems that this is a problem in an area that could have a hearing of its own and be a freestanding bill. Can you tell me if there was some discussion of how that was connected to the other stuff that is in this bill? Are there any limits on the size of the non-contiguous blocks?

**Jennifer Clark:** The reason it is in this bill is that the interim committee had a plethora of bills. In the past, what we have done is put every single bill into one omnibus bill. That didn't seem to be the way the chairman wanted to go on this one for a variety of reasons. Instead what we did was we consolidated each of our goals into a subject matter area. These are all together because they pertain to the renaissance zone. Could they be broken up? Absolutely. It would be the preference of the committee on how to put it together. As far as it relates to the size of

your island, there isn't a three box limit on the size of your island. We are taking away how near your zone your island must be. There wasn't a lot of detailed testimony in committee relating to this because it comes from the recommendations of the renaissance zone summit conducted by the Department of Commerce. It was a report we received from them so it was testimony that took place at the summit and we received the final report and recommendations.

**Dave Anderson, President of Downtown Community Partnership in Fargo:** I have a couple of things to hand out. One is a hard copy of my testimony (**Testimony 1**) and a collection of photographs (**Attachment 2**) which is the primary interest I have in speaking with you today and slides (**Attachment 3**) which may be helpful as well in understanding what some of our interest is. My organization and I are supportive of SB 2060, and particularly to this section pertaining to the inclusion of the utility infrastructure. (14:34)

**Chairman Belter:** I have a question on the removing of the one-mile island. Can you give me an example of why that would be removed? It seems to me that this creates a tremendous expansion of the renaissance zone.

**Dave Anderson:** From our point of view, as a local organization working with one of the zones, we are not supportive of that change. I didn't come today to oppose it either. I believe if such a proposal were brought forward in the community of Fargo, we would resist that. We found with a change of our boundaries about six years ago, where we spread out a little bit, in our community it didn't work very well. We found that a compact renaissance zone within the tight core of our community works a lot better than having fingers reaching out. It didn't work. In fact, we have not implemented a three-block island in the community of Fargo. It has not been proposed.

**Bob Graveline, Utility Shareholders of ND:** Representing 2,500 members and speaking also on behalf of the three shareholder owned companies in ND, Ottertail, MDU and Xcel, we support this bill. I am specifically referring to sections 1, 3 and 4, which set up equity for utility infrastructure and is merely a situation of equity to provide that same tool to utility property that is currently in law for other types of property. Also, if you would like, I could address Representative Headland's question about who pays for these types of moves. In the back alleys in Fargo, like you see in those pictures that are going around, the delivery infrastructure is owned by the utility company up to probably the meter, which would be a good place to break it. From the meter in is owned by the individual. The regulated utility company, in order for reimbursement to come, the goods to be approved by the public service commissioner, is the facilities must be "used and useful". Now as we know, downtown Fargo and every other city, have infrastructure in place that truly is "used and useful". It is lighting the lights and keeping the furnace fans running throughout. Those have been declared "used and useful" and have been priced in the rate base for those particular customers. If the utility company were to move that, the question is whether or not the ratepayers would be asked by the public service commission to pay for those large infrastructure moves. The public service commissioner could say that the old system was "used and useful" and the light bulb in that particular building does not know whether that kilowatt was delivered by an old wire or a new underground wire. The question then is who is to pay for this? By implementing this tax break like other people, it would provide a tool for the investor-owned utility companies to participate with those cities in helping the cities reach their goals in the renaissance zones. (18:46)

**Representative Froelich:** Let's use Dave's scenario in Fargo, say he has a two to three-block area. If we exempted out section 2, what kind of exemption would your company realize with something like this?

**Bob Graveline:** Regarding section 2, I don't really have any comments on that; but on the infrastructure costs, it would be a tax break and the tax break would be paid by the local community by cutting the property tax. Now take a city block, depending upon what goes in there, a high-rise apartment, a high-rise retail outlet, all of these things would make a difference on the kind—but the tax the local utility company pays at the local district is going to be very similar to what any other commercial entity pays. So you have the total investment, then 50%, then 10% times the mill levy. The utilities are centrally assessed and the rates are socialized so what this is attempting to do if, in fact, there is a rebuild in downtown Fargo for the benefit of Fargo, the Fargo property owners are the people who are going to make that tool available to the utility company, rather than socializing it into the rates of Xcel customers that are located in Grand Forks or Thompson. It is trying to keep the whole thing local. Now to rebuild a downtown block, we are probably looking at in a downtown renaissance zone like Fargo, it could be measured in the hundreds of thousands of dollars. Again, depending upon the type of facility that goes in there, I don't know if I can really get more specific than that without knowing what the particular usage would be.

**Bill Shalhoob, Economic Developers of ND: (Testimony 4)** EDND believes that SB 2060 will aid development in ND and build on a successful program that works and we urge a "do pass". (21:00-23:12)

**Chairman Belter:** I have asked the question earlier about the removal of the one-mile island provision in section 2. Were you involved in the workforce committee? I was just wondering why; in my perspective, it is quite an expansion of the renaissance zone. Do you have any comments on that?

**Bill Shalhoob:** Mr. Chairman, I don't. I wasn't involved in the workforce committee in that area. I do know that member of EDND were and I think that is where the request came from, but I have no working knowledge of it.

**Chairman Belter:** Any other questions? Further testimony in support of SB 2060?

**Gordon LaFrance, Division of Community Services:** I am here to testify and am neutral. I will be happy to answer any questions on the renaissance zone programming you have. The one question, Mr. Chairman, was in regard to the half-mile exemption to the renaissance zone. The reason for that came out of our conference. The reason was that some of these smaller communities (and we are trying to get them involved in the process) like New Salem, for instance, they can redo their downtown with the 20 blocks but they can't quite stretch out to the interstate with the grocery store and the truck stop. For communities like that, if we eliminate the half-mile exemption, it would help them reach out and touch areas that need more of their community development. Mr. Chairman, there was another comment by Representative Schmidt about the five years on the tax breaks. The way it is right now is the renaissance zone is a 15 year; cities can have up to 15 years to implement the renaissance zone. Until a project comes before the city and before or after it is completed is when they realize their five-year tax exemption. Until that point in time, there are no tax exemptions. For instance, if a project or a building in downtown Fargo (and Fargo has been our first renaissance zone; they became involved in 1999), if that building has not been rehabilitated, they would still qualify for the renaissance zone tax exemption until they complete that project. Fargo has another five years left so up until that point in time, they still qualify for the renaissance zone project.

**Representative Winrich:** Do you know of any communities that make use of the island provision under current law?

**Gordon LaFrance:** Yes, we have quite a few. Enderlin is one city that has made use of that three-block island and we have had a few other smaller communities; I just can't think of them right now. Out of the 44 cities, we probably have five that have utilized this three-block island. If you want, I can get that information to you, sir.

**Representative Winrich:** I was just curious and you gave an example of a community that would use the extension, but I was wondering if it had been used already.

**Gordon LaFrance:** It has been used in four or five instances so far.

**Chairman Belter:** Further testimony in support of 2060? If not, any opposition to 2060?

Neutral testimony? Any questions of the Tax Department from committee members? If not, we will close the hearing on SB 2060?

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2060**

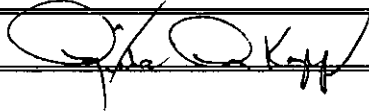
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 2, 2009

Recorder Job Number: 9930

Committee Clerk Signature



Minutes:

**Chairman Belter:** Some discussion on SB 2060 which deals with the renaissance zone?

**Representative Headland:** I wasn't here but did somebody respond on who gets the tax credit, the individual or the utility?

**Representative Brandenburg:** Mr. Chairman, I will take a stab at it. When Bob Graveline spoke, he said it would be an instrument they could use in the pictures he had with a structure where they could have (inaudible). It sounded like a combination of both utilities and businesses could use because right now the utility doesn't get any credit when they do a renaissance (inaudible) and the other costs to. They sometimes get forced into putting a line underground when they have overhead lines in the renaissance areas so it would help them be able to absorb some of that cost by the tax break. Isn't that kind of what he said to the meter?  
(02:12)

**Vice Chairman Drovdal:** I have a question because I don't understand how utilities are taxed. I know that a business or a corporation makes an investment in a long-term infrastructure and they depreciate it over a set number of years, a building at 20 years or an improvement at maybe seven to 20 years. They get to write that depreciation off each year until it is fully written off. In this bill, do utilities get that same depreciation on capital improvements like other

businesses do or is there some other type of taxation formula? If they get the same depreciation and a direct tax credit dollar for dollar, are they not getting more than a 100% tax break? I don't understand how taxing is done on utilities.

**Representative Wrangham:** Representative Drovdal brings up an interesting question. I have two other concerns, one being I would like to consider removing section 2 from the bill. In addition to that, it was referenced quite heavily that this would be a tool that would be used and is needed because possibly the PSC would not recognize replacing that type of facility as an expense that could be socialized into their rates. I would like time to visit with the PSC and see what their policy is in that circumstance.

**Representative Weiler:** Just a comment. I think the renaissance zone, I don't know how long ago they started it, but it has been a very successful program. But I think at some point to expand it as greatly as this bill is attempting to expand it—let's realize one thing, this is nothing more than a property tax increase on all the residents in an area. That is what it is because businesses are getting all these property tax exemptions. They invest money and they beautify the downtown area. That is all fine and dandy, but the residents are paying higher property taxes because of it. It's a tax shift; that's what it is.

**Representative Pinkerton:** I agree with Representative Wrangham about section 2 for the bigger cities in ND, but I wonder if on some of these smaller cities (under 3,000-5,000) whether there might be some benefit thinking about how things are spread out along highways and interstates. Maybe I would at least want to think about limiting that to cities under 5,000 or some number. I think an example of that is a town that found itself along the interstate and also has a downtown that might be worthwhile looking at. For Fargo or Minot, I don't think so.

**Chairman Belter:** I was visiting with Dave Anderson from the Downtown Fargo Partnership and he mentioned that he thought there were some different rules based on size of communities so that might be something we need to look into.

**Representative Schmidt:** I had a problem when I asked him about that five years. Well, the fact of the matter, when you pin him down is that they can get 15 years and they will if we don't stop them. Just ask him; I asked him that. Yes, he said; we will get 15 years. Well, I said that is property and income tax credit. This was a great thing when it started, but who said it was going to go on forever?

**Representative Grande:** I have a question along those same lines. I thought a renaissance zone, when initially started, was around a 20 block area. Maybe what comes up is it varies on the size of the city; but if it is 20 blocks, you cover a whole town like New Salem. I just question why it would need to be expanded out like this.

**Chairman Belter:** Representative Wrangham, you are going to look into this so I don't think we want to.... Is there any interest in a subcommittee on this issue?

**Representative Wrangham:** I agree with what Representative Pinkerton added to my thought. Possibly I could work with Representative Pinkerton and we could come back to the committee with something if that would be your wish.

**Chairman Belter:** Alright, if you want to chair a committee.

**Representative Winrich:** Mr. Chairman, are there 15 cities over 12,000 in population? What is the population breakdown? 8,000—there are only 15 cities above that number? We need a point where we thought it would work.

**Representative Wrangham:** This gets away from the bill a little bit, but it deals with the whole renaissance plan. There has been conversation here about how it has been very successful, but how far did we want it to go and how long and how big should it grow? I have

a little problem with the income tax exemptions that are presently in place. For instance, if Representative Schmidt owns an office building in north Bismarck and he has an attorney firm renting from him and someone remodels a building in the renaissance zone and rents to the law firm, the law firm that moves out gets a 100% income tax break. Then Representative Schmidt ends up with an empty building and so what we have got is we filled the building in the renaissance zone, but we've created a vacancy for Representative Schmidt's building. You get the drift. We need to look long and hard at this.

**Representative Drovdal:** I was thinking that the renaissance zone, as originally incorporated into our laws, was to redo old business districts that were falling into disrepair and to get them rejuvenated and back up and running again and the area was determined by the size of the community. The 20 blocks was fine for Fargo, but Watford or New Salem had a much smaller area. In the testimony that I got, it seemed to be that they were talking about redoing main street or building a street, but they could also reach out under this bill and do an industrial park. That is a new development and that isn't the intent of the renaissance zone either. Did anyone else get that same feeling?

**Chairman Belter:** Well, we will let Representative Wrangham and Pinkerton work on this. Does anybody else want to?

**Representative Drovdal:** I am going to check on the tax issue, but I don't have to be on the committee.

**Chairman Belter:** Well, you can counsel at least.

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2060**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 4, 2009

Recorder Job Number: 10195

Committee Clerk Signature

Minutes:

**Chairman Belter:** Let's look at SB 2060.

**Representative Pinkerton:** The amendments would change the section 2, g. "The proposed renaissance zone may have a single exception to the continuous boundary"-- cities that have a population that exceeds 5,000 would stay as the old law was; in cities less than 5,000, it would allow that the distance could be a half mile from one to the other. I am sorry; I am not reading that right. I will try again. The amendment would change; we would keep it as the old law was, which allowed a distance for the island not to exceed a half mile; but in cities less than 5,000, the island could be more than one half mile away. The rationale for that was that some of the presenters stated that in small cities (less than 5,000) that had a downtown area or where the city would be located away from the interstate, they could use that renaissance zone to develop the area closer to the interstate and it would exceed a half mile. Do I have everyone completely confused now?

**Representative Grande:** I guess I would resist this amendment due the fact that a renaissance zone was established for a single purpose and that was to revitalize areas that were not doing business. That was the reason behind it so we didn't do a taxation;

they were able to set that aside for awhile; they would build it up and when they were up and running, we would be taxing them again. That is not what this does any more.

**Representative Wrangham:** I would support the amendment, but I agree with her testimony that in the larger cities, there are plenty of projects to be done in the core city, in the central part of the city. That is where renaissance zones began in downtown areas, basically in areas that were outdated and dilapidated, to offer some tax cuts to rebuild those areas. I think we need to keep it in downtown areas as long as we have downtown areas that need it. There was no testimony from any of the larger cities that wanted to go more than one half mile; however, we did not hear it, but on the senate side, there was testimony by a small town that had a downtown area where they had a renaissance zone that was about 1-1½ mile off the highway. They also have a building that has not been utilized for some time that is along the interstate. This would allow a small town is spread out and doesn't have a big area downtown to work in the renaissance zones. It would allow them to go beyond the half mile.

**Representative Pinkerton:** Two years ago I was in political subs with Representative Wrangham and we heard a lot of renaissance zone bills. At the time there were several small towns that came in, small towns developing along a road or a highway with areas well away from their downtown area that still needed development. I see this as having very little downside for us and it might help a couple of communities. I would certainly support the amendment.

**Representative Wrangham:** I move the .0301 amendment.

**Representative Pinkerton:** Second.

**Representative Winrich:** I guess I don't understand the restriction on cities over 5,000. Why restrict this privilege to the small towns?

**Representative Pinkerton:** One is that Fargo seemed to believe it was not needed and would perhaps hurt the situation because they were trying to keep their core area developed. (5:36) In towns like Minot perhaps it could be used because we are spread along the railroad, but I don't know that it is really the intent of this bill. I believe that in larger towns, the intent of this bill is to develop the core area downtown and not spread it out. I support the amendment because in most small cities across the state, this bill doesn't work very well.

**Representative Froseth:** Speaking from the town I live in, we don't have much interest in revitalizing our buildings downtown because we basically don't have much retail left any more. We don't have much of an interest in establishing retail businesses that have left. We realize the competition from large cities has pretty much diminished any chance that we had to reestablish a clothing store or whatever we used to have downtown. There isn't much demand or interest in trying to establish a new model or revitalize our downtown. We don't have any big multi-purpose housing, multi-family units downtown. We have a few small apartments above buildings and so forth, but our development in our community will be like an industrial park that is an easy-access route for trucks or trains. That is the only way we can basically use industry development renaissance project. I agree with this amendment. I think this work well for communities our size.

**Chairman Belter:** Any further discussion? If not, will all those in favor of the amendment signify by saying "aye"; opposed "nay". **The motion carries.** What are your wishes on SB 2060? I have a motion for a "**do pass as amended**" on **SB 2060** from

Representative Pinkerton and a second from Representative Schmidt. Any discussion?

**Representative Headland:** I am going to resist the do pass motion. I agree that the renaissance zone projects that have been completed have been important and the legislation that we have passed has been important to those developments; but this is a huge expansion of that. I just don't know if we, as a state, need to further expand current law. For that reason, I am going to resist.

**Representative Wrangham:** I think the amendment makes the bill better, but on a do pass motion, I too am going to resist that. But when it comes to replacing (?) utilities, none of us like over-ground utilities in our neighborhoods, whether it is near our business, our home or wherever it is, but I think when we want to bury them or replace them, we have to locate a special tax base to do it. It is part of the cost of renovating those areas. I plan to resist the do pass.

**Representative Weiler:** I agree with the previous two people who spoke. I just think this is too great an expansion of the project. I like the renaissance zone project; I think it is a good project; this just takes it too far. Here is what happening in Bismarck—there is more and more property tax that is being shifted to the residents because the downtown area has more and more areas where the property tax people don't have to pay their property tax for a period of five years. Yet, we increase the value of the property that they purchased and renovated. If they buy a property for \$300,000 and they make it worth \$500,000; they are not paying property taxes now for about five years; and then when it comes back on, they are going to pay property taxes on that base of \$500,000, but the people, the residents who have paid that shift are not going to get any break because of it. Once it comes back on the tax rolls, they are not getting the benefit. It too greatly expands it and I don't like the property tax shift so I will resist the do pass.

**Representative Pinkerton:** On page 2, what is driving this particular bill is a project in Fargo is my understanding. The above ground utilities would pretty much stop this project from proceeding or at least it would not be nearly as nice as it would be with underground utilities. In that the middle of this downtown area, like the project I understand is going on in Fargo, is that if the project is built; next to it is property that really is not going to gain much from that change. That is why you have to hold some of these people without damage. If you bury the utilities in the project going on in Fargo, I think 30% is going to be borne by the taxpayers, 30% by the utilities and 30% by the project. If you look at what is happening in Minot, where our renaissance zones have worked, it has kept an area that really could have become really rundown from not becoming that way. I think that is what you see in Fargo. Look at the Donaldson Hotel in Fargo and what kind of area it has become. I think this project deserves our support.

**Representative Kelsh:** I don't necessarily see it as a shift in property taxes because when Representative Pinkerton talked about the Hotel Donaldson, unless I understand incorrectly, it was valued at \$21,000 or something before it was renovated so it wasn't paying much in property taxes. When it goes back on the tax roll, that will provide relief for property taxpayers in other parts of town. Downtown you are close to the police station, the fire station, to the water treatment plant; you don't have to build new infrastructure to get that property back on the tax rolls. I think it actually provides, not direct property tax relief, but once it goes back on, I think the valuation will be in the hundreds of thousands of dollars and certainly will provide a revenue stream to the city that wouldn't have been there otherwise.

**Representative Weiler:** Representative Kelsh just made my point. The original idea of the renaissance zone is a great one; this just takes it too far. It is a great idea; it is fantastic; this just takes it too far.

**Representative Froseth:** In response to that, this doesn't change anything in cities with a population over 5,000. If you think it goes too far to help communities under 5,000, I disagree with that and I think each renaissance zone project has to be approved by the city or county before it has the approval to go ahead. So I think you have a safeguard in that and have to trust the city and county governments.

**Representative Headland:** Can I get some clarification because I don't see the amendment limiting the infrastructure changes in this bill to towns of 5,000 but maybe it does.

**Representative Pinkerton:** It does not.

**Representative Headland:** That is where I have a problem with the general expansion of this bill.

**Representative Weiler:** Representative Froseth, if every plan has to be approved by a city, why do we need this language in here about public utility infrastructure? If the plan can be approved by the city now without this law, why do we need this law?

**Representative Drovdal:** I thought that the reason we had the public utility infrastructure in there is because when you go down number 4, the property owner that is non-participating would be able to recover his costs when he is forced to do this. I don't have a concern over that, but that is my understanding as to why it was added into the bill. Am I correct?

**Representative Weiler:** I am not sure.

**Representative Pinkerton:** My understanding from Mark Nesbitt, Xcel Energy Manager in Fargo, is that they are very interested in participating in this because he is very proud of what downtown Fargo has become. Now he thinks they can do better. What he relayed to me was that this is kind of written for one project that is going on there and that there are utilities that run behind the project. On one side is the project and on the other side are older businesses that have utilities coming in the back. If they put the utilities underground, those businesses will have to spend between \$5,000-20,000 changing how electricity runs into the building because Xcel will only be responsible to the meter. That is why that language has been put in there, to hold harmless those buildings that are not part of the renaissance zone and have no gain from it other than they are going to get underground utilities. Am I clear or I can try that again? He was very pro project; I think he has a good feel for what goes on in Fargo.

**Representative Grande:** I do not have a problem with sections 1, 3 and 4; but I have a big problem with sections 2 and 5. For that reason, I cannot support the rest of the bill. I don't like the expansion of the territory and I just don't know why we are doing the credits on historical preservation. I think that we needed to work a little harder in narrowing this field down and getting it to what we really needed and what the whole idea behind it was. There is just too much in it. (19:00)

**Chairman Belter:** If there is no further discussion, will the clerk read the roll? We are voting on a **"do pass as amended"**. A roll call vote resulted in **6 ayes, 7 nays, 0 absent/not voting. Motion fails.**

**Representative Grande:** I move to remove sections 2 and 5 of the bill.

**Chairman Belter:** We have a motion from Representative Grande to remove sections 2 and 5. (21:27) A point of clarification about that, do you want to eliminate the current language of section 2 as well or just the amendment?

