

2011 HOUSE APPROPRIATIONS

HB 1018

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

HB 1018

1/13/11

12882

☐ Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the Department of Commerce and relating to the North Dakota Development Fund, centers of excellence program, the Office of Renewable Energy and Energy Efficiency, and centers of workforce excellence grants.

Minutes:

Attachment #s 1-20

Chairman Skarphol: The hearing was opened by stating that all members are present and the hearing will begin on HB 1018, the Commerce Department budget. All committee members are present.

Paul Govig, Interim Commissioner, Representing the North Dakota Department of Commerce: The testimony began with a request for a motion to open the hearing.

Rep. Monson: Placed the motion before the Committee. See attachment # 1 Move a DO PASS.

Rep. Martinson: Second

A roll call vote was taken: Yes, 6, No, 0, Absent 0.
Motion passed

Govig: Continuing with testimony, See attachment 2, Spreadsheet p.5.
Points out biennium comparisons, plus variances in the columns.

Chairman Skarphol: Why don't you show that as a \$7M variance?

Govig: He stated that he would get into that later. Of interest to you is what is being proposed (10:09)

Chairman Skarphol: So you have one hundred in this biennium?

Govig: Yes, and this would be an additional one hundred.

Chairman Skarphol: We have some of that but this is an increase.

Govig: Continues with testimony

Rep. Monson: You have grants for child care and loans for child care. What are the loans for?

Govig: They are to increase their capabilities, and the financial soundness of the day care. It is used primarily for equipment, special needs capacity, business plans.

Rep. Monson: This could be used for bricks and mortar, fences, etc.

Govig: It can be used for what is necessary. We have separated that. The Grants are not a part of the development fund.

Rep. Hawken: I will talk with you about the child care issue. I am talking about the \$150,000 and I want to visit with you and Ms Zander and I want to add a considerable amount of money, they are not using the loans. Refers to HB 1418 Training child care workers. I am thrilled that it is part of commerce now.

Govig: We always welcome input

Chairman Skarphol: \$150,000 is that an appropriation? Addressing Sara Chamberlin, Legislative Council Analyst, I am asking you to finance all of the childcare money in the various budgets. In essence, for centers of Excellence there is \$18M.

Govig: In essence you are right.

Chairman Skarphol: Additional FTEs?

Govig: Two for the energy division and one-quarter for the tourism division to provide full time status to a three-quarter time employee. It also includes carry-over authority. In addition, the creation of the internship fund for the operation of an internship program. The biofuels blender pump fund program and finally the \$5M carryover to the next biennium because these funds were not expended. We have an amendment that would correct the oversight on the Internship fund. Distributes proposed amendments.

Jim Boyd, Interim Director, the Division of Community Services: Discussed the community service program and budget. See attachment 1, Tab Community, pp 1-3 and Pie Chart following.

Chairman Skarphol: We can read through that.

Boyd: That includes only the supplement, not our regular.

Chairman Skarphol: What is the total drain?

Boyd: The total would be approximately \$29M of that formula funds plus the supplemental \$5.5M

Chairman Skarphol: This biennium you are up about \$4.5M, next time you will be down by that \$4.5M?

Boyd: Discusses Renaissance zones; there are no 49 cities throughout the state.

Rep. Dosch: With 90% of your funding coming from federal government grants, given the plight of our financial situation, do you see any reductions coming down.

Boyd: There could be some reductions, but we don't know what that could be. There is not a good answer. Perhaps going quarter to quarter.

Chairman Skarphol: On your overall numbers you had, I'm assuming it is roughly \$68 M and an increase of roughly \$12M. Give us a general feel for that.

Boyd: A lot of the funds, we have received about \$70M in American Reinvestment Recovery Act (ARRA) funds. We will need additional authority to spend out all of those funds.

Chairman Skarphol: You have \$70M and you are carrying over \$25M. That would be about \$45M but you are showing a \$56M decrease.

Boyd: There is in our base budget request where there was billed \$5M for the Great Plains Energy Efficiency Research Center. And \$1M for the Blender pump program.

Sara Otte Coleman, Director, the Division of Tourism: See tab Tourism, pp1-5
See charts included. North Dakota has had the third largest tourism increase in the nation.

Chairman Skarphol: How have you segregated the tourism rooms from workers?

Otte Coleman: We are able to separate, accommodate leisure travels.

Chairman Skarphol: The lodging tax, explain that.

Otte Coleman: If one occupant occupies a hotel room for 30 days or longer, they do not pay lodging tax, and no tax revenue is generated.

Rep. Dosch: There is a bill forthcoming to deal with that issue.

Chairman Skarphol: I am not looking so much for a fix but some information in other areas.

Otte Coleman: We will contact the tax department and get a chart together on that.

Rep. Monson: You said Canadian visitors are up 40% and with their dollar at par, how does that affect the dollars?

Otte Coleman: We are seeing an increase in inquiries.

Rep. Dosch: Providing an answer to the question on impact, a bill has been filed. There is an error on green sheets, p. 2, item 11 should that be corrected to a \$5M change? We did almost \$2M worth of infrastructure projects with the Lewis and Clark and your foundation, yet you are taking all of that out of your current budget. Are there no infrastructure requests for the upcoming biennium?

Otte Coleman: We do see an increasing demand for infrastructure. We put together a plan to fund about \$200,000 a biennium and we get 5-10 times that in requests. Because there were no dollars allocated to it, it may not go through.

Bill Shalhobb, Chairman of the Tourism Alliance Partnership (TAP): See written testimony, Attachment # 2 and appendices.

Rep. Hawken: To what extent does the, for example the Red River zoo do you all work together to build that infrastructure?

Shalhobb: Yes we do, they come to our meetings. Sara is good at getting everyone together.

Sheri Grossman, President, Destination Marketing Association Of North Dakota: Provided testimony in support of marketing, See attachment # 3.

Rep. Monson: We are the only state that seems to be growing and we are spending the least. You must be doing an efficient job.

Grossman: The Department knows how to use those funds. It needs more money.

Cole Carley, President/CEO of the Fargo-Moorhead Visitors Bureau: Spoke in support and to enhance the tourism budget bill, emphasizing the \$2.5M Enhancement Grants. No printed testimony offered.

Terri Thiel, Executive Director of the Dickinson CVB: Testimony provided, see Attachment # 5.

Randy Hatzenbuehler, President of the Theodore Roosevelt Medora Foundation of Medora, North Dakota: Spoke in favor of HB 1018 See attachment # 6.

Beth Zander, Director the Division of Workforce Development: See Attachment # 2, Tab Workforce, pp. 1-4. Providing jobs for America's graduates is a retention tool. Workforce enhancement grants are there to increase responsiveness to employer needs. CDA is nationally recognized, that makes a difference.

Rep. Monson: The Workkeys, have you ever used ASVAB testing? That is free. Have employers used it?

Zander: I will check into that. She continued with testimony.

Chairman Skarphol: Who initially implemented that?

Zander: It was initiated in North Dakota approximately three and a half years ago.

Chairman Skarphol: Do we have any statistics on its success?

Zander: No, we do not.

Chairman Skarphol: You refer to Williston, it is not on its own, New Town is not on its own.

Zander: Correct.

Chairman Skarphol: The Community Colleges and United Tribes, we haven't gotten there yet. Explain how it works. Differentiate for us how TrainND and they use their dollars and how you use these dollars.

Zander: TrainND utilizes dollars for employers. We believe in it. We are working well together.

Chairman Skarphol: These grant dollars typically go to support the training program, not to employers necessarily. We would like it consolidated in one location.

Zander: She continued with testimony and concluded.

Paul Lucy, Director, the Division of Economic Development and finance: Provided testimony, See Attachment 2, Tab ED&F pp. 1-6. We are not asking for additional funding. We are requesting the \$400,000 to continue the program for the next biennium. Workers need a facility to take their children. He spoke in support of in-state and out of state companies that are locating here.

Rep. Hawken: Do you have a list of people who got the loans and where these centers are located?

Lucy: It is written in my testimony. The numbers have changed since the package was compiled.

Chairman Skarphol: Child care loans, you are going to move from \$1.25M down to \$400,000. There is an \$850,000 reduction; you are showing a \$4.4M reduction. Where is the rest of the reduction?

Govig: Some of it removing and some of it is adding. Refers to p. 5, side 2.

Chairman Skarphol: What are we anticipating for a salary increase? Is there a percentage out there that is incorporated in the Governor's budget? Is it 3 and 3?

Tracy Finneman, Marketing Director: Provided testimony. See attachment 2, the Commerce tab pp. 1-2.

Chairman Skarphol: Does the partners in marketing program require a match?

Finneman: 10%

Rep. Hawken: Reported that the Delta Sky magazine featured a comparison of North Dakota and(inaudible).

Justin Dever, Manager, Office of Innovation and Entrepreneurship: Attachment 2 Tab Commerce p 1-2 of his testimony. He discussed the programs listed.

Chairman Skarphol: Centers of Excellence, give us a spread sheet of where we are at since we started that whole thing. Just a one page summary.

Mark Nisbet, Centers of Excellence Commission: Attachment 2 Tab Commerce 1-4 and the Centers of Excellence annual report brochure. He emphasized private sector partners. Encouraging support.

Rep. Dosch: Take a look at the centers of excellence, how is that different from what the two research universities are doing?

Nisbet: There are other things going on but the major research is done at the universities.

Chairman Skarphol: Is there a way to show that none of the money will change over?

Nisbet: It is set up so that if there wasn't enough call for money in one of those areas, the research dollars could go above \$8M.

Dean Gorder, North Dakota Trade Office: Attachment 2, Tab North Dakota Trade p 1- of printed testimony

Rep. Monson: Do we have trade offices internationally?

Gorder: Yes, in Kiev the Ukraine, in Kazakhstan.

Rep. Monson: Have you explored Taiwan?

Gorder: Yes, both Taiwan and China.

Rep. Monson: Missouri has a trade office over there and are interested in sharing an office.

Govig: Referring to the Partner section of the handout. Attachment 2 Tab Partners p 1-2 of of Tab Partners.

Chairman Skarphol: Where is the money reflected?

Govig: Comments on the Energy Office. Attachment 2 Tab Energy Office p 1-2.

Al Christianson, Great River Energy: No printed testimony, spoke in favor of support for HB 1018.

Ron Ness, Energy Power Commission: Spoke in favor of HB 1018. No printed testimony provided.

Gene Vetter, Watford City Development Director: Spoke in favor of HB 1018. No printed testimony provided. He stated that he is a full time professional.

David Straile (?), North American Coal: Spoke in favor of HB 1018. No printed testimony provided. Did not register.

Govig: Concluded his testimony in favor of passing HB 1018.

Chairman Skarphol: We will take public comment until 12:00.

Public Comment

Kent Satrang, General Manager, Petro Serve USA: Offered public comment and spoke in favor of HB 1018 See Attachment # 7.

Rep. Monson: I haven't seen very many blender pumps. I was under the impression we could have E 15 if we wanted it. We could blend it and set it up. What are some of the rules on that?

Satrang: If you use E 30....flexible fuel. It is a great partnership to be able to offer all of those. You have four choices in gas, E 30, E 10E 85 and(Inaudible).

Rep. Hawken: How mucha service station to put in a blender pump?

Satrang: About \$5,000 per pump.

Chairman Skarphol: Suppliers provide a \$900,000 discount. Are you successful at that?

Satrang: It worked well last year. It is called the North Dakota blender pump program.

Justin Flaten, Garrison, North Dakota, JM Grain: Spoke in favor of HB 1018. No printed testimony provided. He addressed the pea and lentil market. The product goes overseas and through a broker or exporting agent. Transportation at an equitable rate is a problem. Going into Canada then out is costly and time consuming. We could increase our sales if we had better access to capital.

Rep. Monson: Do you have any plans to expand, say to fava beans?

Flaten: Yes, Lebanon is a customer. They are also interested in flax and sunflowers.

Jeff Rotenberger, Bismarck, Mandan Chamber: Spoke in favor of HB 1018. No printed testimony provided, He is in favor of the Idea Center, trade office and USS North Dakota.

Cal Klewin, Economic Development of North Dakota: Spoke in favor of HB 1018 printed testimony provided. See Attachment # 8.

Connie Ova, CEO for the Jamestown/Stutsman Development Corporation (JSDC): Spoke in favor of HB 1018 printed testimony provided. See Attachment # 9.

Eric Johnson, CEO Avanac: Present at the suggestion of Senator Tony Grindberg. Provided printed testimony, Attachment # 10.

Chairman Skarphol: SB 2056 is being introduced in Education.

Other printed testimony was provided, See Attachment #s 11-20.

Meeting adjourned.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

HB 1018
1/31/11
13706, 13739

☐ Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of the Department of Commerce and relating to the North Dakota Development Fund, centers of excellence program, the Office of Renewable Energy and Energy Efficiency, and centers of workforce excellence grants as it pertains to the Department. of Commerce.

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: General discussion regarding information about the Department of Commerce. There are so many programs in there. The Workforce Enhancement Grants versus the Centers of Excellence for Workforce.

Tammy Dolan, OMB Analyst: Distributed a spreadsheet detailing Recommendation by program. I did handout a worksheet with a detailed budget for each one of their divisions that would show the '07-'09 expenditures, the 2011 budget and expenditures through June 30, 2010, see Handout # 1.

Chairman Skarphol: This gives us

Dolan: I am not sure if this is what you are meaning or if you wanted more program based like Innovate North Dakota or the different programs within the agency. This goes through each page like the Commerce administration division. For each of the appropriation lines within that division it will show you their 2007-'09 expenditures, the current biennium's budget, how they will be reflect for 2011-'13 and then the executive recommendation and the amounts percentage changes in there as well.

Chairman Skarphol: The first three pages are pertinent to Commerce Administration. The next three pages are for innovation. If you go back through this you will see various entities.

Dolan: Yes. If you go three more pages in it is the Tourism Division. Two pages back it is Workforce Development on p. 9, with Economic Development on p. 12. Continues to explain the layout of the document.

Chairman Skarphol: This gives us the administrative costs of each one of these divisions.

Dolan: Yes. It will show you salaries and wages, operating expenses, capital asset lines and special lines as on p. 2 are discretionary grants.

Chairman Skarphol: This is printed out of BARS, right? Can I go to the Web Site?

Dolan: Yes.

Chairman Skarphol: This is the detail level you are going to see our web site, there may be more detail. Other details could be obtained from the agencies.

Chairman Skarphol: The North Dakota Trade Office is a contractual agreement.....