**Representative Grande:** Go back to the original language.

**Representative Winrich:** But the original language is already in law, isn't it?

**Vice Chairman Drovdal:** So you just remove it.

**Representative Grande:** So you just remove section 2 because then it is then no longer part of the bill.

**Chairman Belter:** We have a motion from Representative Grande to remove sections 2 and 5. Is there a second? We have a second from Representative Winrich. Is there any discussion?

**Representative Weiler:** I would just like some clarification. We amended section 2, correct? The amendment passed, but how can you take out the whole section?

**Representative Grande:** I am not repealing it; I am just removing it from the bill.

**Representative Weiler:** You said in your proposal to remove section 2 and section 5. If you remove section 2, you are taking out lines 13-20. Did you mean to remove the amendment that you didn't like? I apologize, Mr. Chairman; I am just trying to clarify this.

**Chairman Belter:** There are two ways you could do it. She is removing the whole section, which would leave language as it currently is or you could just remove the overstrikes—either one would do the same thing.

**Representative Winrich:** Then we would have to remove the amendment that

Representative Pinkerton brought in. We would have to remove the Pinkerton amendment first and then you could remove the overstrikes. (24:06)

**Representative Grande:** Pinkerton's amendment is now gone so if I remove it, I remove his amendment. That is what I am trying to do, just going back to code on 2 and we don't need 5, that is all new language.

**Representative Froseth:** I would support removing section 5, but not removing section 2. I would like to see section 2 stay in as amended.

**Representative Weiler:** Representative Grande said we go back to the original language so you still want the overstrike on line 18 starting with the word "and", all of 19 and all of 20, you want to remove the overstrike or do you want that back in ?

**Representative Grande:** If I say remove section 2, it automatically takes that overstrike off and it puts it back to normal code because it disappears from the bill.

**Representative Pinkerton:** I would oppose the amendment. One, I don't understand why we would want to be...this exemption is strictly for small cities and they will clearly use very little. Allowing them to have the island greater than a half mile would only help smaller cities and I don't know why we would want to do anything to harm them. They are in enough trouble as they are, under 5,000. Not having fully read through section 5, I am not exactly sure why we would want to remove that either. I would resist the amendment.

**Representative Kelsh:** Just so we are clear. On section 2 what Representative Grande wants to do is not remove it from the century code but remove it from the provisions of this bill so we are voting on that section. (26:56).

**Representative Winrich:** I would just offer a comment, I guess. I remember well that I opposed the original legislation on renaissance zones several years ago and opposed it rather vigorously. At the time I thought it was just overdoing it. There were tax credits for just about everything you could imagine. We have kind of gotten to that point, but I

tend to agree with Representative Weiler's earlier remarks that we are sort of going down the same road again. This is just sort of throwing something at everything. I think we need to focus our legislation a little more carefully than this.

**Chairman Belter:** We are still discussing the **Grande amendment**. Any other discussion? All those in favor of the Grande amendment, signify by saying "aye", opposed "nay". **Motion fails.** What are your wishes?

**Representative Drovdal:** I have a question on the main bill. I have visited on this with a number of people and I haven't got the full answer to it yet. According to the way it was explained to me, if they go into a section of Fargo and they have non-participating business owners and they need to upgrade their service, they pay for upgrading their service into their buildings; then they can go under section 4 and receive a tax credit for up to five years of the total amount of that expense. If I understand business right, they can put that expense in there and depreciate that expense out over a number of years. If they are in the 30% bracket, they could recover the 30% of that cost by depreciation and lower their income up to 30%. But then we are also giving them 100% above that. Am I misreading this? Would somebody tell me where I am off on this? I don't mind helping them out and giving them the credit, but I think 100% should be enough unless I am misreading it. It is the businesses and not the utilities that get this credit; I do understand that. Can anybody clarify that?

**Representative Pinkerton:** I would approach trying. Whether you can depreciate or not depends on whether you made money or not. I don't know the term for depreciation is on my building, I think it is 37-43 years for depreciate; it is quite a ways out in the future. But we approved a bill this morning on wind energy and we are going to give them tax credit. On the total project 30% is paid by the federal government in tax credits, and we

are still giving them 15% of that back so we are giving tax credit on a tax credit. It seems to be a fairly common thing for us to do. Well on those wind projects this morning that we approved and I voted for, they had 30% of the cost paid for by the federal government and we gave a tax credit on the total cost, not on the 70% that is getting paid (inaudible) so I presume that what is good for the goose is good for the gander.

**Chairman Belter:** Committee members, there seems to be a lot of discussion. Do you want to hold this bill to clarify or do you want to act on it? We have a motion for a "do not pass" from Representative Wrangham and a second from Representative Froelich. Any discussion?

**Representative Grande:** Are we voting on this bill or this bill? Okay, "do not pass as amended".

**Representative Wrangham:** I have been convinced by all the discussion on the table that this is too much of an expansion to bring into the renaissance zone several entities not included before, including the utility companies and the non-participating structure owners. I think it is better to continue on the way we have been. It has been successful. Let's not overdo a good thing.

**Chairman Belter:** Any other discussion? If not, will the clerk read the roll for a "do not pass as amended" on SB 2060. A roll call vote resulted in 8 ayes, 5 nays, 0 absent/not voting. Representative Weiler will carry the bill.

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2060**

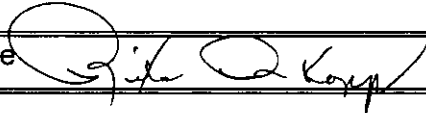
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 10, 2009

Recorder Job Number: 10638

Committee Clerk Signature



Minutes:

**Chairman Belter:** We have a motion from Representative Brandenburg to reconsider our action where SB 2060 received a "do not pass". Is there a second? We have a second from Representative Kelsh. All those in favor of the motion to reconsider, signify by saying aye.

**Motion carries.** Representative Brandenburg, what troubles you?

**Representative Brandenburg:** After visiting with the people who very much support and feel this is very important to their districts and their cities, I think the bill should be relooked at and given a "do pass" because I do think there is some merit in the renaissance zones. There are positive things to this bill. With that, Mr. Chairman, it is the same bill, I guess I make a motion for a "do pass".

**Representative Grande:** I just have a question as to the bill that we have in front of us. Are we voting on an amended bill? What is that amendment? Is it the Pinkerton amendment?

**Chairman Belter:** Yes.

**Representative Drovdal:** The concern I have on this bill and I want to address that concern before I vote for or against it has to do with section 3, subsection 4. I realize there are non-participating businesses that would put it into this category when they are pushed into something. I feel for them and we should do something for them. My question is that these

businesses, when they pay for having this rewiring done into their store, they are either going to write that off as an expense or they are going to depreciate it as an expense. Either way they are going to get some tax credit in that particular way.. Then we are turning around and giving them a 100% tax credit on top of the depreciation and write off. I think maybe we need to put an amendment on saying they can't use this as an expense if they are going to get 100% credit on their tax. In other words, we are letting them double dip. I feel for them, but I don't want to give them money out of my pocket either. So I would like to ask the Tax Department concerning that depreciationary tax write off before we vote on this, to address that list if we think that is a problem.

**Representative Wrangham:** I guess I am a little lost on this unless Representative Brandenburg has new information, I wish we could have had some discussion on whether we should reconsider it. This was the final vote that was the decision of the committee. It goes from there to the floor and there is floor debate on it. The bill would pass or fail on the floor on its merits. I guess I am a little disappointed that we as a committee are going to bring this back unless there is some new information that is earthshaking. I am talking about history, aren't I? We have a "reconsider" already, but I think this may help us all as we consider sticking with the "do not pass" as we go forward.

**Chairman Belter:** Is it your wish that you want to check with the Tax Department?

**Representative Drovda:** It is my wish, Mr. Chairman, but if I have to vote right now, I would vote against the passage of this bill.

**Chairman Belter:** We do have the bill before us; we don't have the motion for a "do pass" so if there is something you want to check out, then I would appreciate if you... We have three days to get these bills out.

**Representative Drovdal:** As soon as the committee is through today, I will go right up there and visit with them.

**Representative Pinkerton:** I wonder if we could ask Mrs. Clarke if she could come down and she could probably comment on this because that is who did the amendment. If she was available now, she could come down and we could resolve this.

**Chairman Belter:** You mean Jennifer Clark?

**Representative Pinkerton:** She might not have the tax information though.

**Chairman Belter:** Yes, I would think you would need someone from the Tax Department to answer that question.

**Representative Drovdal:** I will have an answer by tomorrow.

**Chairman Belter:** Okay, we have this bill before us anyway and we can go back.

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2060**

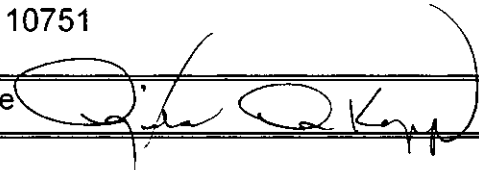
House Finance and Taxation Committee

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Hearing Date: March 11, 2009

Recorder Job Number: 10751

Committee Clerk Signature



Minutes:

**Chairman Belter:** What about 2060?

**Vice Chairman Drovdal:** On the renaissance bill, the question I asked the Tax Department was if we are going to give a business.....if a business goes and does this work, they can write it off as maintenance off their profits and don't have to pay tax on it or they can depreciate it, one way or the other, we are not sure. But they can do one or the other so they could write it off on their profits. If we give them a 100% credit, they are double dipping so I asked the Tax Department to write an amendment if they take the 100% credit, then they can't use it as a deduction on their income. We are not sure which way they do it so they (the Tax Department) are supposed to be getting the language out on that.

**Representative Grande:** So are you waiting for an answer on that?

**Representative Drovdal:** They are supposed to draw up the amendments to address that so they can't use it as a dual expense, get the 100% and use it as an expense as well. The other option that was offered was just to take that section completely out, but part of the goal was to help those people....with the fiscal note so that wouldn't be really what.... so that would work with the amendments.

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2060**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11007

Committee Clerk Signature



Minutes:

**Chairman Belter:** We have 2060. That one I believe we brought back and reconsidered and we have that bill before us.

**Representative Grande:** For clarity, we still have section 2 amended with the Froseth amendment, correct, extending out that line for a mile or something.

**Representative Pinkerton:** We did pass that amendment, didn't we?

**Representative Grande:** I did; I said the wrong person. I am sorry, the Pinkerton amendment. .0301.

**Chairman Belter:** I don't have those amendments or maybe I do.

**Representative Grande:** Mr. Chairman, I guess I would like to offer an amendment.

**Chairman Belter:** Just wait now; the chairman is hunting for his amendments. John, can you get me an amendment?

**Representative Grande:** I would like to move an amendment to remove section 5. In speaking with various people, that section really wasn't asked for and not really needed. It really is another expansion. I guess I don't care for the transfer of credit in this particular area.

**Representative Headland:** I would agree, Mr. Chairman. I second.

**Chairman Belter:** I have a motion from Representative Grande and a second from Representative Headland to remove section 5. Any discussion?

**Representative Grande:** Ceiling of one, all new language dealing with historical preservation.

**Chairman Belter:** Any discussion on the amendment dealing with section 5? If not, all those in favor of the amendment to remove section 5 from 2060, signify by saying "aye". **Motion carries.** What are your wishes on SB 2060?

**Representative Brandenburg:** "Do pass as amended".

**Representative Kelsh:** Second.

**Chairman Belter:** Any discussion? Is there a fiscal note on this?

**Representative Drovdal:** None for the state.

**Representative Wrangham:** Not a question, a comment. I think we did the right thing the last time we voted on this. We had a "do not pass" 8-5. I don't think we have made significant changes to it; I am still going to oppose passage of the bill.

**Representative Drovdal:** I should report I had a concern about this bill because of the double dipping of participating businesses. I visited with the Tax Department and in a sense; we would be dealing with federal income tax besides ND income tax. It would be very cumbersome and just about impossible for them to come up with a means that would effectively control that. Like they pointed out to me, there is a lot of double dipping in this thing so that would not be unexpected. The only way we could possibly do it is if we restricted the credits to businesses for utilities for like 75-80%; then they could deduct the balance of it off their taxes but I did not put an amendment on. I just decided I am going to stay with my previous "no" vote.

**Chairman Belter:** Any other discussion? If not, will the clerk read the roll for a "do pass as amended". (A roll call vote resulted in 6 ayes, 6 nays, 1 absent/not voting/Schmidt.)

**Chairman Belter:** I just don't like to send it out without a recommendation. We will just hold this and when we come back in after committee, we can vote on it again. (Inaudible). It won't take long to vote. **The motion fails and we will have to reconsider this when we come back.**

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2060**

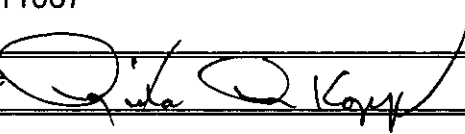
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11067

Committee Clerk Signature



Minutes:

**Chairman Belter:** Let's look at SB 2060. Is there any discussion? If not, will the clerk read the roll for a "do pass amended" on SB 2060. A roll call vote resulted in 7 ayes, 6 nays, 0 absent/not voting. Representative Scott Kelsh will carry the bill.

✓12  
3/5/09

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2060

Page 1, replace lines 15 through 20 with:

- "g. The proposed renaissance zone may have a single exception to the continuous boundary and contiguous block requirements under subdivision d if the area of the excepted noncontiguous blocks does not exceed three square blocks and, in the case of a city with a population that exceeds five thousand, if the shortest distance between the noncontinuous boundaries of the two portions of the zone does not exceed one-half mile [.80 kilometer]."

Renumber accordingly

Date: March 4, 2009

Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 301

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Wrangham Seconded By Pinkerton

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovda			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: March 4, 2009

Roll Call Vote #: 2

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended

Motion Made By Pinkerton Seconded By Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich		/
Vice Chairman David Drovdal	/		Representative Kelsch	/	
Representative Brandenburg		/	Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande		/	Representative Winrich		/
Representative Headland		/			
Representative Weiler		/			
Representative Wrangham		/			

Total (Yes) 6 No 7

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: March 4 2009

Roll Call Vote #: 3

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Go back to original Remove Sec 2 + 5 language

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Grande Seconded By \_\_\_\_\_

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: March 4 2009

Roll Call Vote #: 4

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☐ Do Pass ☒ Do Not Pass ☒ Amended

Motion Made By Wrangham Seconded By Froelich

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	
Vice Chairman David Drovdal	/		Representative Kelsh		/
Representative Brandenburg	/		Representative Pinkerton		/
Representative Froseth		/	Representative Schmidt		/
Representative Grande		/	Representative Winrich	/	
Representative Headland	/				
Representative Weiler	/				
Representative Wrangham	/				

Total (Yes) 8 No 5

Absent 0

Floor Assignment Representative Weiler

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

**REPORT OF STANDING COMMITTEE**

**SB 2060, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO NOT PASS** (8 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). Engrossed  
SB 2060 was placed on the Sixth order on the calendar.

Page 1, replace lines 15 through 20 with:

- "g. The proposed renaissance zone may have a single exception to the continuous boundary and contiguous block requirements under subdivision d if the area of the excepted noncontiguous blocks does not exceed three square blocks and, in the case of a city with a population that exceeds five thousand, if the shortest distance between the noncontinuous boundaries of the two portions of the zone does not exceed one-half mile [.80 kilometer]."

Renumber accordingly

Date: March 10, 2009

Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2060**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Motion to Reconsider

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Brandenburg Seconded By Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Reconsider  
Motion carries

March 16, 2009

VK  
3/16/09

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2060

Page 1, line 2, replace the second comma with "and" and remove ", and 40-63-06"

Page 1, line 3, replace the second comma with "and"

Page 1, line 4, remove ", and the transferability of renaissance zone historic preservation"

Page 1, line 5, remove "and renovation tax credits"

Page 3, remove lines 19 through 31

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 2

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: ~~2060~~ 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Remove Sec 5

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Grande Seconded By Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Motion carries

Remove Section 5

Date: March 16, 2009

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2060

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended

Motion Made By Brandenburg Seconded By Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich		/
Vice Chairman David Drovda		/	Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt		
Representative Grande	/		Representative Winrich		/
Representative Headland		/			
Representative Weiler		/			
Representative Wrangham		/			

Total (Yes) 6 No 6

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

How

Date: March 16, 2009

Roll Call Vote #: 3

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2060**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended

Motion Made By \_\_\_\_\_ Seconded By \_\_\_\_\_

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	/
Vice Chairman David Drovdal		/	Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande	/		Representative Winrich		/
Representative Headland		/			
Representative Weiler		/			
Representative Wrangham		/			

Total (Yes) 7 No 6

Absent 0

Floor Assignment Representative Scott Kelsh

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

**REPORT OF STANDING COMMITTEE**

**SB 2060, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (7 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2060  
was placed on the Sixth order on the calendar.

Page 1, line 2, replace the second comma with "and" and remove ", and 40-63-06"

Page 1, line 3, replace the second comma with "and"

Page 1, line 4, remove ", and the transferability of renaissance zone historic preservation"

Page 1, line 5, remove "and renovation tax credits"

Page 3, remove lines 19 through 31

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 2

Renumber accordingly

2009 SENATE INDUSTRY, BUSINESS AND LABOR

CONFERENCE COMMITTEE

SB 2060

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2060

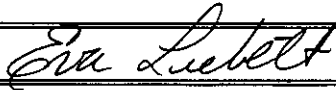
Senate Industry, Business and Labor Committee

☒ Check here for Conference Committee

Hearing Date: April 22, 2009

Recorder Job Number: 12081

Committee Clerk Signature



Minutes:

**Chairman Andrist:** Called the meeting to order on Senate Bill 2060. Did anyone want an explanation? The House took out a section that doesn't really give me any heartburn. I don't remember getting a lot of testimony on that phase of the bill when we first heard it. We were lucky with the utility aspect.

**Senator Potter:** I asked about this as to what was the genius of it. We didn't have much testimony on that historic tax credit the transferability of them. The tax credit exists in current law as they do here the whole question is whether or not they could be transferred and you guys took that out on your side. I was told this came out of interim and the economic developers had state wide meetings about legislation. What was said, came from Valley City, the reason for it being inserted into this language was consistency with the other elements in the renaissance zone tax credits. They said that all the other renaissance zone tax credit is transferable except for the historical tax credits. So they were just making the chapter whole and making it the same as the other tax credit. In talking with the department they're against transferability of tax credits. Of course they will implement our policies as we pass them but generally they are not in favor of them. In this case we are already a little bit pregnant, you

might say and that all the other elements of the renaissance zones have transferability, so why not the historic credits?

**Chairman Andrist:** We could also discuss whether we want move all the transferability credits, since that wasn't on the bill and the testimony wasn't on it we can save that for a later date.

**Senator Nodland:** I kind of the same as you, I don't remember any testimony but I don't have any heartache about it and I don't have any real issues with it.

**Rep. Grande:** I happened to be the one to make the motion to remove them and that came with discussion that I had with people who had been a part of interim work on this. It really had not been a part of discussion really to have it in a bill or this particular one. I happened to know within the discussion in our committee we had a hard time getting this bill passed out of committee. We made it as palatable as possible or we were going to lose the whole bill.

Transferability is not a popular item and the amendment considerable like you would say would have probably of been a real good amendment for our committee. Our committee would have loved to have taken out transferring away. We tried to keep this as palatable as possible because we saw the importance of the utility portion of it. That is a real big part of it.

**Rep. Kelsh:** This is a history of our committee action on it. (He reads the votes taken). It wasn't a really popular bill on our committee. There was resistance to the entire renaissance. The transfer of the historic tax credit was taken out and we left the island in there.

**Senator Nodland:** You said there are some people who don't really like renaissance zones?

**Rep. Forseth:** I shouldn't say don't like it. I think there is getting to be some second thoughts about expansion of renaissance zones and continuing expansion. Some are feeling that it served the purpose quiet well up to this point but I think there is resistance to keep expanding it and giving more tax credits.

**Senator Nodland:** I guess I am from Dickenson and it has revitalized our town and that is a different ball game. It's been long enough that the tax abatements are gone and now the amount of taxes these people are paying has more than made up for the taxes to start with. So I can't believe that someone doesn't believe in the concept, they must not understand the long haul of the concept because it revitalizes your community.

**Rep. Grande:** I don't believe there is a problem with the renaissance zone as revitalization. What it is, each session there is a new and expanded way to continue it and it wears out its welcome in its expansion process. I think some would say that is okay when we're dealing with the property tax and abatement but when we get to the income tax side, now we are pushing beyond the limits of where it should go and that's where the pressure is coming.

**Rep. Forseth:** I never believe it should have the income tax component in it in the first place, it is a local community thing and there is no reason they should be getting tax relief to Fargo and Fargo tax relief to Dickenson.

**Chairman Andrist:** Part of me won't mind doing more on this yet but the majority part of me, says we should stick to the issue at hand and I would welcome a motion to accede to the House amendments.

**Senator Nodland:** Motion for the Senate to accede to House Amendments.

**Senator Froseth:** Seconded the motion.

Vote Count: Yes 6 No 0

Senate Carrier: Chairman Andrist

House Carrier: Rep. Forseth

Date: April 21, 2009

Roll Call Vote #: 1

**2009 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES**

**BILL/RESOLUTION NO. SB 2060** as (re) engrossed

**Senate IBL Committee**

☒ Check here for **Conference Committee**

- Action Taken ☒ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amend
- ☐ HOUSE recede from House Amendments
- ☐ HOUSE recede from House amendments and amend as follows

Senate/House Amendments on SJ/HJ pages(s) 1029 --

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) \_\_\_\_\_ was placed on the Seventh order of business on the calendar.