Dolan: Right that is why they show only operating season services except for the current biennium they used a little bit for ...but basically it is their grants account code that they have but it is their contract that they have with the trade office.

Chairman Skarphol: I did ask for a history on that particular office as to the appropriation and cost share for the last several biennia.

Sara Chamberlin, Legislative Council Representative: A document #11. 9107.01 was distributed earlier.

Chairman Skarphol: It continues to grow by \$.5M each session to the Trade Office.

Rep. Hawken: No, it is more than that. Oh, the Trade Office. Don't any of them share?

Chairman Skarphol: Each division as far as their IT costs.

Rep. Hawken: A lot of them are the same office, right?

Dolan: Right, they just allocate it out to the various divisions so you can see the total cost of the division instead of lumping it together....

Chairman Skarphol: Based on FTEs?

Dolan: I would have to verify that. Probably based more on the types of PCs and different equipment that they use.

Chairman Skarphol: You don't reflect FTEs in BARS?

Dolan: It is the last line on the last page for each division. If a department reorganizes from one division to another throughout the biennium, you might see some larger adjustments for those purposes.

Begin Recording # 13739

Chairman Skarphol: Called the Committee to order to discuss HB 1018. He called to the podium Paul Govig, Interim Commissioner Department of Commerce:
Referring to HB 1018 and the Green sheets he begin discussion of the Centers of Excellence the funding for the Centers of Excellence (CE). According to the green sheet there is one time fund for CE. Is there not also a transfer that we should be considering for \$5M.

Govig: The total is \$20M

Chairman Skarphol: How about the Centers of Excellence?

Govig: Distributes Attachment # 1.

Chairman Skarphol: We need to know if it is duplicative or stands on its own.

Govig: Describes the chart on Attachment # 1. The \$20M that you were talking about is divided; it goes to the CE Commission, similar to what we have right now and then we have the Centers of Workforce Excellence Council. That is the difference.

Rep. Hawken: Has the Workforce always been around or is that coming now because we now call the 2 year institutions Centers of Excellence?

Govig: We have always had the Workforce Enhancement grants and the group that was working with them was the Council, so it is the same group. Those are the two groups that make the determination by reviewing the applications. Take CE, it becomes the Centers of Research Excellence (CRE) and there is proposed \$13M.

Chairman Skarphol: Explain matching dollars as described in the box on the right, Attachment 1.

Govig: Yes, it has additional information, CE requires \$2:00 of matching funds for \$1:00 of state funds. The matching funds must include at least \$1:00 in cash, \$.50 from the private sector and in kind which could be the remainder. We have to have itemized values.

Chairman Skarphol: As to have explanation repeated.

Govig: The whole thing could be in cash.

Chairman Skarphol: What if it is only \$1:00?

Govig: There has to be \$2:00 of matching funds for every \$2:00 of state funds and they can be comprised of a few different things.

Chairman Skarphol: The matching funds, these are from the private sector. So if the private sector has \$1:00 in cash, they will have \$1:00 of the in-kind.

Govig: The in-kind has to comprised of at least \$1:00 in cash.

Chairman Skarphol: Either you have a dollar in cash and a dollar in in-kind or you don't have \$2:00. Is there a difference in in-kind?

Justin Dever, Director: One dollar of cash half of which must be from the private sector, the other half could be federal funds. The other could be cash assets.

Chairman Skarphol: Explain how you get to the \$2.00 value.

Dever: Two dollars, at least half of it has to be cash the other half can be in-kind.

Chairman Skarphol: Only half of the in-kind has to have an itemized value.

Govig: All of it has to have an itemized value. If there is in-kind, we have to have verifiable value for that. Under CRE there are two other sub categories, the eminent researcher grant program and that can be up to \$2M per biennium. The CE Infrastructure grants up to \$3M per biennium. If they both receive the maximum amount then it drops the \$13M to \$8M. CRE has a total of \$13M but the two subsections can go to \$2M or \$3M per category.

Rep. Williams: How much of this is new money and new programs?

Govig: The \$3M. It is considered a one time appropriation and the transfer of the center is an additional \$5M. You appropriated it for this biennium and because it was not feasible to do that, it is being proposed for this program..

Rep. Williams: How much of this is new money?

Govig: The \$15M.

Rep. Williams: New Money.

Rep. Martinson: Would you have a problem if we put money in the CE and let you.....Could we make your budget a little simpler?

Govig: The funding is most important and it is very successful. What it is called is not as important from our perspective as it is to get it funded.

Rep. Martinson: A Center of Excellence for every new idea is confusing and unnecessary.

Govig: No, like most things, if you understand it its straight forward.

Chairman Skarphol: I would like to see the previous names of some of those things along with the current name. Some of it changes, 2057 seems to be a mirror image of this.

Govig: Some of it changes.

Dever: SB 2057 also includes \$23M for this, there is a \$20M difference.

Chairman Skarphol: I thought it the fiscal note on 2057 was \$33M.

Dever: 2057 also includes \$10M for EPSCORE.

Chairman Skarphol: What is the current appropriation for EPSCORE?

Dever: The Governor's budget ...

Dolan: It is \$7M. It is an increase of \$3M in Higher Ed budget there is a \$6.5M increase.

Chairman Skarphol: EPSCORE is in the Higher Ed budget as opposed to

Rep. Martinson: We are looking at taking money from the \$5M turn back for BSC to finish their fourth floor which would be about \$4.335M. We are looking at taking funding from other programs, shifting funding to tourism along with more marketing money. More funding for the ABM site and in Minot providing \$500,000 for their base realignment commission like we did in Grand Forks and Fargo.

Rep. Hawken: It is what we did with recruitment training and retention. I may need an education, we hoped at its creation that it would go to a business. We are still keeping the fairness aspect. Do we continue to put money into all of these?

Rep. Williams: Having met several times with several groups, I do not recall a specific dollar amount coming out of that.

Dever: Yes, it is now SB 2057. it did contain specific dollar amounts.

Chairman Skarphol: Why is it on both sides? Either it is an interim bill or it is part of your budget.

Dever: HB 1018 is the Governor's recommendation for CE.

Govig: Any time we can move the Universities closer to the market to try to interject some market forces to create jobs and to create business and spin offs.

Chairman Skarphol: Are any of these entities, are they self-sustaining? Are they profitable?

Govig: It is very much centered on jobs. If private sector jobs are created, the state will benefit through increased revenue. See Attachment # 2. We have private sector jobs and Center jobs.

Chairman Skarphol: Do any pay corporate income tax.

Dever: Yes, we don't have records of their tax payments.

Rep. Monson: Do the new businesses end up being profitable enough to pay taxes?

Dever: Intelligent Insights in Fargo is one example.

Chairman Skarphol: Does a center itself make a profit?

Dever: There are no state dollars for EERC. They survive on research contracts.

Chairman Skarphol: I would like to see another column that would show any of these paying taxes.

Rep. Martinson: I would feel better if we just gave Williston money for training. What are the 167 jobs they created?

Dever: These are individuals, there are 4000. We are not counting all the people. These are people that went to theTraining Program.

Rep. Martinson: What NEW jobs were created? You can't name any jobs that we created.

Govig: We filled some much needed jobs

Rep. Martinson: It says here "jobs created". You would agree that you didn't create any jobs.

Govig: We filled those jobs.

Rep. Dosch: The CE, are they research jobs? They stay as long as the funding lasts and then they go away.. He uses the Blarney Stone as an example. As we go through this is how many equity...We are putting at very high risk the taxpayer dollars. Do we have any equity in these that will eventually provide a taxpayer return?

Govig: There will be eventual ownership.

Dever: Ownership in the IP(?) may not necessarily be ownership in the businesses.

Rep. Dosch: What royalties have we received back?

Dever: The royalties would be received to the State General fund. The agreements are between the institution and the private businesses.

Rep. Dosch: This is taxpayer money; I am interested in finding out what the return is.

Govig: We will see what we can find out about that.

Chairman Skarphol: I would have no difficulty with an appropriation to fund the Centers of Excellence from the revenue produced by the existing CE
The 167 jobs were existing and were filled. Not 167 new jobs created.

Rep. Hawken: She described the creation of Centers of Excellence. Is the APUC report a CE because we have been providing dollars for years?

Govig: We wouldn't describe the ag product Utilization Commission program as a Centers of Excellence, even though it is an excellent program.

Rep. Hawken: Rep. Dosch said that we are providing some stimulus to that sector.

Chairman Skarphol: If you look at the grand total we've invested, \$59.96M. It would be nice to see a 4% return on that.

Rep. Monson: In the years of operation, will you give us examples of real jobs, not just job training?

Govig: We will get some examples.

Chairman Skarphol: How are the ones at the Center funded? General fund, research grants..

Dever: The foot note at the bottom of Attachment #2 gives examples.

Chairman Skarphol: Other questions?

Govig: We are getting back together on Wednesday morning, do you have specific questions?

Chairman Skarphol: I would like a comparison of the current biennium with the proposed biennium. An explanation of terminology and incorporate in that S B 2057.

Rep. Monson: Why are we changing the names in here?

Govig: It is to make it easier to understand where the college or university should access the program. We need to do some work on this end to make it more understandable.

Chairman Skarphol: Discussion closed.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

HB 1018
2/7/11
14080

☐ Conference Committee

Committee Clerk Signature

Meredith Trachsel

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the the department of commerce; relating to the biofuel blender pump incentive program, centers of research excellence program, centers of entrepreneurship excellence grants, and the internship fund; relating to the North Dakota development fund, incorporated, centers of excellence program, the office of renewable energy and efficiency, and centers of workforce excellence grants; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide an effective date; to provide an expiration date; and to declare an emergency

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: Brought the committee to order to take up HB 1018. Our intention is to discuss the Department Of Commerce budget.

Scott Davis, Executive Director, North Dakota Indian Affairs Commission: When I started, I was given the task of addressing three issues: health, education, and jobs. We're trying to figure out how to get more jobs to the reservations. The first step was an assessment of each tribe. We did at least three visits to each tribe, to the tribal colleges, the communities, asking questions about challenges, barriers, opportunities, threats, etc. We wanted to know what the locals felt was most needed for their reservations. The tribal colleges seem to be the best place to house any kind of commerce activity, and they all have a business incubator within their college. They've already done assessments of what would help their communities. The challenge is that the tribal colleges don't have strong business and accounting curriculums. A lot of this funding would go to strengthening those areas at each college, and I would be in support of the additional \$100,000 towards the American Indian Business Development fund office.

Chairman Skarphol: How did we fund the study? Where is it on the existing budget?

Paul Govig, Acting Commissioner, North Dakota Department of Commerce: That was funded through the contract with Prairie Consulting, in the partners program section. We are requesting an additional \$100,000 for the next biennium.

Rep. Hawken: Are there any funds within your agency you could transfer, if there was something you particularly felt needed to be done?

Govig: The project managers are always interested in working on projects throughout the state, on reservations, small town, big town, doesn't matter, and we'll continue to do that. Specifically having someone focus on Native American reservations and issues is what we feel is very important, because the needs there are so significant.

Rep. Hawken: You are out of money for this biennium, so I was wondering if there were other funds you could tap into if you saw something that really needed to happen.

Govig: We have used a small amount of the commissioner's discretionary funds to fill in a few gaps.

Chairman Skarphol: What do you envision the tribal colleges doing with the \$200,000?

Davis: There are some great ideas out there for private business. A lot of the students are older than average college students, and they really know their environment and what would fit. Some examples are coffee shops, butcher blocks, small retail stores. Right now on the reservations are just your basics, like gas stations and grocery stores.

Chairman Skarphol: So you would envision at least a portion of it being direct grants to start businesses.

Davis: Grants for business, but more of the curriculum, more of the in depth study of establishing a business.

Chairman Skarphol: You envision the colleges helping individuals with the management of the business?

Davis: Yes. In my view, it takes some hand holding for some time before a person can get comfortable with their own business. Back in the days, my parents had those things, as did every reservation, but for some reason that went away. It may have been because of the dependency on government funding. We need to direct our attention away from the federal areas that hinder our people and go more private. Establishing chambers of commerce on our reservations is the focus of our partnership, and non-profits as well. They withstand the administrations that come and go, and tribal politics, too.

Rep. Hawken: There are some grants we started last session that go directly to the tribal colleges. Perhaps you could piggy back with those dollars to build some of this.

Govig: Excellent point. It is a shift to focus more on the colleges than the tribal councils, because of the continuity associated with those organizations. We think it would be a good shift to partner with the colleges.

Rep. Dosch: Where do the profits from the casinos and the oil revenue go?

Davis: I can't say about the oil fields, that's an area I'm still learning about. The casino revenue is strictly for roads, education and social services.

Rep. Dosch: If you are asking all the other taxpayers of ND to chip in, we should get some answers from those that have the oil wells and the casinos. I haven't seen any reduction in the requests for money since the oil fields have opened up. I know the state pays for the roads and you don't pay any tax on gasoline. If your own people aren't willing to support themselves and their own businesses by coming up with a couple hundred thousand dollars, why should we be asking the taxpayers to?

Govig: As we see this, we expect there would be ownership or some contributions by the colleges, through time or money or partnerships. If there is ownership, there is a greater chance to succeed. We want to work out a plan that is beneficial to all the reservations and the state of North Dakota.

Chairman Skarphol: In the current biennium you have \$100,000, and you spent a fair amount of it on that study. How do you plan to spend that \$100,000 and the additional \$100,000 in ways that would complement what you've already done?

Paul: This is a baseline study, so it gives us a handle on the capabilities and capacities are on the reservations. Going forward, we feel there will be more interaction with the colleges and reservations, and we want to come up with a matrix to help create and support businesses and expand the economic base. We have to come up with a proposal next biennium.

Chairman Skarphol: If the committee were inclined to go along with the additional \$100,000, what do you think the likelihood is that we could get participation from the tribes to match that?

Davis: Dollar for dollar would be a challenge for some tribes; I'm not sure about tribal colleges, though they do have more financial stability and may have more of a resource to match those dollars, or possibly do an in-kind match that would be beneficial. Why doesn't a tribe tax itself on gas or tobacco? I think it gets back to education, and this ties back to why tribal colleges are a good way to sell these ideas we as a state already know are beneficial to a community. Historically for tribes it's been mostly federal. The follow up of this report and putting it into action is the basis of the extra \$100,000.

Govig: It would be difficult for the tribes to come up with a cash match, but in-kind might be a good way to get a partnership going.