Motion Made By Senator Nodland Seconded By Senator Froseth

Senators					Representatives				
	Attend.		Y e s	N o		Attend.		Y e s	N o
Senator Andrist	✓		✓		Rep. Froseth	✓		✓	
Senator Potter	✓		✓		Rep. Grande	✓		✓	
Senator Nodland	✓		✓		Rep. S. Kelsh	✓		✓	

Vote Count 6 Yes 0 No 0 Absent

Senate Carrier Chairman Andrist House Carrier Rep. Froseth

LC NO. \_\_\_\_\_ of amendment

LC NO. \_\_\_\_\_ of engrossment

Emergency clause added or deleted \_\_\_\_\_

Statement of purpose of amendment \_\_\_\_\_

**REPORT OF CONFERENCE COMMITTEE**

**SB 2060, as engrossed:** Your conference committee (Sens. Andrist, Potter, Nodland and Reps. Froseth, Grande, S. Kelsh) recommends that the **SENATE ACCEDE** to the House amendments on SJ page 1029 and place SB 2060 on the Seventh order.

Engrossed SB 2060 was placed on the Seventh order of business on the calendar.

2009 TESTIMONY

SB 2060

# WORKFORCE COMMITTEE

The Workforce Committee was assigned four studies. Section 20 of House Bill No. 1018 (2007) directed a study of the state's system for addressing workforce needs through a workforce system initiative that includes receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, active participation in focus groups across the state, and active participation in a workforce congress. Section 3 of Senate Bill No. 2149 (2007) directed a study of job development authorities across the state to determine the economic impact created by the authorities, to examine funding mechanisms used by the authorities when expending resources for economic development purposes, and to determine whether the authorities serve a viable purpose. House Concurrent Resolution No. 3025 (2007) directed a study of possible methods of growing North Dakota's population and increasing the available workforce in the state. The chairman of the Legislative Council directed a study of the means by which the North Dakota University System fulfills North Dakota's workforce needs.

The Workforce Committee was charged with receiving the following six workforce-related reports:

1. Statewide Longitudinal Data System Committee report on the status of the plan for a longitudinal data system (North Dakota Century Code (NDCC) Section 15.1-02-18).
2. Department of Commerce Division of Community Services annual reports on renaissance zone progress (NDCC Section 40-63-03).
3. Commissioner of Commerce report on the process used and factors considered by the commissioner in identifying target industries on which economic development efforts are focused and the special focus target industry (NDCC Section 54-60-11).
4. Compilation and summary of state grantor reports filed annually by the Department of Commerce and the reports of state agencies that award business incentives for the previous calendar year (NDCC Section 54-60.1-07).
5. Department of Commerce report on the department's Renaissance Zone Conference activities and the department's recommendations resulting from the conference (2007 Session Laws, Chapter 18, Section 19).
6. Department of Commerce report on the implementation and successes and failures of the Beginning Again North Dakota pilot program and whether the program should be continued or continued and expanded (2007 Session Laws, Chapter 18, Section 38).

Committee members were Senators Tony Grindberg (Chairman), Ray Holmberg, Dave Nething, and Tom Seymour and Representatives Donald L. Clark, Stacey Dahl, Mary Ekstrom, Glen Froseth, Eliot Glassheim, Pam Guleson, Nancy Johnson, George J. Keiser, Lisa Meier, Lee Myxter, Dan J. Ruby, Clark Williams, and Steve Zaiser.

## REPORTS

### Statewide Longitudinal Data System Committee

The committee received the *State of North Dakota Longitudinal Data System Strategic Roadmap Executive Summary*. The summary provided:

Each biennium, North Dakota and its citizens invest billions of dollars across many state agencies to maintain and improve the quality of life for residents of the state. Each program operated by these agencies collects some type of performance data to measure short-term and medium-term outcomes. However, data collected within a program does not always provide a fuller picture of longer-term, or "longitudinal" outcomes, for how the program and its participants fared over time.

This report, the State of North Dakota Longitudinal Data System Strategic Roadmap, lays out the planning, development, and budget efforts that are required to realize a data repository that unifies key data from public PK-12, higher education, and workforce development initiatives and provides the analytical insight to better administer state services and foster economic development. The LDS Strategic Roadmap presented here is a product commissioned by the state's Longitudinal Data System (LDS) Committee, which was formed in 2007 after interest in data warehousing was expressed by several state agencies.

The summary provided recommendations that included the following project milestones:

- 2009-11 biennium:  
Implement a data governance program;  
  
Create state longitudinal data system infrastructure (established in Phase 1) to replace current followup information on North Dakota education and training (FINDET) functionality; and  
  
Implement a kindergarten through grade 12 data warehouse.
- 2011-13 biennium:  
Complete state longitudinal data system Phases 2 and 3; and  
  
Establish an education program to build analytical capability among users.
- 2013-15 biennium:  
Continue operations, maintenance, and ongoing enhancements to the state longitudinal data system.

The Statewide Longitudinal Data System Committee was authorized \$50,000 to hire a consultant. The Statewide Longitudinal Data System Committee is halfway through the recommendations of the consultants and final cost figures have not been determined.

## **Renaissance Zone**

The committee received annual reports from the Department of Commerce Division of Community Services on renaissance zone progress.

### **Target Industries**

The committee received the biennial report from the Commissioner of Commerce on the process used and factors considered by the commissioner in identifying target industries on which economic development efforts are focused and the special focus target industry.

The Commissioner of Commerce reported the five target industries were formalized and adopted by the Governor and the North Dakota Economic Development Foundation as part of the state's strategic plan for economic development. The target industries identified were energy, value-added agriculture, technology-based businesses, advanced manufacturing, and tourism. The commissioner reported that although the Department of Commerce will not be making any changes to the current five target industries, the department will be narrowing its focus within these target industries to focus on areas with the most opportunities for long-term growth. The commissioner reported energy was chosen as the special focus target industry due to the rapidly increasing role energy plays in North Dakota's economy.

The Commissioner of Commerce reported the Department of Commerce is using the resources and tools granted by the Legislative Assembly to target industries and help grow North Dakota's economy. Some possible legislative actions to consider include:

- Implement the Empower North Dakota Commission recommendations;
- Address infrastructure needs for energy development;
- Create a robust and market-based education and workforce training system;
- Develop tax and financing incentives to promote automation and productivity;
- Expand trade services through the North Dakota Trade Office;
- Continue support and funding for the centers of excellence program;
- Expand support for entrepreneurial startups, programming, and support; and
- Expand support for tourism marketing and development.

### **Business Incentives**

The committee received the first and second annual state business incentive reports. The first report addressed state business incentives for calendar year 2006, and the second report addressed state business incentives for calendar years 2006 and 2007. Over time, the annual reports will include more data and will provide a better picture of effectiveness of state business incentives.

## **Renaissance Zone Conference**

### **Report**

The committee received a report from the Department of Commerce on the department's Renaissance Zone Conference activities and the department's recommendations resulting from the conference. The department hosted and facilitated the Renaissance Zone Conference on February 6, 2008. Invitations to the conference were sent to each incorporated city in North Dakota and to the members of the interim Industry, Business, and Labor Committee. More than 60 individuals from 42 different communities attended the conference.

The report included the following recommendations from the conference:

- Extend the time period for a renaissance zone. The law provides designation as a renaissance zone may not exceed 15 years. Cities that have been in the program for eight years are starting to ask whether the state will allow another renaissance zone after the first zone expires.
- Include the cost of demolition in a renaissance zone project. If a developer needs to demolish a building to expand or build a new building, the renaissance zone law should allow demolition costs to be part of the project or, in specific instances, allow demolition to be a stand-alone project. Some communities have older homes that have created both health issues and safety issues as the taxpayers are allowing the building to go back to the county for taxes which is creating a financial burden for some communities.
- Delete the half-mile requirement for the three-block island and allow the island to be anywhere in the city.
- Treat the historical tax credits like the other tax incentives and allow the credits to be transferred to the new owner.

### **Testimony**

The testimony indicated the issue of demolition costs can be addressed administratively; however, the other three issues require legislative action. The Department of Commerce indicated that since the renaissance zone law was enacted in 1999 and the oldest of the renaissance zones are still several years from reaching the 15-year maximum, the department does not support enacting legislation addressing this issue during the 2009 legislative session.

The committee received testimony that renaissance zones such as the one in Bismarck would support expanding the renaissance zone law to include expenses incurred in updating utilities. As part of many renaissance zone projects, utilities would prefer to place utility lines underground, but this is cost-prohibitive.

### **Recommendations**

The committee recommends a bill to expand and modify the renaissance zone law to include tax incentives for repair or remodeling of utility infrastructure, to provide for transfers of historic preservation and

renovation tax credits, and to delete the half-mile requirement for the three-block island.

### **Beginning Again North Dakota**

The committee received the report from the Department of Commerce on the implementation and successes and failures of the Beginning Again North Dakota pilot program and whether the program should be continued or continued and expanded.

The report indicated the Department of Commerce contracted with the North Dakota State University Extension Center for Community Vitality to implement the program. In soliciting applications from interested communities, there were no applicants from a city with a population of more than 1,500 but not more than 3,500. Therefore, the Department of Commerce selected the following two smaller cities from the applicants--Tower City and Walhalla.

The two participating communities were surveyed at the end of the project and indicated support for the program, indicating they would recommend the program to other communities and recognized there was value to the program. A representative of the Department of Commerce reported the department is open to the idea of continuing the program but will wait until the 2009 legislative session before making a determination of whether to support legislation to continue the program.

### **WORKFORCE SYSTEM STUDY**

In addition to working with the Department of Commerce, the committee received assistance from the Economic Development Association of North Dakota in conducting the workforce system study. The Legislative Council and Department of Commerce contracted with a private entity to provide professional services to plan, facilitate, report on, and coordinate followup for the study.

#### **Study Background**

The 2007-08 workforce system initiative takes the place of what would have been the third of a three-interim business climate initiative of the Legislative Council. During the 2003-04 interim, the Legislative Council's Economic Development Committee conducted a primary sector business climate study, which was the first of the three-interim initiatives. That committee recommended Senate Bill No. 2032 (2005), which, under Section 17, provided for a two-interim continuation of the activities. Through the course of the 2005 legislative session, several of the provisions of Senate Bill No. 2032, as introduced, were relocated to Senate Bill No. 2018--the appropriation bill for the Department of Commerce. Therefore, the initiatives of that committee are identified as being from Senate Bill No. 2032 or Senate Bill No. 2018.

During the 2005-06 interim, the Legislative Council's Economic Development Committee conducted a business climate study, which was the second of the three-interim business climate initiatives. That committee recommended House Bill No. 1027 (2007) as the business initiative bill draft. House Bill No. 1027 failed in the Senate and the provisions of the bill were

relocated to several bills, with House Bill No. 1018--the appropriation bill for the Department of Commerce--being the primary vehicle for the committee's recommendations.

The recommendation to expand the required 2007-08 interim business climate study focus group activities to include young professionals was replaced with the repeal of the provision requiring the business climate study and the creation of the workforce system study. In effect, the workforce system study takes the place of the third of the three-interim business climate initiatives.

### **2003-04 Interim Economic Development Committee**

The Economic Development Committee studied the state's business climate, including the creation of an index of key objective measurements that address the state's competitiveness with other states, the consideration of methods of creating business partnerships with North Dakota Indian tribes in order to increase primary sector business growth in the state, and active participation in the activities of the Primary Sector Business Congress. The committee recommended two bills--Senate Bill No. 2032 addressed a broad range of economic development and business climate issues, and House Bill No. 1031, which did not pass the Senate, would have modified the law relating to tax exemptions within urban renewal development or renewal areas.

The Legislative Assembly enacted a majority of the programs recommended by the Economic Development Committee, either as part of the business climate initiative bill--Senate Bill No. 2032--or the Department of Commerce appropriation bill--Senate Bill No. 2018. The enacted provisions:

- Extended and expanded the Bank of North Dakota's authority to invest its funds in North Dakota alternative and venture capital investments and early-stage capital funds.
- Rewrote the centers of excellence law, repealing the existing North Dakota Century Code section and creating a new chapter.
- Modified the membership of the Emergency Commission.
- Required the Office of Management and Budget to establish a procurement information Internet website.
- Modified the seed capital investment tax credit laws.
- Repealed the laws relating to venture capital corporations and the Myron G. Nelson Fund, Inc., effective August 1, 2007.
- Required two studies--the North Dakota business climate initiative and venture and risk capital.
- Required multiple agency studies and reports to the Legislative Council.
- Modified the organization of the Department of Commerce Division of Economic Development and Finance to rename and modify the International Business and Trade Office and

clarify the duties of the North Dakota American Indian Business Development Office.

- Provided a Division of Economic Development and Finance program for local economic developer certification.
- Required the Commissioner of Commerce to identify target industries.
- Provided for a Department of Commerce program for North Dakota image information.
- Provided for a Department of Commerce business hotline program.
- Provided for a Dakota Manufacturing Initiative, through which the Department of Commerce was directed to seek to contract with The Dakota Manufacturing Extension Partnership, Inc.
- Required multiple agency studies and reports to the Legislative Council.

### **2005-06 Interim Economic Development Committee**

The Economic Development Committee studied the state's business climate through a business climate initiative, including receipt of agency reports regarding economic development legislation introduced by the Legislative Council during the previous legislative session, participation in business climate focus groups across the state, and participation in a Business Congress. In addition to working with the Department of Commerce, the committee received assistance from the Greater North Dakota Chamber of Commerce in conducting the business climate study. Two private consultants provided professional services to plan, facilitate, report on, and coordinate followup for the focus groups and the Business Congress.

Although the Legislative Assembly enacted several of the provisions recommended by the Economic Development Committee in House Bill No. 1027, the bill failed to pass in the Senate and the provisions of the bill were relocated to several other bills, i.e., House Bill No. 1016, House Bill No. 1018, Senate Bill No. 2120, and Senate Bill No. 2180. The committee recommendations underwent significant revision in the course of the legislative session and as enacted:

- Provided for the workforce system study during the 2007-08 interim.
- Authorized the Industrial Commission, acting as the Housing Finance Agency, to establish certain housing finance programs. Specifically, the scope of the mortgage loan financing program was expanded to include assistance in the development of low-income to moderate-income housing or to assist a developing community address unmet housing needs or alleviate a housing shortage, and the scope of the housing grant program was expanded to include assisting a developing community address unmet housing needs or alleviate a housing shortage.
- Provided for a Legislative Council study of housing needs during the 2007-08 interim.
- Expanded the definition of "agricultural commodity processing facility" for purposes of the agricultural

business investment tax credit law, to provide an agricultural commodity processing facility may include a livestock feeding, handling, milking, or holding operation that uses a byproduct from an ethanol or biodiesel plant located in this state.

- Amended the laws relating to the beginning entrepreneur loan program by amending the definition of "beginning entrepreneur" by simplifying the net worth limitations and increasing from \$4 million to \$8 million the maximum amount the Bank of North Dakota may guarantee in loans under the beginning entrepreneur loan program.
- Amended the laws relating to the biodiesel partnership in assisting community expansion (PACE) program and would have provided appropriations for the biodiesel PACE program and the PACE (flex PACE) program.
- Required the Commissioner of Commerce to create a biennial tax expenditure report and a state business incentive expenditure report.
- Increased the annual cap of the seed capital investment tax credit from \$2.5 million to \$5 million.
- Expanded the sales tax exemptions to include tourism equipment and wireless service provider equipment.
- Provided for a Legislative Council study of wireless service providers during the 2007-08 interim.
- Repealed the beginning entrepreneur income tax incentives.
- Created a tax credit for business expenses associated with recruitment for hard-to-fill employment positions.
- Created an internship employment tax credit.
- Directed the Department of Career and Technical Education to administer a program to provide matching fund grants to teachers and schools for the purpose of funding innovative science, technology, or innovation programs for students in kindergarten through grade 12.
- Increased the research and experimental expenditures tax credit from 8 percent of the first \$1.5 million in research expense and 4 percent of research expenses in excess of \$1.5 million to 25 percent of the first \$100,000 in research expenses and 20 percent of research expenses in excess of \$100,000, redefined "base period research expenses" to only include research conducted in North Dakota, and allowed taxpayers to "assign" unused tax credits.
- Provided for the State Board of Higher Education to study implementation of services of CCBenefits, Inc., and report to the Legislative Council during the 2007-08 interim (Higher Education Committee).
- Modified the centers of excellence program to provide for making a distinction among three types of centers--commercialization, workforce, and infrastructure; provided that the Department of Commerce provide the Centers of Excellence

Commission with staff services, including assisting with preaward reviews and postaward monitoring; required the commission to provide for independent expert review of complete applications to establish viability and likelihood of desired economic impact; required the commission to conduct postaward monitoring of centers for 6 years to 10 years; required an applicant to show due diligence in putting together the proposal and high likelihood of viability and success; and clarified that funds are not to be distributed if private sector participants stop participating.

- Provided a \$600,000 appropriation to Job Service North Dakota for increasing the level of the website spider program used to identify job listings available in North Dakota.
- Expanded the duties of the Department of Commerce Division of Workforce Development adding the duties of developing and implementing the state's talent strategy and a statewide intelligence coordination strategy, which would include establishing details of the talent strategy, developing a consolidated biennial statewide strategic plan for the state's system for workforce development, workforce training, and talent attraction; continuously reviewing the state's workforce development system; developing a system of performance and accountability measures for the state's workforce development system; requiring that intelligence be disseminated to partners; requiring that FINDET data be a central source of intelligence; and requiring that the Division of Workforce Development administer the FINDET system.
- Provided for the Department of Commerce to provide career education and career promotion services.

#### **Other 2007-08 Interim Committees**

In addition to the activities of the Workforce Committee, during the 2007-08 interim there were several committees with workforce-related charges.

#### **Budget Section**

The workforce-related charges of the Budget Section include:

- Approve, reject, or rerefer, upon receiving a recommendation from the Emergency Commission and in conjunction with the State Board of Higher Education and the North Dakota Economic Development Foundation, designation of a center of excellence recommended by the Centers of Excellence Commission (NDCC Section 15-69-02);
- Receive annual audits from a center of excellence that is awarded funds under NDCC Chapter 15-69 on the funds distributed to the center until completion of four years following the final distribution of funds (NDCC Section 15-69-05);
- Approve any annual tuition increase of more than 5 percent for each year by the State Board of

Higher Education for students attending institutions under its control for the 2007-08 and 2008-09 academic years (Section 18 of House Bill No. 1003 (2007));

- Approve up to \$10 million for funding centers of excellence at the first Budget Section meeting after September 1, 2007, and approve the remainder of the \$15 million appropriation for funding centers of excellence at the first Budget Section meeting after September 1, 2008 (Section 14 of House Bill No. 1018 (2007)); and
- Approve, with the Emergency Commission, a loan of \$5 million by the Bank of North Dakota to the Office of Management and Budget for the purpose of providing funding to centers of excellence as directed by the Centers of Excellence Commission (Section 15 of House Bill No. 1018).

#### **Education Committee**

The workforce-related charges of the Education Committee include:

- Study the appropriateness and adequacy of high school curricula, with respect to preparing students for higher education and for the workplace, and examine curricular changes implemented in other states and expectations placed on students in other countries (Section 11 of Senate Bill No. 2030 (2007));
- Receive report from the Statewide Longitudinal Data System Committee on the status of the plan for a longitudinal data system (NDCC Section 15.1-02-18); and
- Receive report from the Superintendent of Public Instruction regarding the planning and development of the electronic course delivery approval process for approving the provision of elementary or high school courses electronically to a student, school, or school district (Section 2 of House Bill No. 1491 (2007)).

#### **Higher Education Committee**

The workforce-related charges of the Higher Education Committee include:

- Study the means by which the North Dakota University System can further contribute to developing and attracting the human capital to meet North Dakota's economic and workforce needs, including ways to increase postsecondary access, improve the quality of education, contain costs, and other means, including productivity, to maximize the usage of the University System in meeting the human capital needs of the state; including a review of policy recommendations that address the postsecondary delivery system, including the mix of institutions, educational attainment gaps, degree production gaps, recruitment and retention of students, and workforce training needs; and including a review of the impact of the state's changing demographics on the University System long-term financing plan (Section 23 of House Bill No. 1003 (2007)); and

- Receive report from the State Board of Higher Education on the status of the implementation of the CCbenefits, Inc., services and any recommendations relating to the use of the CCbenefits, Inc., services (Section 23 of House Bill No. 1018 (2007)).

#### **Human Services Committee**

The workforce-related charges of the Human Services Committee include:

- Study the temporary assistance for needy families (TANF) program administered by the Department of Human Services, including review of the sustainability of current services and programs being funded by TANF funds, review of the potential programs and services that could be funded by use of TANF funds, and review of the need for increased assistance to recipients of TANF who are attending a postsecondary institution of learning (Section 3 of Senate Bill No. 2186 (2007));
- Receive report from the Department of Human Services regarding the transition assistance for the child care program implemented pursuant to Section 1 of Senate Bill No. 2186 (Section 5 of Senate Bill No. 2186); and
- Receive report from the dean of the University of North Dakota College of Nursing regarding the Nursing Education Consortium to address common concerns in nursing education (Section 1 of Senate Bill No. 2379 (2007)).