Chairman Skarphol: I am not opposed to in-kind, but sometimes it becomes very creative. We want to encourage the tribes to be more participatory in this. Do get us a copy of that study. We have had committee discussion about your budget. With regard to the costs associated with monitoring the existing centers, we need to have some idea what that cost is. We need dollar amounts because, frankly, we're not certain we're going to fund Centers of Excellence. That doesn't mean we won't give you some money. There's a provision that allows Centers of Excellence dollars to be utilized for some administrative things, so we're wondering how much is required for the monitoring.

Justin Dever, Manager, Office of Innovation and Entrepreneurship, ND Department of Commerce: The current monitoring process we utilize includes annual reports, which is an expense borne by the centers themselves; site visits; quarterly updates, which costs are also the centers'. There are agreed upon procedures we use, related to HB 1060, and those costs are born by the universities. HB 1060 would allow the universities to use center dollars, but currently they cannot.

Chairman Skarphol: If you are going to do this at the half-way point, and then again at the end, there shouldn't be a substantial cost, as opposed to doing an annual audit.

Dever: Full fiscal audits are considerably more expensive than the agreed upon procedures. It can be \$15,000-\$20,000 per audit.

Chairman Skarphol: What's the cost of the reports you're getting now, in comparison?

Dever: Half or less. The statute currently requires us to monitor centers for a minimum of six years and a maximum of ten, and we're allowed to spend up to 2.5% of the funds appropriated each biennium, currently \$375,000, and we've used less than \$50,000, so nowhere near the allowed amount.

Chairman Skarphol: What will change with the name change from Workforce Enhancements Grants to Centers of Workforce Excellence?

Dever: Mainly rebranding. As presented in HB 1018, it would continue to be the Workforce Enhancement Council, they can make recommendations to Commerce, and the Commerce commissioner makes the final determination of awards.

Chairman Skarphol: Centers of Workforce Excellence has a million dollar increase.

Dever: That puts it back at the funding level of the 07-09 biennium.

Chairman Skarphol: We have discussed the commitment that we made in '05 for \$50 million. We are calculating there is \$60 million today. Centers of Excellence has not become self supporting, so the sense is it may go away. We might give the Commerce Department some dollars for investing in critical situations and allow for the accumulation of those dollars. We anticipate there will be a profit involved from this investment, instead of constantly giving away grant money and never realizing a return. What do you think of that concept?

Govig: We think the current program is an excellent program and should be continued. There are benefits to the state. As far as having some type of revolving structure, we have seen that work out very well.

Chairman Skarphol: We would like to see more of that, and less of the grants.

Rep. Hawken: We don't all agree on all the points of that, but regardless of what it is called, we seem to have moved away from the initial goals of the program. I want to see you continue the good works, though, because there are valuable parts.

Chairman Skarphol: How much is in the development fund for you to work with today?

Dean Reese, CEO, North Dakota Development Fund: As of January 1, 2011, had approximately \$13.5 million, projected cash availability. Based on our commitments, I project as of June 30, 2011 it will be about \$8.6 million to go into the new biennium. We average about 6-6.5 million in projects per year, for the last three years, and we pay all our costs through our revenues generated. Any excess goes back into the projects in the state to hopefully create additional jobs and wealth for our state. We have not asked for any additional funding because we're in a strong position.

Chairman Skarphol: You either take an equity position or somehow loan the money, and help get new businesses up and running. Can you give us a breakdown of the number of businesses that you actually helped facilitate and how many have been successful?

Reese: We average about 26 to 32 projects a year, but going back to 1991 when we were created I would say we've helped about 464 businesses. About 67-72% are still operating. I believe the original intent was to have this turn into a revolving fund, which I think it has. We've netted about \$27 million of funding and today have vested about \$85 million.

Chairman Skarphol: Most new businesses are not successful. How do you rank the risk?

Reese: We have a risk rating system that goes from one to six. We look at management, experience, market they are entering, capital, etc., and we use consultants if we need to. We're not a bank, and our loss rate at the fund is about 17.5%. My goal is between 15-25%.

Rep. Dosch: Differentiate what you do and what Centers of Excellence do.

Reese: They're there for the industry, as a hub, in energy, IT, etc. We need to work with them to grow them and get them out of the university system and move them into the commercial world. From the development fund standpoint, we work with them in the seed capitol area, get them into the first stage to commercialize their idea, and get their product into the market. We help from the funding standpoint.

Govig: We see funding from different sources at different time frames. Centers of Excellence is the beginning stage. The development fund comes in at the later stages.

Chairman Skarphol: At the beginning of the development fund, there were more significant failures than there are today, more risk and more losses because of the early policies. If we were to fund some type of beginning stage program, which Commerce monitored, and was different than the development fund, that that fund could come in later and complement, I think you could be more successful than you were in the early '90s.

Reese: I would agree with you. I have a banking background, and funding is viewed differently. My predecessors had a tendency to invest all their dollars up front, all at one time. Dealing with a start-up, they generally don't need all that money up front; getting it in stages is more useful to the business and cuts down risk to the fund. We have a better success rate with this model.

Govig: Funding is just one part of the equation; the follow up after you fund, the monitoring, is extremely important, and the development fund staff do an excellent job.

Rep. Hawken: In the Centers of Excellence program, there is usually a two for one dollar match. Would you envision this counting as part of income on a new program?

Govig: You could have that type of parameter on a new program. Generally the companies the fund deals with are bringing something to the table, some assets, cash, equipment, buildings, etc.

Rep. Hawken: One of our concerns is we're not entirely sure there were that many jobs created with Centers of Excellence. In the development fund world, do you look at how many jobs are created or filled?

Reese: Yes we do. We send out job surveys and advance our dollars based on jobs created, generally within a two year timeframe. There is a report recipients have to fill out. We also look at the economic impact of that company.

Chairman Skarphol: Why shouldn't the state benefit from making any investment over the long term? It seems like the development fund is a break even situation, it's just self-sustaining without growth. Is that correct?

Reese: I don't know that I'd agree with that. We received \$27 million, but we've revolved it to \$85 million. We've covered all the losses we've had, plus some return back to the fund. If you took our revenues minus expenses and charge offs, our return is about .50%.

Govig: They also cover all their operating expenses with that.

Rep. Martinson: Why wouldn't we want to give him the Centers of Excellence money?

Chairman Skarphol: I also wonder if we had given you the \$60 million if we'd have had a better return on our investment. You can substantiate what you have accomplished. We have not been insistent enough, as legislators, that the Centers of Excellence do the same.

Govig: We feel the NDSU study verifies there have been significant good things happening, but I know you have a disagreement with that.

Chairman Skarphol: I have a disagreement with who did the study, I don't view that as an objective third party.

Rep. Martinson: When you meet with the governor, talk to him about what we're talking about here. We're not really talking about cutting your budget much, but doing some

shifting, maybe some infrastructure things. You and the governor can say, we can either help the committee, or hang tough and hope the Senate changes it, or we can suggest changes. You can tell him we really don't like Centers of Excellence. It is not about money, but about return. Get rid of the board and you make the decisions, if nothing else.

Recording error.

Chairman Skarphol: Is the committee inclined to do that, or do we want to remove it altogether? This would be similar in nature to a Centers of Excellence entity, from my perspective.

Rep. Dosch: I see no purpose to merge it in, given the direction of the committee. I think we just leave it out and vote on the bill as it is.