#### **Industry, Business, and Labor Committee**

The workforce-related charges of the Industry, Business, and Labor Committee include:

- Participate in the Department of Commerce Renaissance Zone Conference to review the list of projects which have been undertaken under the renaissance zone program, evaluate whether the projects have positively impacted the renaissance zone communities, consider options for smaller communities to become involved in the renaissance zone program or a similar program, and make recommendations regarding how the program could be improved to further meet the needs of the state and local communities (Section 19 of House Bill No. 1018 (2007));
- Study the organization, powers, duties, and effectiveness of the Department of Commerce, including review of the legislative history leading to the creation of the department; review of the legislative and executive branch expectations in the creation of the department and whether those expectations are being met; evaluation of the effectiveness of the North Dakota Economic Development Foundation in providing a nonpartisan, private sector perspective to the department's approach to the department's duties; evaluation of the organizational structure of the department, including whether the department should include a division of science and technology; and evaluation of the strategic

planning process of the department and its effectiveness (Section 21 of House Bill No. 1018);

- Study the licensure, training, and classroom education requirements for electricians in this state; reciprocity agreements with other states and the effect of those agreements on standards in this state; and the effect of the licensure, training, classroom education requirements, and reciprocity agreements on the availability of qualified electricians in this state (Section 2 of House Bill No. 1218 (2007));
- Study the regulation and licensing of pharmacists in this state, including an examination of the State Board of Pharmacy, the board's size, the manner of board membership appointment, and whether the board is representative of commercial and noncommercial pharmacists; the state's demographics and the impact changing demographics in rural areas will have on the ability of small, locally owned pharmacies to remain economically viable and of rural residents to access low-cost pharmaceuticals and pharmacy and pharmacists' services; pharmacy ownership restrictions, the relevance of those restrictions in terms of marketplace competition, and the impact of those restrictions on the price and availability of pharmaceuticals and on pharmacy and pharmacists' services; and statutory interplay between the board and the North Dakota Pharmaceutical Association and whether the regulatory function of the board conflicts with the advocacy function of the association (Section 2 of House Bill No. 1299 (2007)); and
- Study issues relating to wireless service providers in the state and how wireless service impacts the business climate in the state (Section 28 of House Bill No. 1018).

#### **Information Technology Committee**

The workforce-related charges of the Information Technology Committee include:

- Receive report from the State Board of Higher Education, on request, regarding higher education information technology planning, services, and major projects (NDCC Section 15-10-44);
- Receive report from the Statewide Longitudinal Data System Committee on the status of the plan for a longitudinal data system (NDCC Section 15.1-02-18); and
- Receive information from the State Board of Higher Education regarding higher education information technology planning, services, and major projects (NDCC Section 54-35-15.2).

#### **2007-08 Workforce Committee Activities**

Under Section 20 of House Bill No. 1018 (2007), the three main directives for the Workforce Committee during the 2007-08 interim were to receive agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, participate

in focus groups across the state, and participate in a workforce congress.

### **Participation In Focus Groups**

The Workforce Committee was charged with actively participating in a minimum of four workforce focus groups across the state. The focus groups were responsible for discussing ways to enhance the state's system for addressing workforce needs, including:

- Workforce availability;
- Skilled workforce needs;
- Future workforce needs; and
- Alignment of the state's higher education curriculum with the state's current and future workforce needs.

The Department of Commerce had several duties relating to the activities of the workforce system study. The department, in consultation with the Workforce Committee:

- Organized the focus groups;
- Convened five focus groups;
- Compiled focus group participant invitation lists;
- Drafted and distributed focus group invitations;
- Established focus group dates and locations; and
- Prepared agendas for focus groups.

The focus group schedules and activities took into consideration the workforce study activities of the department, including the Governor's Workforce Summit, held October 11-12, 2007, in Bismarck.

The Legislative Council and Department of Commerce entered a contract with a third party to provide the Workforce Committee and department with professional services to plan, facilitate, report on, and coordinate followup for the focus groups and the Workforce Congress. House Bill No. 1018 included an appropriation of \$50,000 to the department to help fund the workforce system initiative.

### **Participation in Workforce Congress**

Much like the focus groups, the committee was charged with actively participating in a workforce congress. The activities of the Workforce Congress included:

- Receipt of a report on the activities of the focus groups;
- Identification of methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive; and
- Evaluation of the impact and effectiveness of the state's existing workforce system.

Again the study charge provided the Department of Commerce, along with a consultant, was responsible for a large portion of the preparatory work and implementation of the Workforce Congress. Specifically, the department, in consultation with the committee:

- Organized the Workforce Congress;
- Compiled Workforce Congress participant invitation lists;
- Drafted and distributed Workforce Congress invitations;

- Established a Workforce Congress date and location; and
- Prepared the agenda for the Workforce Congress.

### **Focus Group Activities**

The committee, with the assistance of the Department of Commerce, held five half-day focus groups--four for business leaders and one for young people. The business leader focus groups were held in Grand Forks, West Fargo, Minot, and Dickinson; the focus group for young people was held in Jamestown. The committee followed the same basic format for the four business leader focus groups and a slightly modified format for the young people focus group.

The basic format of the focus groups was:

- Welcome and opening comments from the committee chairman and the Commissioner of Commerce;
- Introduction of two committee consultants who facilitated the focus groups;
- Group interview of invited participants;
- Review of 2007 legislative workforce initiatives;
- Summary of North Dakota's workforce situation;
- Review of prefocus group surveys;
- Breakout sessions; and
- Closing remarks.

At each of the five focus groups, committee members sat at round tables with the invited participants--either business leaders or young people. The two consultants worked together to facilitate each of the focus groups, using a computer presentation to assist in presenting information throughout each focus group.

Following the welcome and introductions, the consultants conducted a group interview that included gathering information regarding the focus group participants. Additionally, the consultants reviewed the background of the workforce system study and its predecessor--the business climate study--briefly reviewed the 2007 legislative workforce initiatives, reviewed the steps that will be taken during the workforce system study, reviewed data relating to the state's current workforce situation, provided details regarding the results of the prefocus group survey completed by business leaders who were invited to attend the focus groups, and conducted two breakout sessions.

The first breakout session was made up of four exercises. The participants at each table were asked to discuss and record how the participants would like to change behavior of employers, workers, education, and government. The facilitators recorded the results reported from each table for each of these four classes for which changed behavior is sought. Upon completion of this breakout session, participants voted on which of the recorded behavioral changes are most important in addressing the state's workforce challenges.

For the second breakout session, the participants changed the tables at which they were seated. The consultants identified the items participants rated as the most desired behavioral changes. Each table was requested to determine what actions should be taken

and by whom these actions should be taken to lead to these identified behavioral changes. Specifically, the participants at the tables were charged with identifying and recording what state policies or legislation would accomplish the desired changes. Upon each table reporting an identified desired action, the participants again voted to identify the top-rated actions needed to address the state's workforce challenges.

The agenda for the focus group for young people varied slightly from the other four focus groups in that a single breakout session was held. The breakout session was made up of four exercises. The participants at each table were asked to discuss and record how the participants would like to:

1. Change the actions of employers so they would better meet the needs of youth;
2. Change the actions of young adults so they would stay in North Dakota;
3. Change the actions of schools so they promote retention of young talent; and
4. Change the actions of government so it meets the state's workforce challenges.

The facilitators recorded the results reported from each table for each of these four classes for which changed action was sought. Upon completion of this breakout session, participants voted on which of the recorded changes were most important in addressing the state's workforce challenges.

### **Workforce Congress Activities**

Following the five focus groups, the committee and Department of Commerce held and participated in the Workforce Congress at the State Capitol on April 10, 2008. The invitation list for this event included individuals invited to and individuals who attended the four business leader focus groups. Participants received a report on the activities of the focus groups, identified methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive, and evaluated the impact and effectiveness of the state's existing workforce system.

The meeting began in the House chamber, broke into small groups that met in four meeting rooms in the State Capitol, and then reconvened in the House chamber. Workforce Congress participants included private business leaders, economic developers, educators, and young professionals.

The committee's two consultants worked together to facilitate the Workforce Congress portions in the House chamber. The committee used the following basic format for the Workforce Congress:

- Welcome and opening comments from the committee chairman, committee vice chairman, the Governor, and the Commissioner of Commerce.
- Consultants' report regarding an overview of the workforce system study process and destination, process and expectations for the Workforce Congress, key economic and workforce facts about North Dakota, and highlights and insights

from the four business leader focus groups and the young people focus group.

- Break out into four groups, each assigned to address desired changes in the behavior of employers, individuals, educators, or government in order to have a positive effect on North Dakota's ability to respond to workforce challenges.
- Reconvene to report on the activities of the four breakout groups.

### **Consultants' Report**

The consultants reported on the results of the prefocus group survey of business leaders, indicating the survey highlights and lowlights included:

- People like where they live--90 percent rated where they live as excellent/good;
- Good place to raise family--97 percent rated excellent/good (drops to 69 percent for "fun place");
- Good job satisfaction--96 percent rated complete/a lot of satisfaction with job;
- Quality of workforce rated high--83 percent rated as excellent/good;
- Good place to get an education--87 percent rated excellent/good;
- Lower rating as a place to find a job--44 percent fair/poor rating;
- Low rating in assistance available to employers for finding workers--under 30 percent rated excellent/good;
- Low rating for assistance available to employers for upgrading worker skills--only 28 percent excellent/good (15 percent don't know);
- College graduates can easily find a good-paying job here--72 percent disagree with statement; and
- Critical issues often cited are low wages, losing skilled youth, and replacement of aging Baby Boomers.

The consultants reported the most common responses to the focus group breakout activities were:

- Employers should change:  
Workplace culture to be more attractive to new generation of workers;  
Create higher-wage jobs;  
Reach out to education--form partnerships;  
Promote own industry--in- and out-of-state; and  
Invest in own workers--create career ladders--provide continuing education aimed at new jobs.
- Individuals should change:  
Take initiative--lifelong learning--engagement in problem-solving in workplace;  
Take advantage of specific skills advancement opportunities of two-year or less technical programs;  
Make informed decisions about North Dakota careers based on solid labor market information;  
Stay in state--keep skills here; and

Move back if you left--bring skills back.

- Schools should change:  
Reach out to employers--form partnerships--learn realities of today's workplaces;

Create demand-driven courses and flexible delivery structures;

Promote two-year technical programs on a level playing field with four-year programs;

Provide more intensive career information; and

Promote the state to students--fairly present our state's opportunities.

- Government should change:  
Market the state more aggressively--in- and out-of-state;

Create state-level point of responsibility for providing career information to citizens and students;

Target critical skills gaps and provide incentives to keep them here or bring them in;

Create an incentive for upgrading skills of current workforce to prepare for new jobs; and

Create incentives for aging Baby Boomers to employ their skills in new ways and acquire new skills.

### Breakout Groups

The Workforce Congress participants were divided into four groups and assigned to meet in one of four meeting rooms to address the four associated behavioral changes.

### Reports From Breakout Groups

Following the breakout groups, the Workforce Congress participants reconvened in the House chamber and reported each small group's top three changes in behavior and also reported a fictional headline from *The Wall Street Journal* in the year 2013 reflecting North Dakota's success in meeting its workforce needs.

The breakout group addressing changes in the behavior of education reported these items:

1. Align higher education with growth sectors of the economy.
2. Provide more and earlier career awareness education and information to students and parents.
3. Provide rapid response of higher education to "hot needs."

The breakout group addressing changes in the behavior of individuals reported these items:

1. Establish a statewide structure for a comprehensive curriculum for career exploration and decisionmaking.
2. Provide more affordable higher education for both recent high school graduates and adults.
3. Keep North Dakotans in the state through alignment of educational standards for moving throughout the P-16 system.

The breakout group addressing changes in the behavior of employers reported these items:

1. Create tax incentives for automation and innovation tied to increases in productivity.
2. Create an aggressive statewide career awareness initiative.
3. Support employer-sponsored school-to-work programs to engage non-college-bound youth.

The breakout group addressing changes in the behavior of government reported these items:

1. Improve career advising and training by getting industry involved in the process with education and by delivering at the community level.
2. Provide tuition loan programs for all types of workers so all people can access training.
3. Expand and continue existing programs and pilot programs that have proven to be successful.

### Closing Remarks

Following the reports of the breakout groups, the Workforce Congress participants commented on the day's activities, including:

- There was a recognized need for government to support innovation, technology, and automation.
- Addressing career specialists and career awareness does not have to start fresh as there are examples of successful programs. Additionally, there was discussion that the market works best when all involved have good information and, on that same premise, students will make good decisions if they have the right information.
- There was general support that the committee and the consultants should consider all of the ideas of the breakout groups because there were great ideas that did not make the top three issues reported out of the four groups.

### Consultants' Report

An executive summary of the consultants' final report was presented to the committee at a joint meeting of the Workforce Committee, Education Committee, and Higher Education Committee. The report included an overview of:

- The state's achievements relating to workforce;
- The state's challenges relating to workforce;
- The background of and procedure followed in conducting the Workforce Committee's workforce study;
- The five themes that arose through the course of the workforce study focus groups and Workforce Congress;
- The policy decisions of investment, innovation, and impact, which should be considered as part of the policy evaluation; and
- Examples of initiatives that could be enacted to address the five identified priority areas.

The consultants identified the following top three priorities for each group as prioritized by the Workforce Congress:

#### Employers

1. Tax incentives for employer automation and innovation tied to productivity increases;
2. Employer-sponsored school-to-work initiative to reach out and engage non-college-bound youth; and
3. Aggressive statewide career awareness initiative.

#### Employees

1. More affordable higher education in North Dakota through low tuition strategies and strategies for tuition reimbursement (without creating new bureaucracies);
2. Statewide structure for a comprehensive curriculum for career exploration and decision-making; and
3. Alignment of educational standards for moving throughout the P-16 system, including promotion of two-year opportunities and strengthened articulation agreements.

#### Schools

1. Higher education funding aligned with growth sectors of the economy;
2. Early career awareness education aimed at parents and children; and
3. Rapid response mechanism for "hot needs" of higher education--streamlined "minuteman" process for meeting needs in a timely manner.

#### Government

1. Bank of North Dakota tuition loan program for all demographics (traditional and nontraditional students);
2. Career advising and training initiative at the community level--involvement of industry leaders, education leaders, and teachers to increase awareness; and
3. Leadership in expanding timeframes of existing, successful pilot programs that are already in place in North Dakota.

The consultants reported that in analyzing the suggestions gathered from the focus groups and the priorities defined at the Workforce Congress, the information clustered into five policy idea suites. In each suite the aim was to define a common goal linked to comments from North Dakotans with policy options that work to collectively promote positive change in the behavior of employers, employees, schools, and government.

The five policy idea suites that resulted from the focus groups and Workforce Congress and the corresponding recommendations of the consultants were:

1. Retain talent - The consultants identified the following immediate-term and long-term recommendations:
  - a. Immediate-term - More broadly scaled and aggressively marketed Operation Intern through increased public and private support; and tax credits for college graduates who remain and work in North Dakota.

- b. Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.
2. Attract talent - The consultants identified the following immediate-term and long-term recommendations:
  - a. Immediate-term - Targeting of out-of-state talent with ties to North Dakota which includes a special website and an aggressive and timely catch-and-referral mechanism; and waiver of state income tax for high-priority talent attracted to the state.
  - b. Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.
3. Incentivize employer productivity, innovation, and entrepreneurship - The consultants identified the following immediate-term and long-term recommendations:
  - a. Immediate-term - Technology investment tax credit and low interest loan program to encourage employer technology investments; and a study that identifies key regional business clusters and associated investment priorities for increased productivity.
  - b. Long-term - Prairie Innovation Zone structure for ongoing business-education collaborations for innovation, research, and technology transfer.
4. Connect education and employers - The consultants identified the following immediate-term and long-term recommendations:
  - a. Immediate-term - "Work Ready" work ethic certification for high school students as defined by employers; "fast track" approval process for new courses and curricula tied to emerging employer needs; and expanded statewide internship program that prioritizes STEM disciplines (science, technology, engineering, and mathematics).
  - b. Long-term - Core curriculum for high school graduates tied to employer demand--expanded to related idea of "core tech" curriculum for higher education; work ethic certification in high school connected to broader framework for career track identification and resume building--include high school internships, community service, and other opportunities that expose students to the meaning of working and living in North Dakota; and social network-based models to create grassroots engagement of diverse groups in North Dakota regions.
5. Promote higher education - The consultants identified the following immediate-term and long-term recommendations:
  - a. Immediate-term - Stipend for students to complete two-year postsecondary "core tech" curriculum; and tax credit structure for state residents who pursue higher education in state universities.

- b. Long-term - Structure for Lifetime Education Accounts; and "Seniors to Sophomores" program tied directly to established core high school standards and postsecondary "core tech" standards.

#### **Information Provided to Committee**

Throughout the course of performing the workforce system study, the committee requested, received, and reviewed information relating to workforce issues. The committee considered this information in making its recommendations.

#### **Centers of Excellence**

The committee received a status report on the centers of excellence program, including a review of the status of the three centers legislatively awarded funding in 2003, the centers awarded funding under the competitive application process, and the status of upcoming awards.

#### **Governor's Workforce Summit**

The study directive required the focus group schedules and activities to take into consideration the workforce study activities of the Department of Commerce. The specific activity the department worked on during the interim was the Governor's Workforce Summit, which took place October 11-12, 2007. Committee members were invited to attend this event.

The committee received a report on the document "State of the North Dakota Workforce Report," which was reported at the summit. In looking at the state of North Dakota's workforce, economic development and the workforce can be considered Siamese twins. North Dakota has a tight labor market, which is in part related to demographics.

The Commissioner of Commerce testified the 2007 Governor's Workforce Summit served as an effective kickoff for the interim committee's workforce system study. A high point of the summit included the industry panel as well as the breakout sessions.

Committee members who attended the summit testified that with high school and higher education annual graduations of approximately 6,000 students, it will be very difficult for the state to fill the state's approximately 10,000 open positions. However, one way to address the workforce needs of the state would be to expand the pool of possible workforce, such as focusing on retirees reentering the workforce and disabled individuals participating in the workforce. Although the workforce needs being experienced by North Dakota are similar to what is going on nationwide, North Dakota has a very high labor force participation rate and this will be a challenge as the state tries to increase its workforce participation.

Additionally, a committee member who attended the summit raised the point that there has been a paradigm shift. In the past, the state has invested resources in seeking new businesses and has been successful in recruiting and retaining businesses, but now the state needs to focus on attracting and retaining workers. To address this current need, it will be necessary to look at

the existing population and what can be done to get workers in jobs. Untapped sources of workers may include senior citizens and recipients of public benefits as well as individuals who have been in the prison population. In addition to tapping current residents of the state, it will be necessary to attract workers to the state.

A representative of the Department of Commerce testified the department has considered recruiting workers from markets in the country that have high unemployment; however, in taking this step, it is very important that the skills of these members of the unemployed group be aligned with the workforce needs in the state.

#### **Southeast Quadrant**

The committee held a meeting in Gwinner and received testimony from representatives of Bobcat, the State College of Science, and organized labor. Additionally, committee members ate lunch with the senior class of North Sargent High School and informally discussed workforce and education issues with the students.

The committee received testimony from representatives of Bobcat which included an overview of plant activities, such as the physical operations of the Gwinner plant, the organizational structure of the Gwinner plant, the workload of the Gwinner plant, and the level of employment at the Gwinner plant; workforce experience; and workforce projections.

A representative of Bobcat testified some of the major challenges faced by Bobcat include how to better support its workers with issues such as housing. In the southeast region of the state there are no multilisting services for housing, and there is a shortage of available housing. Additionally, child care is a challenge for workers for a variety of reasons, including the plant's 24 hours a day 7 days a week operation and the fact the workforce resides over such a broad area.

Representatives of the State College of Science provided the committee with information regarding the southeast quadrant training program, college outreach, and career resource support programs. The State College of Science is responsible for workforce development and workforce training, with the four academic clusters focused on manufacturing, construction, transportation, and allied health professions in addition to emerging clusters, such as nanoscience, which is also included in the school's academic framework.

A representative of the State College of Science testified the school seeks a seamless process from preschool through higher education. One step that could be taken to assist in this seamless process would be an increased ratio of career counselors to students. North Dakota rates well for graduating high school seniors; however, the state does not do as well in keeping these students in higher education through graduation.

The committee received testimony from a representative of the State College of Science that because career and technical education costs are higher than the typical baccalaureate degree, the funding for

these programs should reflect this reality. The testimony was supportive of using existing mechanisms to address the state's workforce needs, including use of the Higher Education Roundtable.

The committee received testimony from a representative of organized labor. The testimony indicated that in addition to job security, the two most important issues in contract renegotiations are health care and wages.

### Joint Meeting

The committee held a joint meeting with the Education Committee and the Higher Education Committee. The three committee chairmen recognized there was overlap in the committee charges and reviewed the activities of each of the committees. Based on committee charges, the chairmen proposed the committees distribute workforce issues as follows:

Workforce Issue Distribution Proposal	
<b>Education Committee</b>	
Career counselors	<ul style="list-style-type: none"> <li>Committee discussion could address several related issues, including curriculum for career exploration; qualifications of career counselors; school-to-work, internships, apprenticeships, and clinical opportunities; and career awareness for students, parents, and teachers.</li> </ul>
Student assessment	
Tiered diplomas	
Regional education associations	
Data collection	
Preparation for higher education and the workforce	
Curriculum and graduation requirements	
(These topics are also being addressed by the North Dakota Commission on Education Improvement.)	
<b>Higher Education Committee</b>	
Tuition formula	<ul style="list-style-type: none"> <li>Committee discussion could address several related issues, including state and institution obligations, in-state and out-of-state tuition rates, tuition relationship to courses of study, and affordability.</li> </ul>
Rapid response and streamline process to respond to workforce needs	
Funding formula	<ul style="list-style-type: none"> <li>Align with growth sectors</li> <li>Equity relating to technical programs</li> <li>Equity relating to nontraditional students</li> </ul>
Data collection	<ul style="list-style-type: none"> <li>Postgraduation location and job</li> <li>Completion/retention rates</li> </ul>
Streamline high school to higher education	
Out-of-state recruitment	
Internships, apprenticeships, and clinical opportunities (at the institutional level)	
Access (rural)	
Strengthen technical education	
<b>Workforce Committee</b>	
Student loans (Bank of North Dakota)	
Lifetime education accounts	
Tax	<ul style="list-style-type: none"> <li>Employer automation</li> <li>Attraction and retention of workers</li> <li>Internships and apprenticeships</li> <li>Student loan debt</li> </ul>
Strengthen link between education and employment	
Attraction and retention of students and workers	
Strengthen Department of Commerce programs	<ul style="list-style-type: none"> <li>Ambassador program</li> <li>Operation Intern</li> <li>Attraction and retention of workers</li> </ul>
Prairie Innovation Zone program and economic clusters	

The joint meeting included two panel discussions. The industry panel was composed of representatives of the state's five targeted industries as well as a representative of the health care sector and a representative of the North Dakota Chamber of Commerce. The education panel was composed of

representatives of higher education, kindergarten through grade 12, career and technical education, and distance education.