Rep. Hawken: One of the programs we were talking about was real high risk, and one was less. Isn't that what we're still talking about here?

Chairman Skarphol: One is to an individual, one is a grant program to technology based businesses. We'd leave the flexibility to the commerce department.

Rep. Dosch: For the section of the bill we were talking about, I understood it that if they are awarded \$50,000, and if in fact they are successful, then they have to pay back \$100,000. These are such high risk, though, nine out of every 10 will fail; the odds of us seeing any money on this are almost nil.

Chairman Skarphol: I do think both have risk, they're both grant programs, one to an individual and one to a company, both most likely technology based.

Govig: HB 1059 refers to technology start up businesses, and the other is individuals moving new technology into commercialization.

Chairman Skarphol: What are the committee's wishes? We've talked about moving the language without the funding....

Rep. Hawken: There was a motion and I'm the carrier.

Sara Chamberlin, Legislative Council: There was a do not pass and move these sections into HB 1018.

Chairman Skarphol: We may want to look at a change in the language, making them permissive. Rather than creating them, give them the capability of creating.

Rep. Monson: My notes say that we moved to adopt the amendments to 1059, and moved to amend section 1 into 1018, but it does say 'shall administer' so if we do what you said, we'd want to make that 'shall' a 'may.' I move we further amend our previous amendment, in section one of both 1058 and 1059 to say 'may' instead of 'shall.'

Rep. Hawken: Second.

Chairman Skarphol: Any discussion? If not, we'll do a voice vote. Motion carried.

Chamberlin: Moving on to the topic of Centers of Excellence, please see the handout which explains changes made to HB 1018. See attachment 1.

Chairman Skarphol: Committee, are we committed to doing this? If we are, we need a motion to remove sections 4, 5, 9, 11, 14, 15, 16, 17, 25, 27, and 30.

Rep. Martinson: I move.

Rep. Williams: Second.

Chairman Skarphol: We have a motion and a second. Discussion?

Rep. Dosch: My concern is the unintended consequences. I don't know the affect this has on agreements and things already put in place. We have \$50 million out there on various projects, and I'm concerned about removing all references.

Chairman Skarphol: We would ask LC to provide us with a document with regard to that prior to this going to full committee.

Rep. Monson: I feel confident that the way we're moving forward with this, any old agreements will be taken care of by whatever new infrastructure we put in place. Things aren't going to dramatically change as far as funding.

Chairman Skarphol: Voice vote motion carried. Section 7. Section 7 and Section 8 could be combined into something. You should have another handout, see attachment 2a.

Chamberlin: I have a rough draft of what that might look like, if we incorporated that (into 1018). See attachment 2b.

Rep. Monson: On line 4, could we just strike the word 'commission,' then it wouldn't matter who did it, or is that too simple?

Chairman Skarphol: That would cover it, but on the next line we'd need to change 'commission' to 'department.'

Rep. Monson: Looking at all the other sections of code in the attachment, some work will need to be done on some of the other language in different sections of code, to get rid of the word 'commission.'

Chairman Skarphol: These are due to expire, so they'll go away by themselves. We should say 'department and the legislative assembly.'

Rep. Hawken: How much of the post award monitoring does the commission actually do, or do you (Dever) do most of that?

Dever: The department gathers the information and reports back to the commission.

Rep. Hawken: Basically you are doing it already.

Chairman Skarphol: Does anybody have any consternation about any of these changes?

Rep. Dosch: I'm fine with them.

Dever: Letter h may not be relevant because Century Code was amended so it does not apply to Centers of Excellence, back in 2007. Also, the business incentive accountability law applies for a two year period only, and would have expired by now if entered into prior to 2007.

Rep. Monson: Are there still some business incentive funds out there that were awarded that need to be monitored or accounted for, or is it all gone?

Dever: There were no agreements, just a potential for it. It was there in the case of a Center of Excellence providing something of at least \$25,000 value to a business.

Rep. Monson: Check on that to make sure there were not cases.

Chairman Skarphol: What about item b on page 1 of attachment 2b, does it cover that? Could we incorporate both ideas into b?

Dever: Item h may not be necessary, but wouldn't hurt anything if left in. Item c should be reworded to say 'in compliance with' ND Century Code.

Rep. Hawken: On item d, is there a specific timeline?

Dever: When they apply for these funds, they set forward a timeline.

Chairman Skarphol: We're amenable to suggestions on making this more succinct, so long as we don't feel it's trying to circumvent what we're trying to accomplish.

Rep. Martinson: Why don't we give them a day to look at this.

Chairman Skarphol: I'm okay with that, and LC can make some draft adjustments as well. That takes care of 7 and 8, let's move on to 26. We need to decide how much and what we'll call it.

Inaudible section.

Rep. Martinson: I would like to make a motion on the transfer on the Great Plains Applied Energy Research Center. I move we take \$4.335 million from that section and appropriate it to the BSC for the completion of the fourth floor of the National Energy Center of Excellence, and that we appropriate \$600,000 of that to the purchase of the Nakoma anti-ballistic missile site, under section 21.

Rep. Monson: I second that. That's the Stanley R. Mickelsen Safeguard Complex. It wouldn't be just purchase, but the whole development of the purchase for that project.

Chairman Skarphol: We have a motion and a second. Discussion? We'll do a roll call vote. Motion carries 6-0-0. Anything else on this one? Have we covered the various aspects needed at this point in time, in regards to policy? All right, thoughts on the dollars.

Rep. Hawken: I would like a little time before changing anything, but bottom line is \$5 million in training and recruitment for early childhood.

Chairman Skarphol: Do you have an idea where we might find the \$5 million?

Rep. Hawken: Yes, some of it. The grant portion is \$400,000, and there are a couple other places in there. It doesn't quite get there, so it would depend how we move things.

Rep. Dosch: Then we should also have discussion about money for tourism, maybe for advertising, and a portion committed to infrastructure. Last biennium we provided \$2 million for various infrastructure projects for tourism, and a portion, at least \$1 million, of that needs to stay in. You can find budget information on the green sheets, page 2 #11, and on the bill itself page 2 lines 26-27.

Rep. Martinson: Second.

Sara Otte Coleman, Director, Department of Commerce Tourism Division: There are a couple of options for that. We did work with the industry associations during the interim to develop a plan for comparing and ranking large infrastructure projects, as required from the bill last session. Another option is we have a small infrastructure expansion grant program that has established guidelines, those may need to be revisited.

Chairman Skarphol: So you would envision an \$800,000 large project aspect and \$200,000 small, of this \$1 million?

Coleman: We can take a look at the best breakdown of that. We might want to keep larger dollar amounts available for destination-type expansion or development projects. Every year we get way more requests for grants than we can award on the small grant projects. We look at need in a region, who can we partner with. We want to get away from maintenance and deferred maintenance kind of projects. The intent is to open more experiences and opportunities, rather than maintaining or fixing them.

Chairman Skarphol: Maybe if there were a deteriorating facility, it could be brought back to a more suitable environment, it could become a potential destination in that area.

Coleman: Absolutely we would look at that, especially if they had a good track record.

Chairman Skarphol: Sometimes there are some dollars there for grants, too. There may be opportunities to do sharing or matching, if it's properly planned out.

Coleman: Yes, there is synergy there and it could be beneficial to pool funds with others. I will get you copies of the existing guidelines and the plan we put together over the interim.