A representative of the tourism sector testified one of the biggest issues faced by businesses is dealing with how to simultaneously recruit, train, and retrain, and

retain a workforce. These issues may be appropriately addressed through strengthening the linkage between education and jobs.

The committee received testimony in support of implementing a proficiency-based education system so a student's diploma has more meaning and is based upon more assessments. Panelists recognized the importance of ensuring high school students have the right education going into higher education and once again when they graduate with a degree from higher education and go into the workforce.

An industry panelist testified several of the solutions to the workforce issues could be found in the recommendations of the P-16 task force. For example, the state would benefit from focusing on the career areas that are experiencing the highest growth in North Dakota, especially through providing career and technical education.

The committee received testimony that the issue of credentialing different professions has been an ongoing battle with the Legislative Assembly. Allowing a profession to be credentialed is meaningful to the workers in that field. Professional challenges include clinical requirements related to education as well as the limited availability of clinical opportunities.

The committee received conflicting testimony from panelists. Some panelists testified low wages are a barrier in attracting and retaining a workforce and other panelists testified wages are not a barrier.

The committee received testimony that tax incentives for new graduates may help in attracting and retaining a workforce; however, the committee received conflicting testimony in support of providing tax incentives to businesses instead of employees to maximize the impact of the incentive.

A panelist testified in support of modifying the current higher education funding system. The current system was perceived as a disincentive in that the state appropriates money to the institutions of higher education based on the number of full-time students on campus. The appropriation formula should be changed to support and recognize universities that reach out to rural North Dakota and to nontraditional students who may not be full-time students.

The testimony received regarding internships was generally supportive; however, the issue was raised that there are some businesses for which it is not feasible to have an internship program.

The facilitator of the industry panel summarized the discussion into the following four main topics:

1. North Dakota is a skilled economy and is underinvested in skills training.
2. There is a lack of communication in getting the message out. People need to know more about career and education opportunities.
3. There is support for implementing competency assessments.
4. There is a new work ethic that needs to be recognized.

The education panelists testified the education system is more comfortable than people realize when it comes to addressing the education system's role in the

workforce, although some institutions are more comfortable than others. The Higher Education Roundtable was suggested as the vehicle that could be used to move these workforce concerns forward. Additionally, testimony was received in support of revising the higher education funding model to provide higher education institutions greater flexibility and the ability to respond more immediately to the workforce needs.

The testimony recognized there is competition for students within the state; therefore, the institutions of higher education need to look out of state. There has been success in keeping out-of-state students in North Dakota following graduation. Realistically, if the state is going to fill 14,000 open jobs, the state is going to need 14,000 individuals from out of state. When it comes to funding and course offerings, educators are professionals and they understand the reward system. Under the current funding system, institutions of higher education are enrollment-driven.

The committee received testimony in support of and in opposition to using early identification of student skills and interests to help address the state's workforce needs. However, there was support for taking steps to better inform students of their education and employment opportunities.

The committee received testimony that possible ways to address the state's workforce needs include offering students dual credit for coursework, providing students opportunities for earning credit for prior learning, and also strengthening the state's apprenticeship program. In addition, lifelong learning and adult education are important components of the state's workforce issues.

The committee received testimony the state will need financial assistance that better accommodates nontraditional students. The current financial assistance system works well for traditional students but not for nontraditional students. Additionally, accessibility of programs will need to be addressed to better accommodate lifelong learning and adult education; this might best be accomplished through regional education associations.

A representative of a two-year college testified there are examples of industry-education cooperative programs that have worked well; however, not all businesses are worldwide in scope and have the resources necessary to implement a program on the same scale as larger businesses. For example, individual trucking businesses may not have the necessary size to start an industry program, but the truck driving industry as a whole may be able to work together to recognize the economies of scale necessary to start up a program.

### Higher Education

Throughout the interim the committee requested and received information from representatives of the North Dakota University System.

The committee received information regarding the educational demographics of the state and the region as well as American College Test (ACT) data. The North Dakota University System is aware of the decreasing

number of high school graduates in the state and is looking to attract two-year university graduates who are transfer students from other states.

Testimony was received that to keep educated young people in the state, the students need to have the opportunity in the state to find good jobs with good pay. In attempting to measure the outcome of the state's workforce actions, retention is a good example of how to track these actions. Additionally, retention of students of institutions of higher education is related to how prepared students are as they enter the higher education system.

The committee received testimony that the North Dakota University System recognizes the need to be proactive and careful to not just react to change. The Higher Education Roundtable has been instrumental in making the University System more flexible and more entrepreneurial.

#### **Local Developers**

In addition to inviting local developers to participate in the focus group and Workforce Congress activities, the committee requested and received testimony regarding workforce needs from local economic developers.

The committee received testimony that communities are initiating local and regional programs and businesses are initiating programs to address workforce needs, including training of nurses, internship programs, nationally and regionally competitive wages, alumni lists, local and out-of-state job fairs, succession planning, and extensive training in all positions.

One step that needs to be taken is systemic marketing because new graduates face jobs requiring three years to five years of experience, and oftentimes this is the reason the communities are losing their graduates of institutions of higher education.

Economic developers are in a unique position. Although communities need to diversify, this is a tough thing to do because the developers cannot in good conscience recruit businesses that will not be able to fill workforce needs.

#### **Consideration**

##### **Child Income Tax Credit Bill Draft**

The committee considered, but does not recommend, a bill draft that would have provided an income tax child credit. The bill draft was intended to respond to issues raised regarding the cost of child care. The credit would have applied to all families of children under the age of 18, regardless of whether there were verified child care expenses.

#### **Recommendations**

##### **Retirement Issues**

The committee recognized that to meet workforce needs, one of the required actions is maximizing employment participation of people already living in the state. The committee received demographic data reflecting an aging workforce, which will result in increases in the number of workers retiring and leaving the workforce. Testimony received in committee and at the Governor's Workforce Summit indicated one way to

increase the number of retirement age workers retained in the workforce is to design more flexible work environments. Although generally a private sector matter best addressed by employers, as an employer the state plays a role in creating flexible working environments for state employees.

The committee recommends a bill to direct Human Resource Management Services, a division of the Office of Management and Budget, to study how to retain state workers who are nearing retirement.

#### **Department of Commerce - Students**

The committee recommends a bill to provide funding for the Department of Commerce Operation Intern program and direct the department to administer a program to market North Dakota higher education opportunities to out-of-state students.

#### **Students and Graduates**

The committee recognized there is a need for a seamless package to address immediate workforce needs as well as something to address future workforce needs. The committee received data indicating in the near future, the number of North Dakota high school graduates will be decreasing sharply.

Committee members discussed a variety of approaches to increase the number of recent college graduates remaining in, returning to, or moving to North Dakota, including revising the Bank of North Dakota's student loan program; providing tax breaks for student loans; providing student loan forgiveness for identified fields of employment; and decreasing college tuition.

The committee recommends a bill to provide a phased-in college tuition grant program for qualified North Dakota high school graduates beginning with the high school graduating class of 2014 and provide an earned income tax deduction for recent college graduates. The bill is designed so the income tax deduction is effective immediately and remains in effect until the college tuition grant program becomes effective.

#### **Tax Credits for Automation and Innovation**

The committee received testimony that one way to address workforce challenges is for businesses to better use the existing workforce by doing more with fewer employees. If employers are unable to recruit for all the open positions, then employers need to better use the current workforce through higher productivity. The committee received information regarding steps North Dakota and other states have taken to incentivize automation and innovation by businesses.

The committee recommends a bill to provide three types of tax credits for taxpayers that are primary sector businesses--a credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes, a credit for qualified expenditures necessary for implementing lean manufacturing, and a credit for qualified research expenses.

### **Workforce System Study**

The committee recognized that, conceptually, the workforce needs in the state can be characterized as a "pipeline" issue. In addressing this workforce supply issue, state actors need to evaluate the workforce system on a macro-level and to consider what roles are appropriate for the state to take in dealing with these supply issues.

The committee recommends a concurrent resolution to provide for a Legislative Council study of the state's workforce system, the feasibility and desirability of enacting legislation to address the issues identified in the 2007-08 interim Workforce Committee's consultants' report, and the implementation of workforce initiatives enacted by the 61<sup>st</sup> Legislative Assembly.

### **Immigration Reform Resolution**

The committee recommends a concurrent resolution to express support for the development of a balanced national immigration policy and urge Congress to work to develop an immigration policy that protects and preserves the safety and interests of the United States and its citizens while also recognizing the needs of businesses to have a stable and legal supply of workers.

## **JOB DEVELOPMENT AUTHORITY STUDY**

### **Legislative Background**

As introduced, Senate Bill No. 2149 (2007) would have expanded the authority of county job development authorities (JDAs) to include taking equity positions in, providing loans to, or using other innovative financing mechanisms to provide capital for new or expanding businesses in this state or for businesses relocating to this state. Before enactment, the bill was amended to include city JDAs and to provide for the Legislative Council study.

The legislative history indicates the bill was introduced to address a letter opinion of the Attorney General dated May 9, 2007, opining a county JDA lacks express or implied statutory authority to take an equity position in a private company.

The minutes of the Senate Political Subdivisions Committee hearing on Senate Bill No. 2149 indicate the study was added to the bill in recognition that over the years a broad range of economic development tools have been added to the tool chest, and perhaps some of these tools are no longer needed and could be eliminated. Specifically, the committee recognized the low rate of unemployment and questioned whether there is still a need to create more jobs in the state.

### **State Law**

#### **County Job Development Authorities**

North Dakota Century Code Chapter 11-11.1 authorizes counties to create JDAs, to create joint JDAs, and to contract with industrial development organizations to perform the functions of JDAs or joint JDAs. Chapter 11-11.1 was enacted in 1985. Section 11-11.1-03 provides the objective of a JDA or joint JDA is to use its financial and other resources to encourage and assist in the development of employment and promotion of tourism within the county or counties.

### **City Job Development Authorities**

North Dakota Century Code Chapter 40-57.4 authorizes cities to create city JDAs, to create joint JDAs, and to contract with industrial development organizations to perform the functions of city JDAs or joint JDAs. Chapter 40-57.4 was enacted in 1987. Section 40-57.4-03 provides the objective of a city JDA is to use its financial and other resources to encourage and assist in the development of employment within the city.

### **Legislative History**

The legislative history of the 1985 legislation creating the county JDA law indicates supporters of the legislation testified:

- County JDAs would assist rural communities to diversify their economic bases so the communities would be less dependent on relying on agriculture as the base of the communities' economies.
- The law would allow counties to levy a tax to provide full-time economic development programs to provide day-to-day activities instead of relying on "bird in the hand" activities.
- The law would allow counties to levy a tax to contract with existing local economic development organizations to provide full-time economic development programs, thereby avoiding duplication of services.
- New jobs were necessary to keep youth in the communities.

The legislative history of the 1987 legislation creating the city JDA law indicates supporters of the legislation testified:

- The law would allow cities to levy a tax for a city JDA without burdening the rural communities in the county.
- The law would allow cities to levy a tax to pay full-time, professional economic developers.

Since the enactment of the JDA laws, the general trend has been to expand the powers of the authorities. For example:

- House Bill No. 1177 (1991) authorized city and county JDAs to loan, grant, or convey any funds or property held by the authorities to carry into effect the objective of the authorities.
- Senate Bill No. 2021 (1993) authorized city and county JDAs to guarantee loans or make other financial commitments to enhance economic development.
- House Bill No. 1483 (1993) authorized the creation of joint county JDAs and the creation of economic growth districts in counties that are part of a joint JDA.
- Senate Bill No. 2537 (1993) authorized county JDAs to accept and expend money from any source.
- Senate Bill No. 2353 (1995) authorized the creation of joint city JDAs.
- Senate Bill No. 2173 (2003) expanded the objective and taxing authority of county JDAs to include promotion of tourism.

- Senate Bill No. 2149 (2007) authorized city and county JDAs to take equity positions in, provide loans to, or use other innovative financing mechanisms to provide capital for new or expanding businesses.

### **Testimony**

The committee received reports from representatives of the North Dakota League of Cities and the North Dakota Association of Counties. A general survey of city and county JDAs was conducted requesting general information regarding funding and financing mechanisms. The information from the general survey indicated each community with a JDA has established a funding mechanism that is designed for that particular JDA. Job development authority funding sources include local sales tax, local levy of up to four mills, equity positions, and loan and lease payments. As in funding, the financing mechanisms used by JDAs vary depending on the needs of the community. Examples of JDA financing mechanisms include loans, grants, property conveyances, property tax exemptions, building or property leases or rentals, equity positions, and PACE interest buydowns.

The North Dakota League of Cities and the North Dakota Association of Counties performed a second, more specific survey of city and county JDAs requesting specific information regarding whether the JDAs had ever supported economic development projects through the taking of an equity position. Generally, most JDAs have never used an equity position as a financing tool. Of the JDAs that had taken an equity position, it is a financing tool that is rarely used. The following JDAs reported having taken an equity position one or more times as a form of economic development:

- Devils Lake Development Corporation.
- Hazen Community Development.
- Mayville-Portland Economic Development Corporation.
- Wishek Job Development Authority.
- Jamestown/Stutsman County Development.
- McKenzie County Job Development Authority.
- Towner County Economic Development Corporation.
- Walsh County Job Development Authority.

The survey results indicated the JDAs that had taken equity positions employed the same due diligence that they would with providing a loan or other incentive. Typically, if a JDA took an equity position, the JDA relied heavily on the due diligence of the major contributor, such as the Bank of North Dakota or the North Dakota Development Fund.

The survey requested information regarding what action the JDAs took if a business in which the JDA had an equity position failed and also what plans JDAs took to extract themselves from equity positions. The responses to these questions varied according to the specific terms of the equity agreement. Some JDAs that took equity positions included clawback provisions in the financing agreement and some did not. Typically, a JDA's equity position is only one part of a larger

economic development package that includes participation by financial institutions.

Representatives of city and county JDAs testified in support of the current JDA laws, indicating the laws are flexible enough to allow the JDAs to design organizations that meet the needs of the community. Testimony was received that JDAs are accountable to the local communities for how the JDAs use local funds.

The committee did receive testimony the statutory maximum of four mills for funding JDAs has the result of limiting JDA funding in smaller communities. However, even this limited funding has impacted positively economic development services in these small communities. Testimony was received that the JDA in a smaller community is often partnered with other economic development organizations.

The committee discussed whether taking an equity position is an appropriate activity for JDAs. The committee recognized that although some JDAs were taking equity positions before the law was amended to allow for this, it may be several years before there is any recognizable increase in JDAs using equity positions as a form of financing. When there is more data on the success or failure of taking an equity position, it is likely that only failed positions will receive any scrutiny.

### **Conclusion**

The committee does not make any recommendation relating to the job development authority study.

## **POPULATION STUDY**

### **Population and Demographic Statistics**

#### **North Dakota**

According to United States Census Bureau data, North Dakota's estimated population on July 1, 2006, was 635,867, compared to the year 2000 population of 642,200, a percentage change of -1.0 percent. North Dakota is ranked 48<sup>th</sup> in national population with the District of Columbia, Vermont, and Wyoming having smaller populations. The census data indicates the state's demographics include 14.7 percent of the population is aged 65 or older; 83.9 percent of the population has graduated from high school; and 22 percent of the population has earned a bachelor's degree or higher.

### **Population Initiatives**

In addition to a wide variety of organizations that have addressed population growth in the state and region, there have been several population growth initiatives. Initiatives addressing the issue of population growth include the Great Plains Population Symposium Project, the Saving North Dakota Roundtable, the New Economy Initiative, and the Youth Initiative Committee in support of 2002 initiated statutory measure No. 3.

#### **Great Plains Population Symposium Project**

The Great Plains Population Symposium Project held a three-day national policy conference in Bismarck in October 2001 and held a two-day state and local policy conference in Dickinson in April 2002. The project was to investigate the continuing depopulation of the rural

Great Plains and to raise the nation's awareness of the facts and ramifications relating to the emptying of the nation's vast central region. The project was led by Dickinson State University in collaboration with researchers at North Dakota State University, Colorado State University, University of Montana, and Iowa State University. The project was sponsored by federal legislation and was supported by a grant from Congress.

#### **Saving North Dakota Roundtable**

On January 9, 2003, on the North Dakota State University campus, 31 people aged 21 to 34 took part in a Saving North Dakota Roundtable discussion cohosted by *The Forum* (Fargo) and the Associated Press Managing Editors Group. *The Forum* reported that roundtable members targeted five major areas of discussion--human rights, arts and culture, technology, marketing, and community and economic development. Additionally, on January 30, 2003, several of the panelists met with legislative leaders and the Governor to discuss these major topics.

#### **New Economy Initiative**

The New Economy Initiative was a public-private initiative coordinated by the Greater North Dakota Association beginning in 2000. The goals of the initiative were to mobilize North Dakotans to develop and implement solutions to some of the problems plaguing the state's business climate. The initiative worked through the creation of action teams and industry clusters.

#### **Youth Initiative Committee and Initiated Statutory Measure No. 3**

Initiated statutory measure No. 3 was rejected by voters on November 5, 2002. The measure, supported by the Youth Initiative Committee, would have created a Bank of North Dakota-administered program providing for partial reimbursement of student loan payments for employed North Dakota residents under the age of 30 who graduated from accredited postsecondary schools. Reimbursements would have been limited to \$1,000 per eligible resident per year for not more than five years. The measure would also have provided an income tax credit of up to \$1,000 for employed North Dakota residents aged 21 through 29 for up to five years.

#### **Testimony and Committee Considerations**

The committee conducted the population study as part of the workforce system study and also considered relevant reports received by the committee. The workforce system study focus group activities specifically addressed the issue of how to attract and retain North Dakota's workforce.

#### **Recommendations**

The committee recommendations relating to the population study are addressed under **WORKFORCE SYSTEM STUDY, Recommendations**.

## **NORTH DAKOTA UNIVERSITY SYSTEM - WORKFORCE NEEDS STUDY**

### **Background**

The North Dakota University System consists of 11 higher education institutions under the control of the State Board of Higher Education. Of the 11 institutions, 2 are doctoral-granting institutions, 2 are master's-granting institutions, 2 are universities that offer baccalaureate degrees, and 5 are colleges that offer associate's and technical degrees. Each institution is unique in its mission to serve the people of North Dakota. The University System reported a total degree credit headcount enrollment of 42,237 students and a total degree credit full-time equivalent enrollment of 35,373 students in the fall 2006 enrollment report.

### **Strategic Planning**

#### **Long-Term Financing Plan and Resource Allocation Model**

The 1999-2000 Higher Education Roundtable recommended the State Board of Higher Education and the chancellor develop a long-term financing plan and resource allocation model. As a result, the State Board of Higher Education contracted with the National Center for Higher Education Management Systems for assistance with the development of such a plan and model. The board reviewed the recommendations of the National Center for Higher Education Management Systems and adopted a long-term financing plan consisting of base operating funding, incentive funding, and capital asset funding components. The board approved changes to the long-term financing plan and resource allocation model in May 2006. The following is a description of the current long-term financing plan and resource allocation model:

The base operating funding component of the long-term financing plan provides funding to each higher education institution to support core campus functions, such as instruction, research, and public service. The funding for each institution is based on the institution's current state general fund appropriation with general fund appropriation increases to address parity and equity.

The incentive funding component of the long-term financing plan includes funding for the State Board of Higher Education to support state and system priorities consistent with the goals of the Higher Education Roundtable. The State Board of Higher Education goal for incentive funding is to have funding equivalent to 2 percent of the total University System state general fund appropriation.

The capital asset funding component of the long-term financing plan provides funding to each of the higher education institutions for maintenance and replacement of facilities and infrastructure. The State Board of Higher Education goal for capital asset funding is for each of the institutions to phase in full funding of the Office of Management and Budget buildings and infrastructure formula over a 10-year period (by the 2013-15 biennium) and to address the current deferred maintenance backlog over approximately a 14-year period (by the 2015-17 biennium). The funding provided to each of the

institutions would be left to the discretion of the institution with appropriate approvals by the State Board of Higher Education for projects greater than \$100,000. Institutions would be given the authority to allocate funds for repair and replacement priorities for both deferred maintenance and regular repair and replacement projects as determined by the institution. Institutions are allowed to carry unspent capital asset funding from one biennium to the next in order to complete the projects started in one biennium but not completed until the next and to accumulate funds to complete large projects that require multiyear funding. The capital asset funding component will be applied to new state buildings built on campuses; however, no new operating funds will be added to the base operating budget for operating costs if the operating base is already at the benchmark target.

### **Performance and Accountability Report**

North Dakota Century Code Section 15-10-14.2 requires the University System to provide an annual performance and accountability report regarding performance and progress toward the goals outlined in the University System strategic plan and related accountability measures. Section 17 of House Bill No. 1003 (2007) provides that the performance and accountability report as required by Section 15-10-14.2 is to include an executive summary and identify progress on specific performance and accountability measures in the areas of education excellence, economic development, student access, student affordability, and financial operations. House Bill No. 1003 identifies these performance and accountability measures:

1. Education excellence, including:
  - a. Student performance on nationally recognized examinations in their major fields compared to the national averages.
  - b. First-time licensure pass rates compared to other states.
  - c. Alumni-reported and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities.
  - d. Employer-reported satisfaction with preparation of recently hired graduates.
  - e. Biennial report on employee satisfaction relating to the University System and local institutions.
  - f. Student graduation and retention rates.
2. Economic development, including:
  - a. Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs.
  - b. Percentage of University System graduates obtaining employment appropriate to their education in the state.
  - c. Number of businesses and employees in the region receiving training.
3. Student access, including number and proportion of enrollments in courses offered by nontraditional methods.
4. Student affordability, including:

- a. Tuition and fees on a per student basis compared to the regional average.
- b. Tuition and fees as a percentage of median North Dakota household income.
- c. Cost per student in terms of general fund appropriations and total University System funding.
- d. Per capita general fund appropriations for higher education.
- e. State general fund appropriation levels for University System institutions compared to peer institutions general fund appropriation levels.
5. Financial operations, including:
  - a. Cost per student and percentage distribution by major function.
  - b. Ratio measuring the funding derived from operating and contributed income compared to total University System funding.
  - c. Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt.
  - d. Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity.
  - e. Ratio measuring the amount of expendable fund balances divided by total expenditures and mandatory transfers.
  - f. Ratio measuring net total revenues divided by total current revenues.

The State Board of Higher Education has adopted 9 performance and accountability measures, in addition to the 21 measures specified in House Bill No. 1003, to provide guidance in establishing effective policy for the 11 University System institutions. The following is a summary of the measures adopted by the board:

1. Workforce training information, including levels of satisfaction with training events as reflected in information systematically gathered from employers and employees receiving training.
2. Noncompleters satisfaction - Levels of satisfaction and reasons for noncompletion as reflected in a survey of individuals who have not completed their program or degree.
3. Student goals - Levels and trends in the number of students achieving goals and the institution meeting the defined needs and goals as expressed by students.
4. Levels of satisfaction with responsiveness as reflected through responses to evaluations of companies receiving training.
5. Student participation - Levels and trends in rates of participation of:
  - a. Recent high school graduates and nontraditional students.
  - b. Individuals pursuing graduate degrees.
6. Student enrollment information, including:
  - a. Total number and trends in full-time, part-time, degree-seeking, and non-degree-seeking students being served.

- b. The number and trends of individuals, organizations, and agencies served through noncredit activities.
- 7. Higher education funding - A status report on higher education financing as compared to the long-term financing plan.
- 8. Ratio of incentive funding to total University System state general fund appropriations.
- 9. Ratio of University System state general fund appropriations to total state general fund appropriations.

The first performance and accountability report was published in December 2001 and the report has been published each subsequent year.

#### **CCbenefits, Inc., Services**

In 2002 the North Dakota University System implemented the services of CCbenefits, Inc., through a collaboration with the Association of Community College Trustees. Under the services of CCbenefits, Inc., North Dakota community colleges perform studies and forecasts on the economic impact of the colleges and ways to enhance the colleges' ability to better serve stakeholders while addressing economic development.

During the 2005-06 interim, the Economic Development Committee received information regarding the use of CCbenefits, Inc., for meeting workforce forecasting needs. The Economic Development Committee recommended legislation resulting in the 2007-08 interim Higher Education Committee being charged with receiving a report from the State Board of Higher Education on the status of implementation of the CCbenefits, Inc., services.

#### **Testimony and Committee Considerations**

The committee conducted the university study as part of the workforce system study and also considered relevant reports requested and received by the committee. The workforce system study focus group activities specifically addressed the issue of higher education and three of the focus groups were conducted at institutions of higher education. In addition to the focus groups and Workforce Congress, the committee requested and received testimony from the Chancellor, State Board of Higher Education; several presidents of institutions of higher education under the control of the State Board of Higher Education; Vice Chancellor for Strategic Planning, North Dakota University System; Director, North Dakota Center for Distance Education; Director, Department of Career and Technical Education; Vice President for Student and Outreach Services, University of North Dakota; Director of Distance Education, Bismarck State College; and Executive Director, North Dakota School Boards Association. Additionally, the committee held a joint committee meeting with the Higher Education Committee and Education Committee which included an education panel discussion.

#### **Recommendations**

The committee recommendations relating to the North Dakota University System study are addressed under **WORKFORCE SYSTEM STUDY, Recommendations.**

*Testimony by Dave Anderson, President of the Downtown Community Partnership in Fargo ND, supporting SB 2060 - Presented to the Senate IBL Committee - Tuesday, January 13, 2009.*

Good Morning!

Chairman Klein ...

Members of the Committee ...

My name is Dave Anderson. I serve as the president of the Downtown Community Partnership in Fargo. I'm here this morning to support SB 2060, and particularly sections pertaining to the inclusion of utility infrastructure as property within a renaissance zone that is eligible for reinvestment incentives under the renaissance zone program that was enacted by the ND Legislature ten years ago.

We have participated in proposing this amendment to the renaissance zone statute because we see it as a helpful new tool for the downtown improvement tool box ... a tool that will encourage the upgrading of utilities where such upgrades may be necessary and/or to encourage visual improvements where the service may be adequate, but where the tangle of cables, wires and poles stands in the way of development or is simply not complimentary to improvements that are being made in close proximity.

My handouts illustrate some of the streets and alleys in our downtown where utility poles, cables and wires dominate the views. One project now underway has adjacent overhead facilities that must remain for the time being ... due to the cost of their relocation. Ideally, with patios and living spaces looking out from the four-story residential structure that is being assembled, they would be removed and placed underground. This incentive ... coupled with participation in the relocation costs by the developer and additional investors ... can help us to begin to remove overhead lines and the poles/structures that carry them.

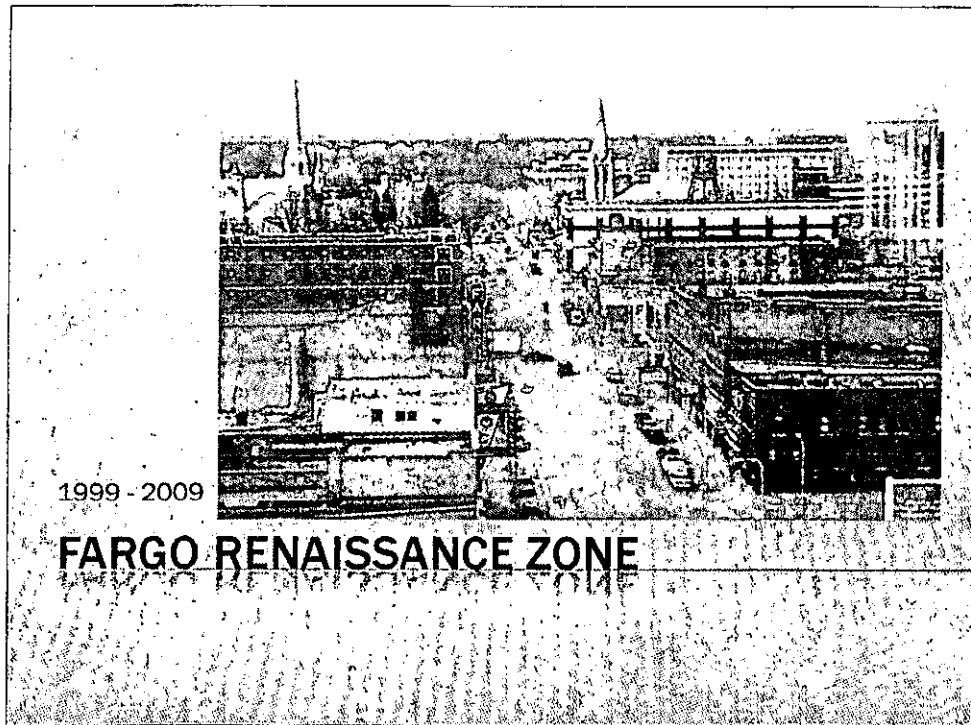
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Additional material in my handouts points out the record of success that we have enjoyed over the past nine years since the zone was implemented in Fargo. Properties worth a grand total of \$15 million prior to their improvements are now worth nearly \$100 million! It has been a tremendous tool ... and was recently recognized by the International Downtown Association as one of the outstanding economic development programs in North America and Europe.

Over the years, we have come back to the legislature and successfully "fine-tuned" various elements of the zone statute. I trust that you'll see this value of this proposal.

Thank you for your kind attention. I'll be happy to try to answer any questions that you may have.

Dave Anderson  
Downtown Community Partnership  
203 4<sup>th</sup> Avenue N, Fargo ND 58102  
701-298-6965  
dave@fmdowntown.com



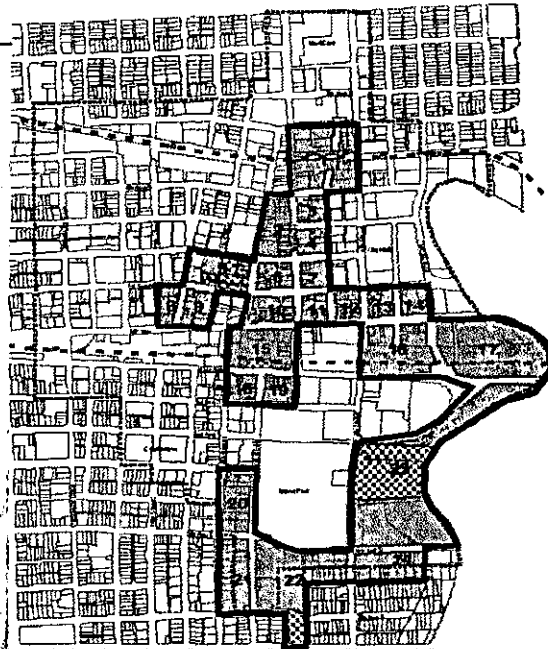
*Same  
given to  
The House*

## INCENTIVES

- ✕ ND Income Tax Exemptions and Credits
- ✕ Property Tax Exemptions
- ✕ Historic Preservation and Renovation Tax Credits
- ✕ Renaissance Fund Organization – Exemptions and Credits

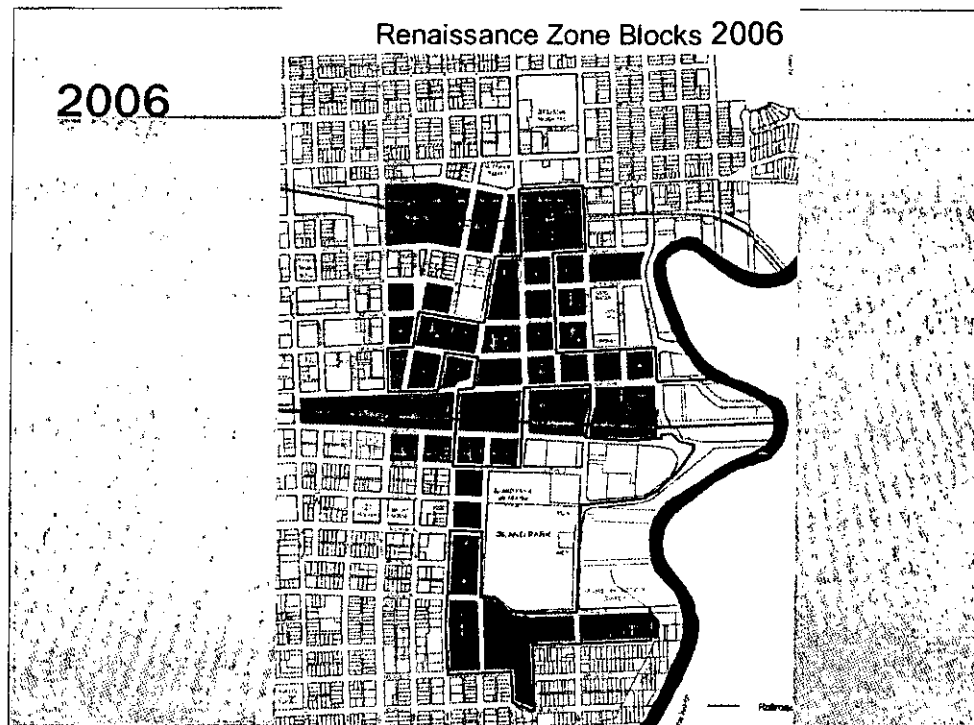
# Renaissance Zone Boundary

1999



2003

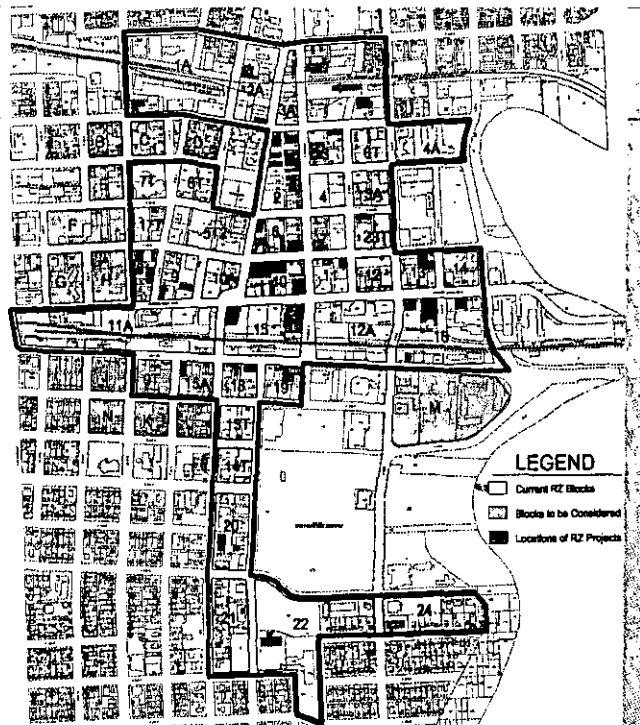




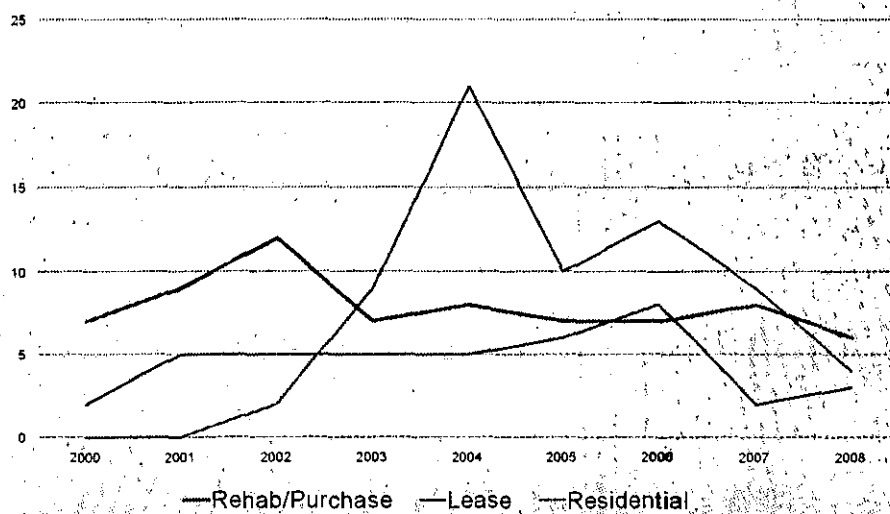
## RZ SUMMARY TOTALS

	Value of Improvements	Pre-Project Building Value	Assessor's Value
TOTALS	\$ 92,616,169	\$ 16,468,520	\$ 96,394,860

## PROJECT LOCATIONS



## RZ PROJECT TYPES



# RETAIL

## Windshield Survey - (12.3.08 Planning)

Vacant Storefronts	18
Storefronts	120
Vacancy Rate	15%

## Mike Beaton (Commercial Realtor)

Street level storefront, non bank,  
available space in Downtown 82,000 sf

## 2003 Retail Retention & Recruitment Program (DCP)

Total Retail Merchandise	83,300 sf	24.00%
Convenience (Food & Drug)	10,000 sf	2.90%
Eating & Drinking	61,300 sf	17.70%
Services	100,400 sf	29.00%
Entertainment	7,000 sf	2.00%
Other Retail	34,500 sf	9.90%

Total Occupied Commercial	296,500 sf	85.50%
Vacant Commercial	50,100 sf	14.50%
Total Commercial	346,600 sf	100.00%

# COMMERCIAL

Inventory (sf)	Class A		Class B		Total
	CBD	Outside CBD	CBD	Outside CBD	
Total	393,739	1,522,788	712,669	2,888,855	5,518,051
Vacant	52,718	57,225	60,336	218,626	388,905
Vacancy Rate	13.39%	3.76%	8.47%	7.57%	7.05%

## Gross Rental Rates ( \$/sf not including janitorial)

Lowest	\$15.12	\$18.25	\$11.65	\$12.15
Highest	\$18.17	\$24.35	\$14.70	\$16.25
Weighted Average	\$16.15	\$21.30	\$13.20	\$14.70

## Sales Prices (\$/sf)

Lowest	\$90.00	\$125.00	\$50.00	\$80.00
Highest	\$110.00	\$175.00	\$90.00	\$125.00
Weighted Average	\$100.00	\$135.00	\$75.00	\$100.00

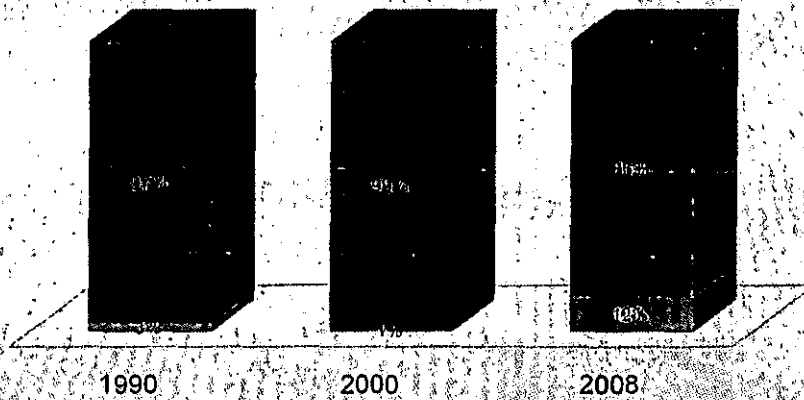
Source: Konrad Olson Commercial Real Estate

## HOUSING

### Rental vs. Owner Occupied

Housing in Census Tract 7 & Renaissance Zone

■ Owner Occ. ■ Renter Occ.

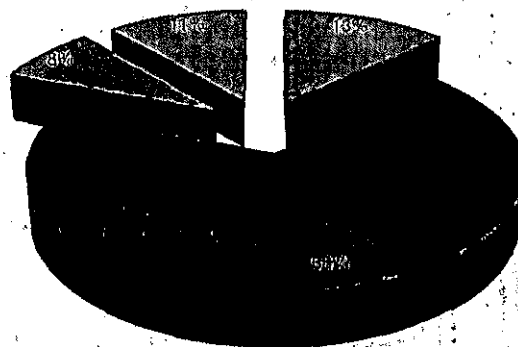


## HOUSING

### 2008 Income Groups

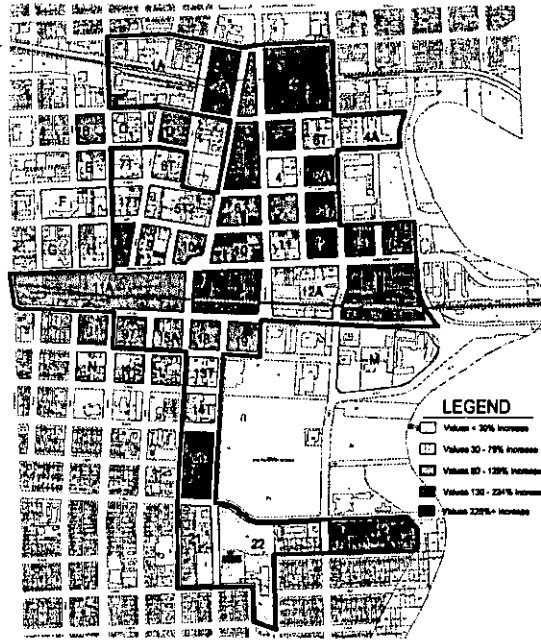
Housing in Renaissance Zone

■ Low ■ Low/Mod ■ Mod/Upper ■ Upper



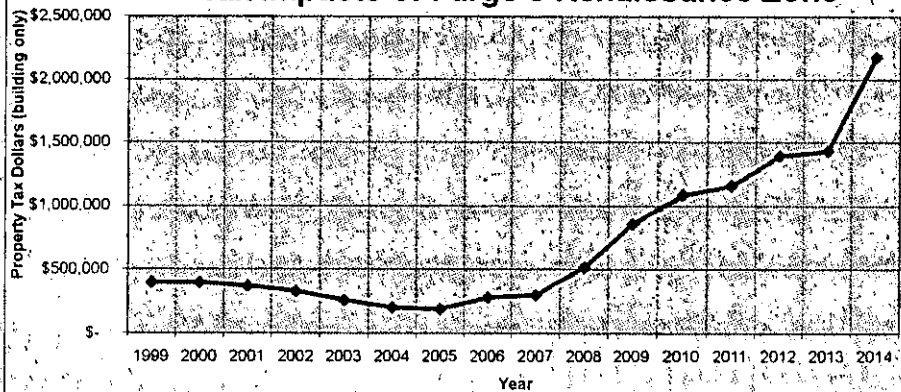
## ASSESSOR'S DATA

### Renaissance Zone



## TAX IMPACTS

### Tax Impacts of Fargo's Renaissance Zone



## FRAMEWORK PLAN UPDATE



## CURRENT LEGISLATIVE TOPICS

- ✕ **Utility Infrastructure Projects in the RZ** - The renewal that is occurring in RZ's across the state has revealed an additional need... for the upgrading of utilities within the zones. This proposal would establish similar incentives for the removal and replacement of old utilities, including the burial of services to improve the aesthetics of the project areas.
- ✕ **Graduation of completed blocks** - The RZ statute freezes RZ status on a block once a project has been completed on the block for the entire 15 year life of the program. But if an entire block is completed and nothing more can be done as an RZ project on the block, the designation must remain in place, essentially locking the block and burning time after the program is no longer possible for the block's properties. This proposal would allow such a block to be certified as completed by the community and the state in order to allow the RZ designation to be moved to another block and enable further improvements for the zone.