Chairman Skarphol: Other points? Everyone comfortable with the budget recommendation, with regard to the general funding taking place? We have a motion for the \$1 million for infrastructure for tourism. Any further discussion? Motion carries on a voice vote. Further topics: let's move on to the ag products utilization funding. We had some discussion about the ethanol motor vehicle fund and the declining trend. State mill profits helped and seem to be logical.

Tammy Dolan, Office of Management and Budget: I have the list of beneficiaries of the ethanol motor fuels. One is SBARE, which goes to grants to do research type products, new and upcoming commodities, so it is part of the ag research budget. It's not in commerce. It also goes to the ethanol incentive fund, which goes to commerce.

Chairman Skarphol: Like we used to pay to the ethanol plants at one time. Are we still making those payments? To which plants?

Govig: Yes. We can send you the information of the most current payments we've made. Right now it's a very small amount. The fund has been paid out, with the market the way it is.

Dolan: Three entities get a share, and it's a declining revenue source, by almost 17% a year. SBARE gets four cents of the refund, ethanol incentive fund gets one cent, and APUC gets the other two cents.

Chairman Skarphol: And that two cents amounts to about \$110,000.

Dolan: Based on my calculations of the decline, maybe that much for next biennium.

Chairman Skarphol: And the 5% figure from the state mill generated \$600,000?

Dolan: That's correct for the last fiscal year. If they don't make a profit, no money goes into this fund, and it can't be distributed out to the various entities.

Chairman Skarphol: Which side of the formula would (Department of Commerce) be most comfortable with, the state mill profits, or the ethanol, or both? I'm just floating the idea, so you aren't stuck with a declining revenue source.

Dolan: I can put a schedule together on that, to show all the pieces.

Rep. Hawken: When it says in the detail 'Economic Development Grants,' is that the development fund? Looking at the OMB document, page 15.

Govig: That wouldn't be the development fund.

Dolan: Explained the amounts on the document.

Paul Lucy, Economic Development and Finance Division, Department of Commerce: There was a USDA grant award to APUC that if certain applicants qualify for those funds, they can access the grant funds rather than general fund appropriations. It will go away at a certain point if the funds aren't expended.

Rep. Monson: I move we find \$250,000 within this budget for Task Force 21 Committee at Minot Air Force Base.

Rep. Martinson: Second.

Rep. Hawken: What are you proposing to do?

Rep. Martinson: We gave Fargo and Grand Forks money last time, and we should have included Minot. Minot will probably lose a missile wing with the new treaty, and this would help them fund some of their activities.

Chairman Skarphol: Further comments? We have a motion and a second. Motion carries by voice vote. Anything else? We will break.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

HB1018
2/15/11
14539

☐ Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the the department of commerce; to create and enact a new chapter to title 17, a new chapter to title 54, and two new sections to chapter 54-60 of the North Dakota Century Code, relating to the biofuel blender pump incentive program, centers of research excellence program, centers of entrepreneurship excellence grants, and the internship fund; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-02, 15-69-03, 15-69-04, 15-69-05, 15-69-06, 54-44.5-09, 54-60-21, 54-60-22, and 54-60-23 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, centers of excellence program, the office of renewable energy and efficiency, and centers of workforce excellence grants; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide an effective date; to provide an expiration date; and to declare an emergency

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: Called the Committee to order to discuss HB 1018 and asked the Clerk to note that all are present, including Rep. Hawken who is slightly delayed.

We have a copy of the listing of the proposed changes, see Handout # 1, prepared by Legislative Council. It reflects the changes to Rep. Hawken's child care measures. On the Green sheet p. 2, we have one item that we haven't talked about. Item # 10 adds four jobs for American Graduate Programs which receive federal funding of \$100,000. We have not addressed this in the amendment. An advocate for this was the former Workforce director.

Rep. Dosch: (Not recorded) We ought to take it out.

Chairman Skarphol: We want to take out federal programs rather than continue with them.

Rep. Williams: Adds funding for four jobs, the American Graduate Program which receives federal funding in 2009-'11. Did that just start in 2009?

Paul Govig, Interim Commissioner: It started.....I am assuming it did.

Chairman Skarphol: Addressing OMB, can you tell us?

Govig: Possibly, it started the biennium before. It is a recent program and the whole idea is to be self sustaining. It has to find other funding sources.

Chairman Skarphol: If it were started last time, is it to continue the four that were created or to add four more?

Govig: To continue what we have.

Tammy Dolan, OMB Analyst: Yes, it is. It is not an expansion but to continue.

Chairman Skarphol: That is anticipated to be the last request?

Dolan: It would not require another request; it is taking longer to process.

Govig: Some information was provided on the different centers.

Chairman Skarphol: Addressing Dolan, Can you tell us what was in the budget in '09-'11? Was it \$100,000 previously?

Dolan: The funding sources were from Workforce Investment Act (WIA) Governor's Set Aside funding dollars, and some American Reinvestment and Recovery Act (ARRA) funding. That was to get it started.

Sara Chamberlin, Legislative Council Representative: for the 2009-'11 funding there was \$67,870 of Federal funding for this program and some was received from WIA in the amount of \$33,935 and that came the Job Service. There was \$33,935 that came through the Department of Human Services through their federal vocational rehabilitation.

Chairman Skarphol: None of that money is available? That would be about \$133,000.

Chamberlin: \$670,870.

Chairman Skarphol: That is the two sources of the money, not in addition.

Rep. Dosch: (Not recorded). **Move to take it out**

Rep. Williams: **Second**

Voice Vote: **Motion carries**

Rep. Dosch: On the first page of the green sheet, item # 3, the onetime funding of \$125,000. My notes say that is for testing adults.

Chairman Skarphol: My notes say that it is primarily for promotion of to create employer awareness of the value of WorkKeys. They got \$50,000 for promotion to the public. \$50,000 for promotion to employers and \$25,00 for test administration. We allow for students, corrections.... It is to advise employers. It is not for profiling of employees.

Govig: An information sheet on Workkeys was distributed. It is for promotion to employers and job seekers also.

Chairman Skarphol: What are the wishes of the committee?

Rep. Dosch: Move to remove \$125,000

Rep. Monson: Second

Voice Vote: Motion carries

Rep. Dosch: How about # 6 on that same page, p. 1 on the green sheet?

Chairman Skarphol: One time funding for the Indian business office.

Rep. Dosch: That is doubling another budget. I believe the Tribes have resources that they can trap from like the casinos, the ones pumping the oil and get a few dollars from them.

Move to remove Item # 6.

Rep. Williams: Second

Voice Vote: Motion Carries

Chairman Skarphol: Is there anything left on this budget that we need to do.

Chamberlin: On the other proposed changes, items # 1 and 2. There was discussion of reconsidering those or including the language within the bill.

Chairman Skarphol: That was the language in HB 1058 and HB 1059, earlier we were going to move it in there with the idea that we were going take out Centers of Excellence. Do you want to leave this in there because Rep. Hawken carried this on the floor with that premise?

Rep. Hawken: That is the motion that this committee passed, if we are not doing that, it is wrong for this committee to change that.

Chamberlin: Explains changes from: The Department shall and it was changed to The Department may for both items.

Chairman Skarphol: We don't need to take action on that at all. Currently we are at \$8M less in Centers of Excellence, net.

Chamberlin: Refers to handout # 1, p. 2.