## CURRENT LEGISLATIVE TOPICS

- ✧ **Additional Renaissance Zone Fund Credits** -- All available existing credits for large cities have been consumed by existing funds. This would be a request for additional credits to be authorized for existing and new funds.
- ✧ **Begin to consider whether or not to Extend the Renaissance Zone Program** -- The RZ enabling legislation approved in 1999 established the program for 15 years, beginning in the fall of 1999. The program has proven its value, but as the program is now more than half-way through its 15-year life, the sunset may be coming up too fast for communities just beginning to get momentum, as well as for communities that have entered into more complicated, large scale projects. This may be a topic for interim consideration prior to the 2011 session.

## Utility Infrastructure Projects in the RZ

As the Renaissance Zone moves forward with projects that are changing Downtown ... aging, overhead utilities are presenting visual and physical barriers to the next levels of improvement. SB 2060 would offer incentives to utility companies like those offered to property owners in the RZ.



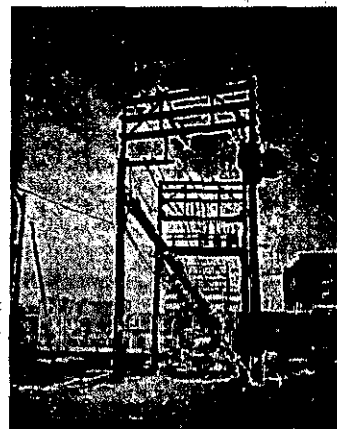
## Utility Infrastructure Projects in the RZ

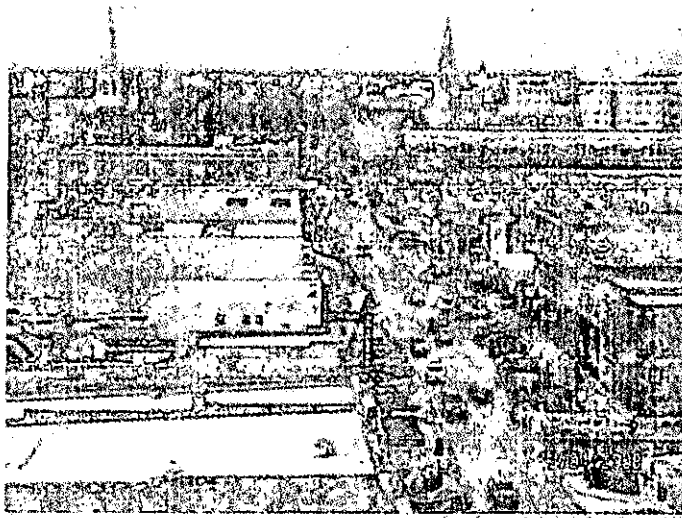


Underground utilities will be more secure than aerial facilities and Downtown will gain additional space for the continuation of the multi-use rebirth that is being enjoyed ... along with enhanced streets and alleys that will no longer be cluttered with poles, cables and wire.

## Utility Infrastructure Projects in the RZ

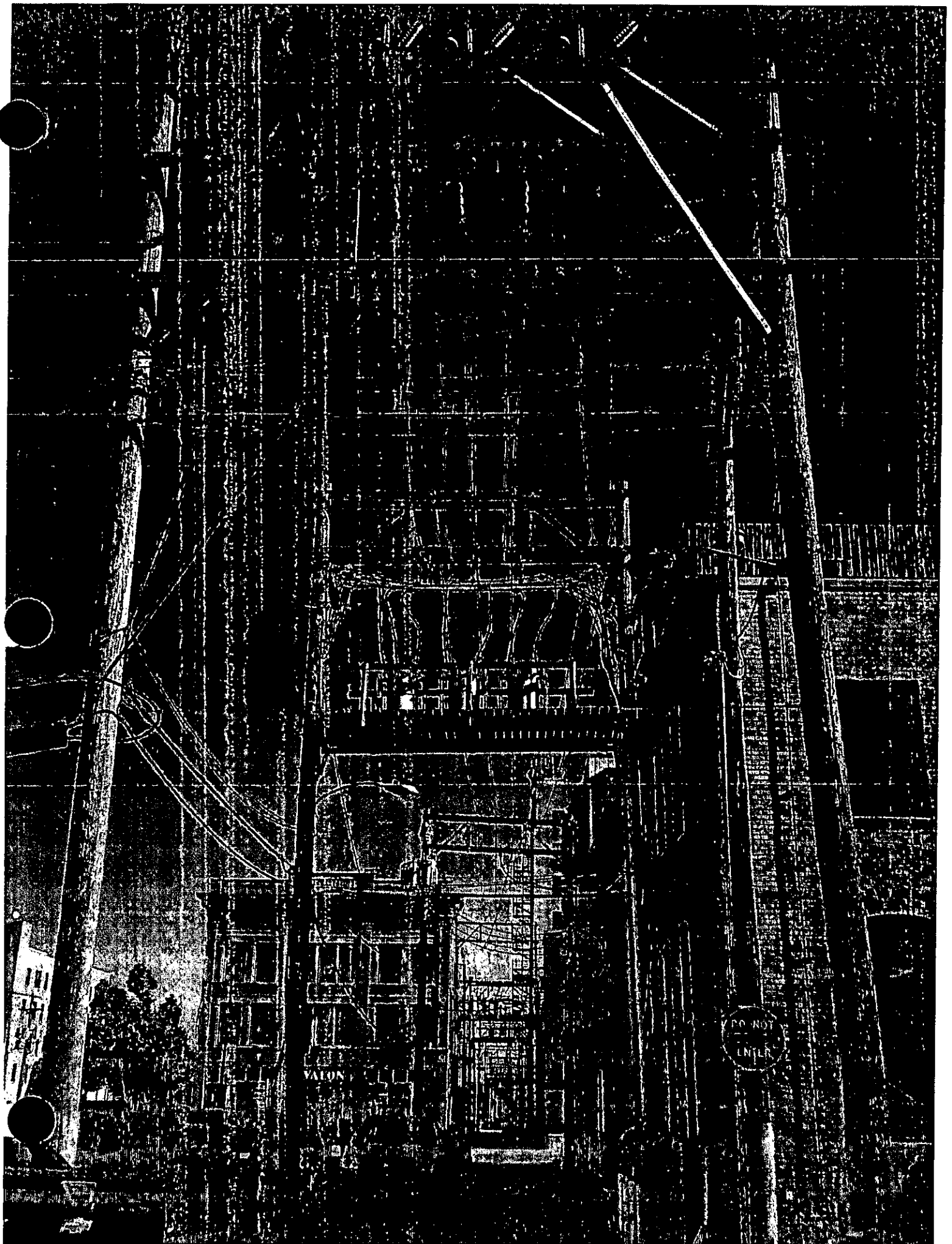
The proposed legislation does not mandate the conversion from aerial to underground ... it offers communities, property owners and utility companies an effective tool to work with in a cooperative effort to further improve and enhance the core area of the community.





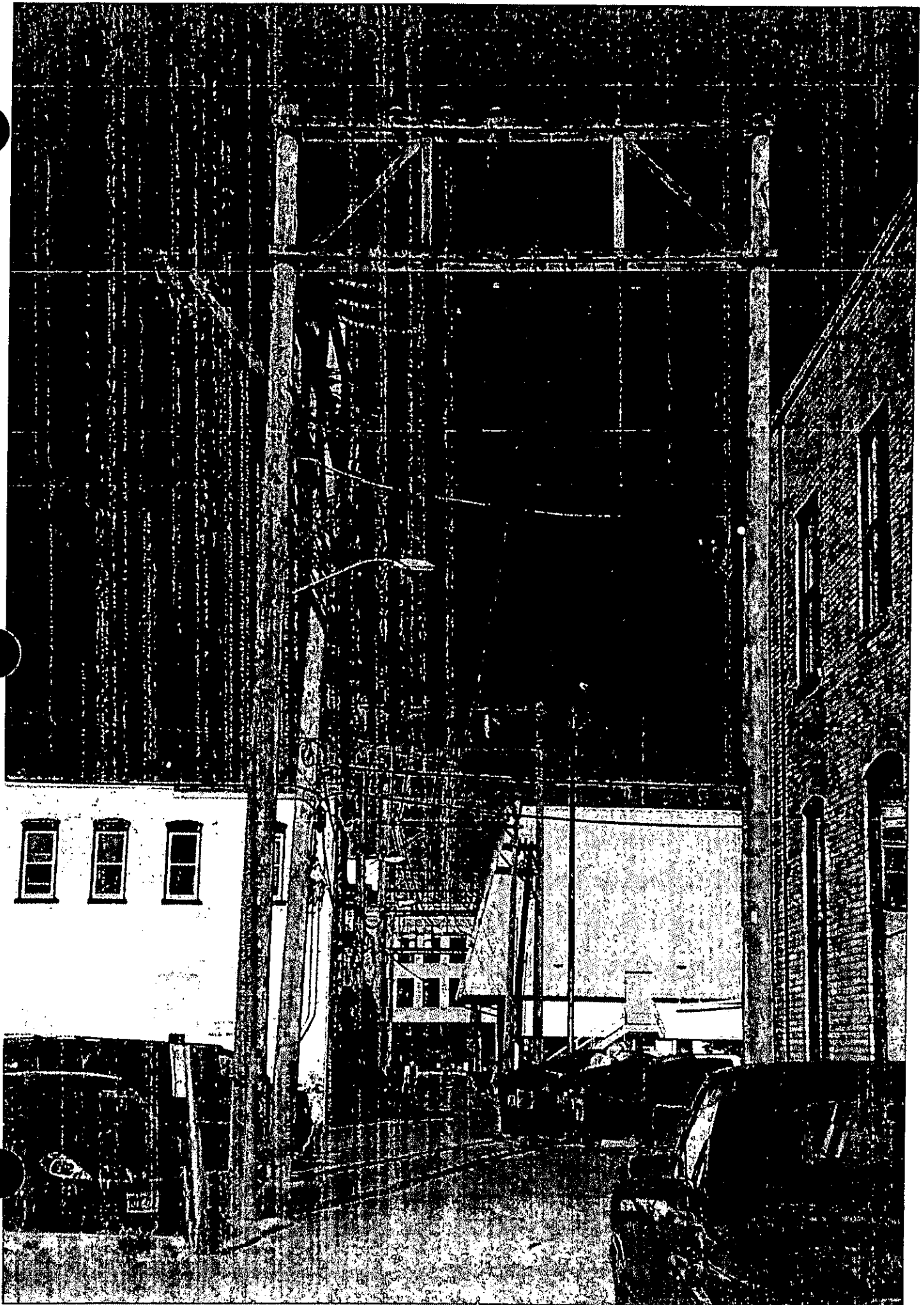
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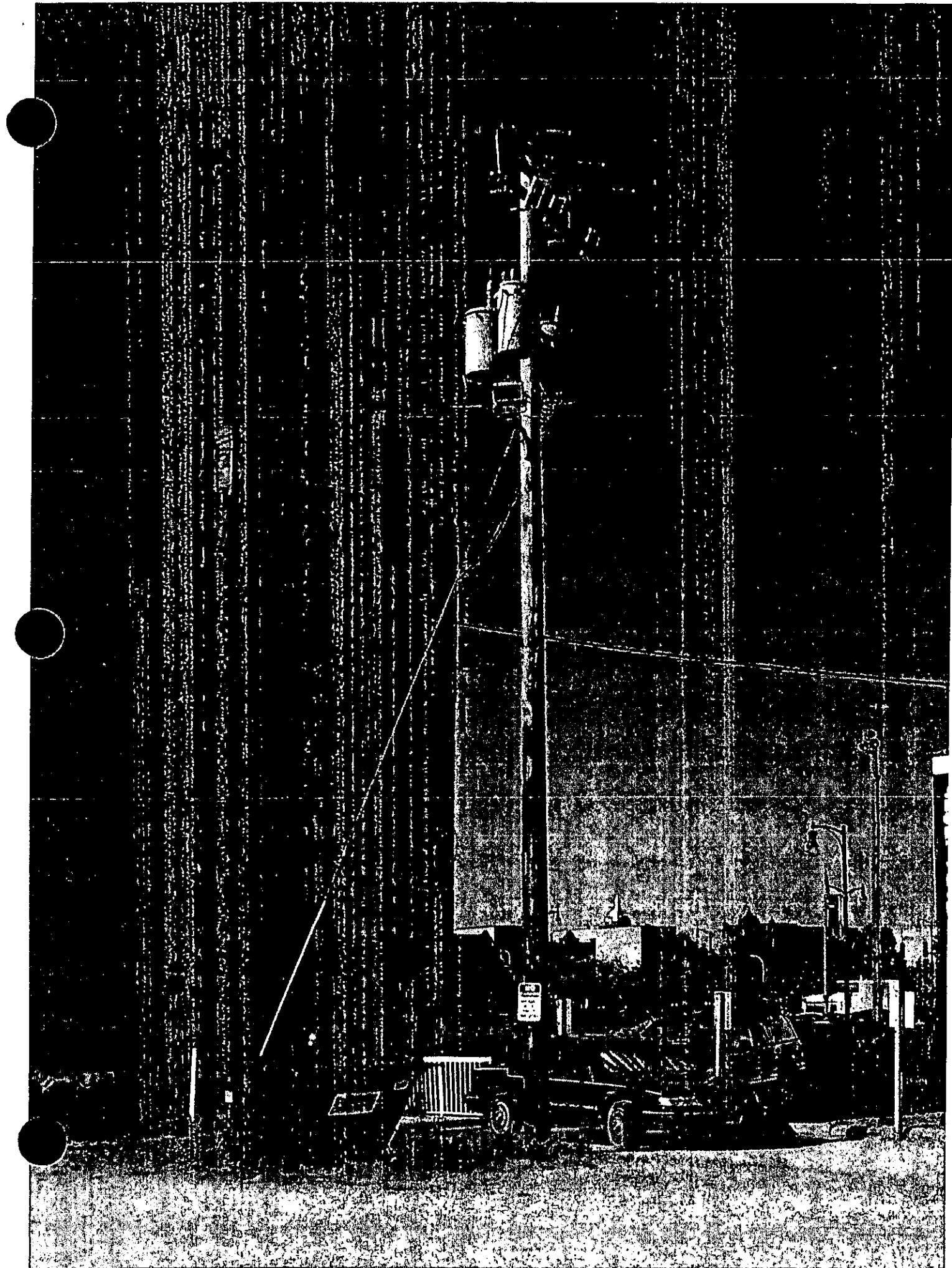
**FARGO RENAISSANCE ZONE**

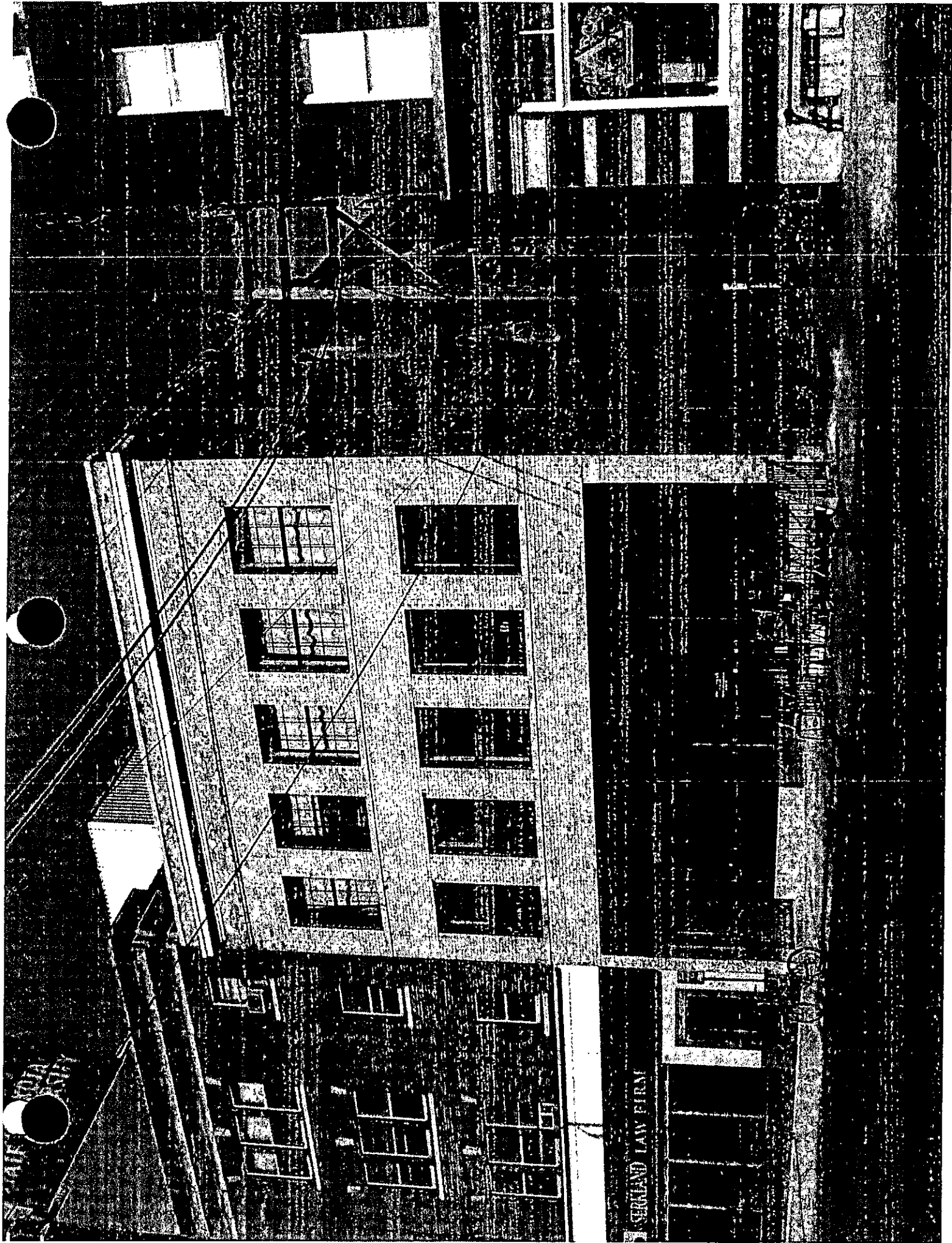


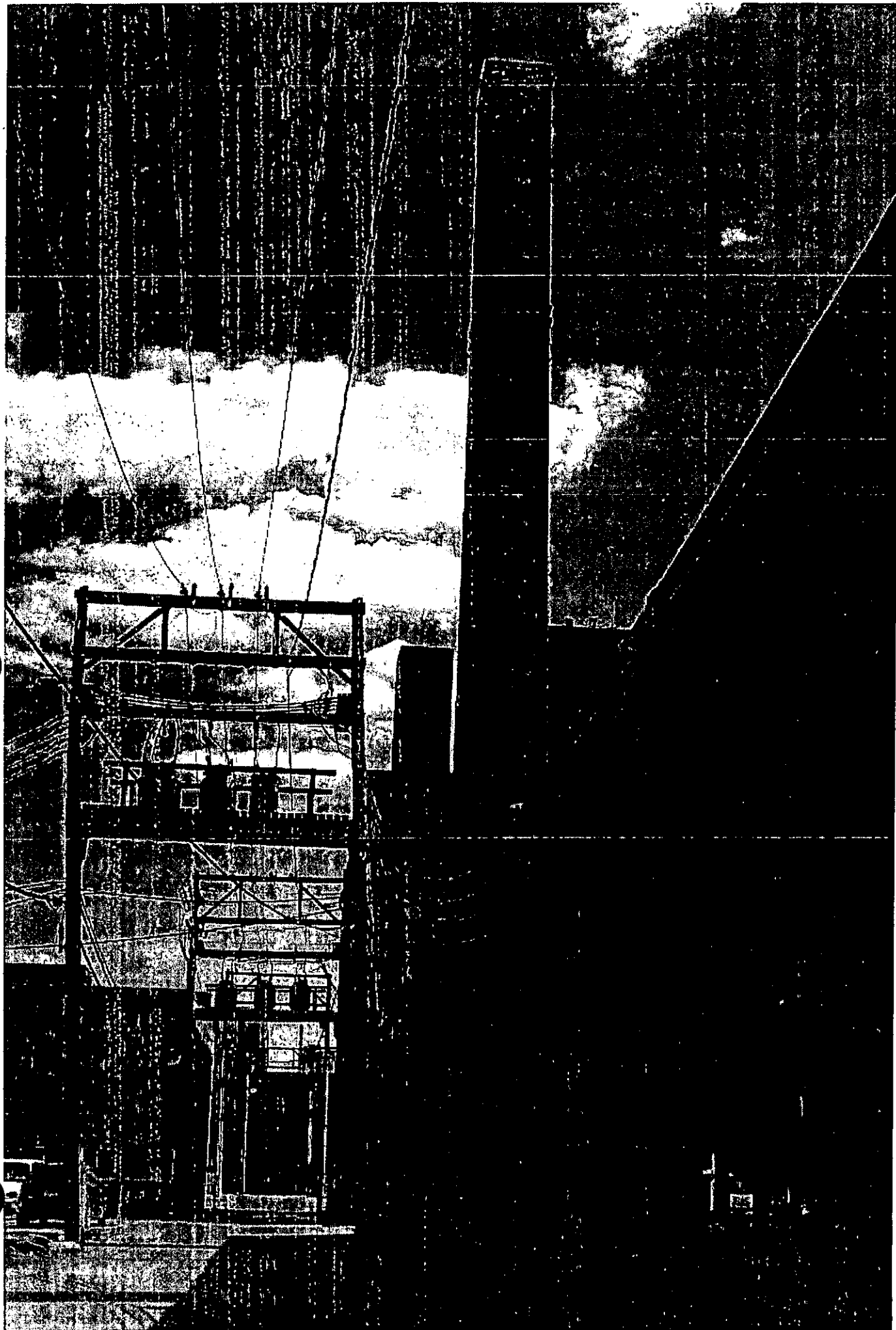
VALON

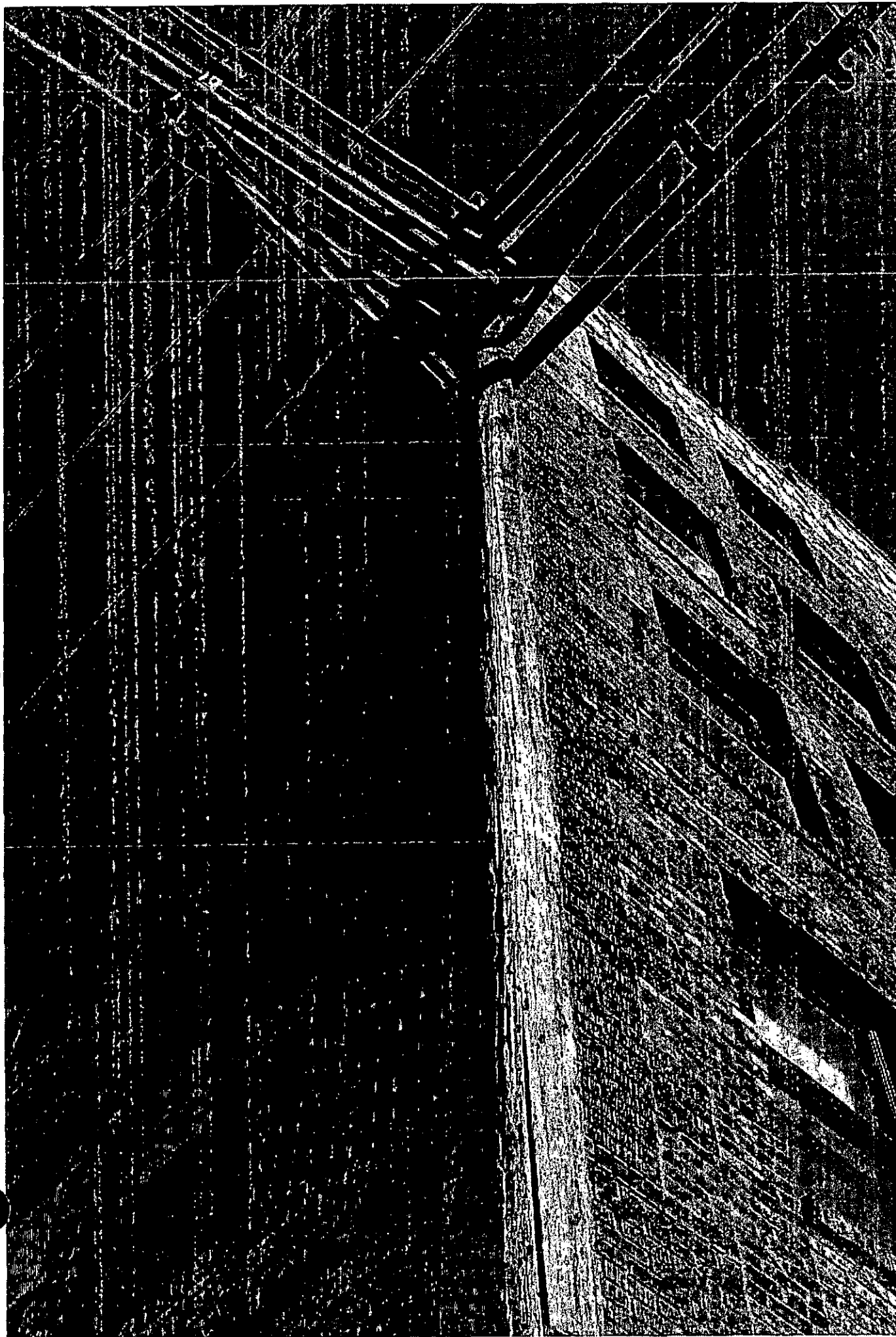
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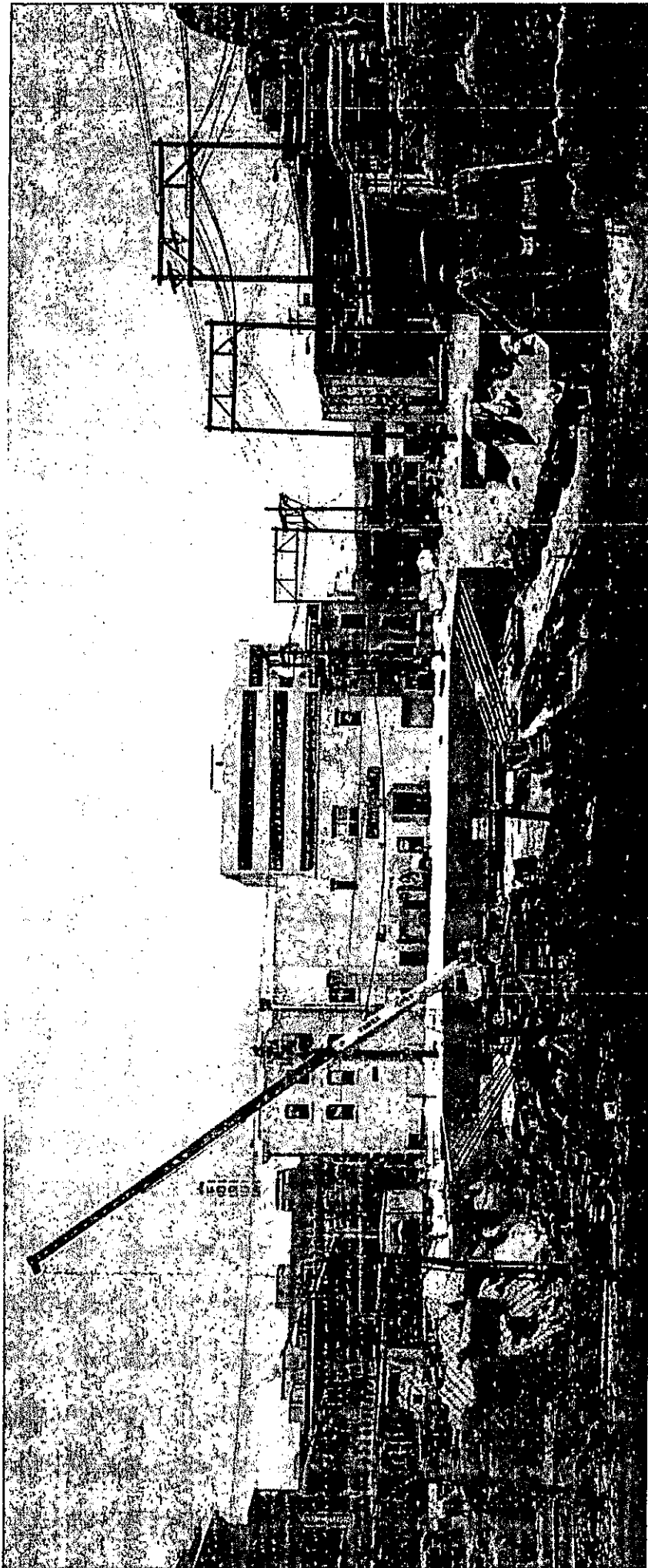


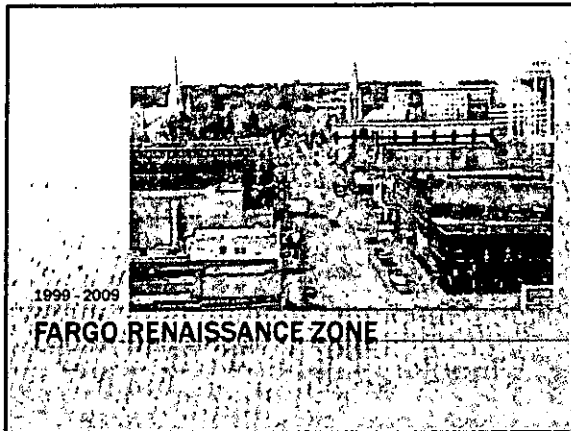












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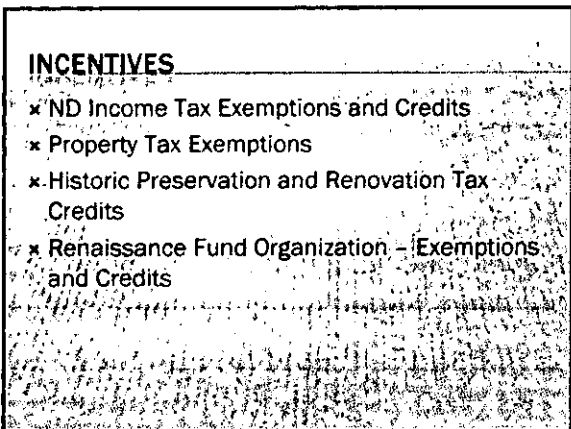
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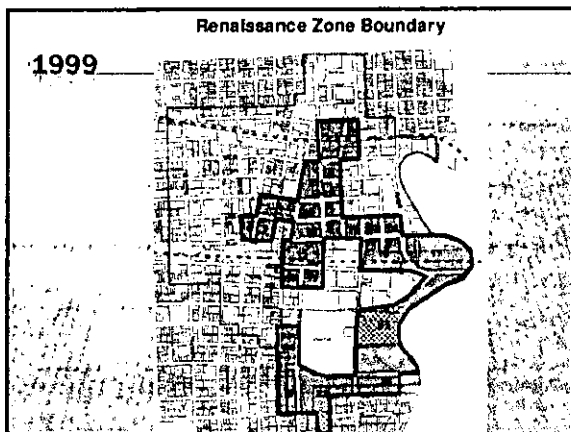
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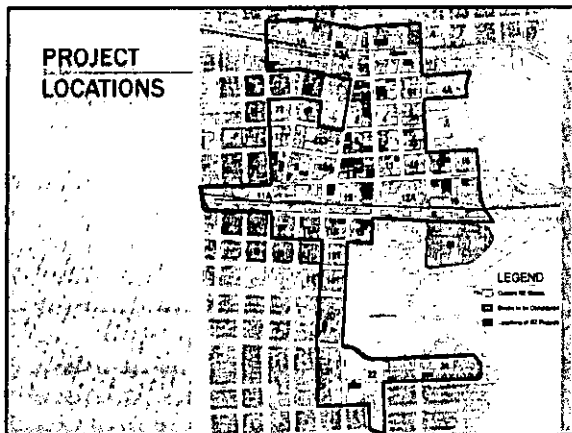
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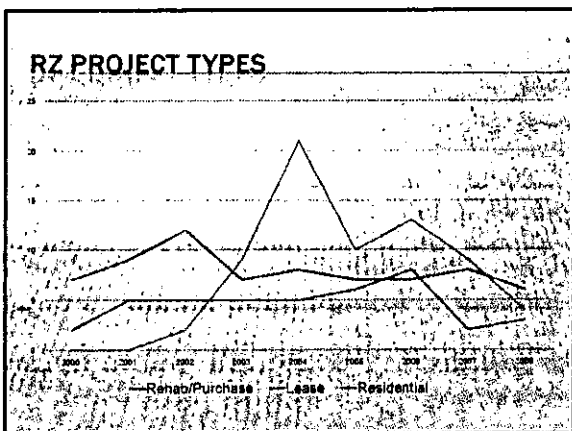
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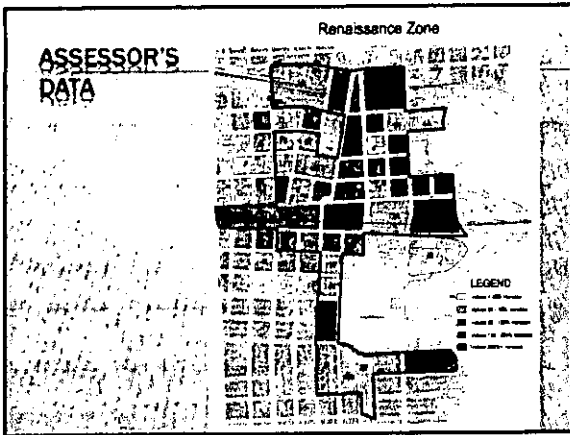
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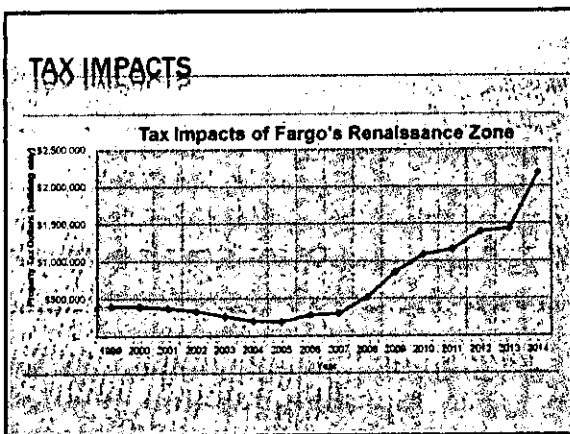
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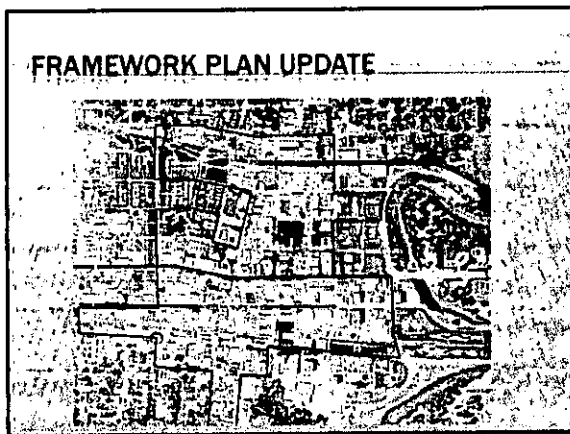
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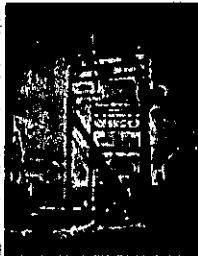
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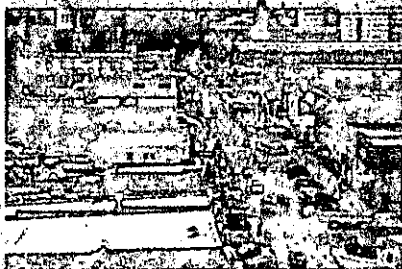
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1999-2009

**FARGO RENAISSANCE ZONE**

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**Testimony of Bill Shalhoob  
Economic Development Association of North Dakota  
SB 2060  
January 13, 2009**

*Same given to  
He was*

Mr. Chairman and members of the committee, my name is Bill Shalhoob. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations. We are asking that you support SB 2060 and thus, North Dakota's economic growth.

We are all aware of the efforts and programs we have developed over the years in our effort to spur economic development in our state. Among the two or three most successful is the Renaissance Zone program. Under the existing program, businesses and individuals qualify for one or more tax incentives for purchasing, leasing or making improvement to real property located in a North Dakota Renaissance Zone. They have proven to be a wonderful and effective tool in larger communities like Fargo and

Bismarck, as well as smaller communities like Watford City and Langdon.

Much of the redevelopment in the downtown areas of our cities and towns was made possible by use of this program.

This bill enhances the program by making changes that will make it even more flexible and effective. The first eliminates the requirement that the one noncontiguous three square block zone allowed does not have to be within one-half mile of the rest of the zone. North Dakota's communities are very diverse and the change will allow inclusion of areas in some communities in need of redevelopment the ability to meet the local needs of that community and its development plan. With the change you could address an area that is important to the community, like an industrial park, that is outside of the current limits. The addition of utility services eases some of the development burden. The addition of the ability to transfer a historic preservation and renovation tax credit also adds to a political subdivision's flexibility by allowing the end user of the redevelopment to receive the full benefit of the credits.

EDND believes SB 2060 will aid development in North Dakota and build on a successful program that works. We urge a do pass. I would be happy to answer any questions.

Kilbourne Group, LLC  
PO Box 9561  
Fargo ND 58106

January 12, 2009

The Honorable Jerry Klein  
North Dakota State Senate  
Industry, Business and Labor Committee  
State Capitol  
600 East Boulevard  
Bismarck, ND 58505

Dear Senator Klein:

We are writing to request your favorable review of the Senate Bill Number 2060 relating to Renaissance Zone rehabilitation of utility infrastructure. Thank you for your consideration of this issue.

As you know, the Renaissance Zone legislation has been a wonderful success as a catalyst for the redevelopment of the historic core centers of ND cities. Re-development of the city core has many benefits including more energy efficient living and working, the revitalization of sagging taxable values, and as an attractant to retain and re-recruit young working people to North Dakota.

We are supportive of this bill to which will make infrastructure upgrades and improvements also eligible for Renaissance Zone (RZ) credits. This change will encourage and support the partnerships needed between cities, utility companies and private developers to make necessary improvements to further enhance the livability, safety and esthetics of our downtown core areas.

Improvements to infrastructure will encourage additional development, increase the attractiveness of historic properties to entrepreneurs and the customers they need, and lower the costs of new construction adjacent to infrastructure easements.

Some specific examples of where these infrastructure improvements would occur is the removal of large and aging high voltage power lines in the alleys of the downtown areas of our larger ND cities. For safety, efficiency, and to prevent storm related outages, these lines should be buried. The RZ credits for infrastructure represent a small, yet effective incentive to begin this needed improvement.

From our own experience as a developer in downtown Fargo focusing on the revitalization of historic buildings, we have faced this issue and the additional costs and safety issues of alley power lines on multiple RZ projects. The power line filled alleys, adjacent and east and west of Broadway, touch dozens of additional current projects and property owners.

The current Renaissance Zone has played a significant part in the redevelopment of downtown Fargo. But there remain additional opportunities to continue the successful attraction of private capital near but off Broadway. Here there are multiple locations where power lines are directly outside the windows of residential housing; both low income housing and newly renovated condominiums. The effect of this is reduction of the attractiveness of the vacant "alley side" of buildings, which in some cases renders the entire historic building uneconomic for investment.

There have also been examples of development projects being restricted because of the power line locations. In addition, the necessary overhead construction and renovation work that must occur from the alley poses a constant safety risk for contractors and their workers as they navigate around these high voltage lines.

We again thank the committee for their thoughtful consideration of this pragmatic addition to the effective RZ legislation.

Doug Burgum  
Kilbourne Group, LLC

CC:

Honorable Terry M. Wanzek—Vice Chairman

Honorable John M. Andrist

Honorable Arthur H. Behm

Honorable Robert M. Horne

Honorable George Nodland

Honorable Tracy Potter

*Testimony by Dave Anderson, President of the Downtown Community Partnership in Fargo ND, supporting SB 2060 - Presented to the House Finance and Taxation Committee - Monday, March 2, 2009.*

Good Morning!

Mr. Chairman ...

Members of the Committee ...

My name is Dave Anderson. I serve as the president of the Downtown Community Partnership in Fargo. I'm here this morning to support SB 2060, and particularly sections pertaining to the inclusion of utility infrastructure as property within a renaissance zone that is eligible for reinvestment incentives under the renaissance zone program that was enacted by the ND Legislature ten years ago.

We have participated in proposing this amendment to the renaissance zone statute because we see it as a helpful new tool for the downtown improvement tool box ... a tool that will encourage the upgrading of utilities where such upgrades may be necessary and/or to encourage visual improvements where the service may be adequate, but where the tangle of cables, wires and poles stands in the way of development or is simply not complimentary to improvements that are being made in close proximity.

My handouts illustrate some of the streets and alleys in our downtown where utility poles, cables and wires dominate the views. One project now underway has adjacent overhead facilities that must remain for the time being ... due to the cost of their relocation. Ideally, with patios and living spaces looking out from the four-story residential structure that is being assembled, they would be removed and placed underground. This incentive ... coupled with participation in the relocation costs by the developer and additional investors ... can help us to begin to remove overhead lines and the poles/structures that carry them.

We believe that we will be able to attract additional valuable projects downtown with the help of such a tool and thus continue to grow the excitement, the vitality, the value and the next level of potential within the district as these improvements continue throughout the zone.

We are not supportive of the provision contained in section 2 that would eliminate the one/half mile maximum distance for a three-block, non-contiguous Renaissance "island" and would resist such a proposal for the Fargo zone. As a local organization that has seen terrific progress with a compact, dense strategy for our zone, we believe that such an allowance will dilute the power of the zone as an effective tool for Downtown.

Additional material in my handouts points out the record of success that we have enjoyed over the past nine years since the zone was implemented in Fargo. Properties worth a grand total of \$15 million prior to their improvements are now worth nearly \$100 million! It has been a tremendous tool ... and was recently recognized by the International Downtown Association as one of the outstanding economic development programs in North America and Europe.

Over the years, we have come back to the legislature and successfully "fine-tuned" various elements of the zone statute. I trust that you'll see this value of this proposal.

Thank you for your kind attention. I'll be happy to try to answer any questions that you may have.

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