Rep. Hawken: There should be some money in it. I don't know what that number is.

Rep. Williams: It is the discretionary fund; we don't know what the number is.

Chairman Skarphol: We are talking about a pool of money for them to invest in the Centers of Excellence. According to this the \$8.134M that we are down.

Rep. Martinson: We took out \$13M (No recording).

Rep. Monson: Move to add \$5M

Rep. Hawken: Second

Roll Call Vote: 3-3-0 Motion carries.

Rep. Dosch: What are the parameters for that? We are putting in money but ...

Chairman Skarphol: We would have to put in the parameters before we kick this bill out of here.

Rep. Monson: Are we ready to do that? How much time do we have?

Chairman Skarphol: Let's do a Roll Call vote on \$5M.

Rep. Williams: It is discretionary money. How do you set up a framework to use discretionary money?

Chairman Skarphol: We would set some parameters that it must be invested in such as technology ventures, with limitations.

Rep. Williams: What would happen if we didn't put parameters on it?

Chairman Skarphol: We would hope it would be invested wisely, and grow.

Rep. Williams: They don't grow.

Rep. Dosch: Without knowing the parameters, I could not support the motion.

Rep. Hawken: Motion

Rep. Monson: Second

Roll Call Vote: 5-1-0 Rep. Dosch Opposed, Motion Carries

Chairman Skarphol: What are the wishes of the committee? Send it out of here; hang on to it until tomorrow?

Rep. Hawken: Do Pass as Amended.

Roll Call Vote: 5-1-0 Motion carries.

Meeting Adjourned

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

HB 1018

2/11/11

14447

☐ Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the the department of commerce; to create and enact a new chapter to title 17, a new chapter to title 54, and two new sections to chapter 54-60 of the North Dakota Century Code, relating to the biofuel blender pump incentive program, centers of research excellence program, centers of entrepreneurship excellence grants, and the internship fund; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-02, 15-69-03, 15-69-04, 15-69-05, 15-69-06, 54-44.5-09, 54-60-21, 54-60-22, and 54-60-23 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, centers of excellence program, the office of renewable energy and efficiency, and centers of workforce excellence grants; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide an effective date; to provide an expiration date; and to declare an emergency

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: The Committee was called to order to discuss HB 1018. We will review decisions that we have made with regard to the close out or monitoring of the existing Centers of Excellence.

Jennifer Clark, Legislative Council Legal Counsel: Indicates that her position is neutral Referring to proposed Amendment # 1002, Section # 4. Amending Section 15-69-01, which is the Centers of Excellence Chapter. Almost all of that, except for maybe the fund, is scheduled to expire August 1, 2011. If you do nothing, it will all expire except for that fund. There may be some problems with just letting it all expire. I have gone through that chapter to work out what I think is the necessary. I did not consult with Commerce in doing this, and they may have some opinions. It is my understanding that you wanted to change the current duties of the commission to move that over to the Department of Commerce so that we could let that commission expire. It is drafted accordingly. Also added some language at Sara Chamberlin's, (Legislative Council Representative) request to include the agreed upon procedures language. That has to do with that change from annual audits for post award monitoring to an audit at the midpoint and an audit at the end. On all other years allow them to do an agreed upon procedure.

Continuing with Section # 4, pages #1-2 of Proposed Amendments 1002 of HB 1018. Discussing the definition are all used in the remaining language. I have repealed these, this chapter is all going to expire on August 1, 2023. This should get you through all of your post award monitoring for your most recent awards, then it can all go away.

Going on with Section 5 of the bill, which amends Section 15-69-04. Gotten rid of most of that language and clarified what the Department of Commerce's duties are. That is, to administer the Centers of Excellence program which still exists because they are still handing out that money over the time lines that they have made the awards. They will administer the program, determining how to distribute the funds.

Chairman Skarphol: Remaining funds.

Clark: Correct.

Chairman Skarphol: In my world "remaining" needs to be in there. I don't want them to have any new.

Clark: I understand what you are saying and we have given away the award process. From a legal standard, I don't know that that is necessary because we've taken away the granting and the awarding. All that is left is the distribution of already awarded funds. Continuing with Section 5 and moving on to Section 6. They are distributing those funds and they are monitoring those centers. That is why we have kept those magic numbers in 15-69-04. The rest is all overstruck. Your subsection # 5, referring to page 3 of the amendment. It is important language about the post award monitoring. It is put in a new section. Moving on to Section # 6 of the bill draft, pp. 3-4, there is a note there that on the effective date of this act, July 1, 2011, the Department of Commerce is going to step into the shoes of the commission. We have contracts out with all of our centers that say that Center is going to comply with the requirement to provide information to the commission. We want to recognize the contracts state "Give it to the Commission". But Department of Commerce is stepping into the Commissions shoes as it relates to post award monitoring.

Rep. Hawken: Your question, as far as did the commission do it or did commerce do it. Commerce doesn't report to the commission so it isn't a change in function it is just wording.

Clark: Procedurally, the commission is delegating it to the department of commerce right now. Substantively not much is going to change. The contracts say that they are working with the commission. I've overstruck the language having to do with funding designations and designations with centers because we are all done with that.

Continuing with p. 5, section # 8, here is where we move that post award monitoring language because that is in existing law.

Subsection # 2, talking about the audit having to do with annual audits. And set the minimums for those agreed upon procedures. Made a note that we will repeal this whole chapter and that will take place on August 1, 2023. HB 1018 is a work in progress and there are other amendments out there that you've approved. Need to bring to your attention that other portions of this bill reference the commission. We need to either get rid of those sections or change them because your commission will have expired. It will all have to be melded together.

Chairman Skarphol: There is additional work to be done to get this to be complete.

Clark: Sara told me that you had taken out some sections, 4, 5, 9, 11, 14, 15, 16, 17, 25, 27, and 30 in a previous amendment and those are the sections that refer to the commission. If you do take them out we are OK in this bill.

Rep. Martinson: What you are saying that in this bill it is OK, but implying that in another place it is not OK.

Clark: Yes, the interim Workforce Committee, a lot of the sections in this bill are also in those interim committee bills which are in the Senate right now. We will have to work those all out.

Chairman Skarphol: You will have to notify us of what needs to happen in the second half if they come across.

Clark: Yes.

Rep. Monson: What happens if the Senate reverses everything we have here but we get their bills and we turn around and take all the stuff out in their bills to match this one. There will be a Conference Committee on how many different bills, here?

Clark: Historically, a lot of these bills have been pulled into the appropriations.

Chairman Skarphol: Visitors from Selfridge were recognized. You pretty much did whatever was in this list as on page 5, item 3. A, B, C, D, E, F, G, H, I. that is just the proper form for what is suggested here. You looked through the whole document here?

Clark: I did not.

Chairman Skarphol: The last paragraph on this page, do you have this....?

Clark: I do not.

Chairman Skarphol: It is the one that Gordy Smith handed out. I made a note, and to make you aware of it, in the last paragraph on the second page, in the second line, the word "audits". Gordy said it should not be "audits" but "agreed upon engagements". He did not think that "audits" is the proper term.

Clark: My understanding was that the funds could be used for the audits.

Chairman Skarphol: And agreed upon engagements.

Clark: It wasn't my understanding that it was agreed upon procedures. If that is what is intended, that needs to be changed.

Chairman Skarphol: I think we should do that, if we are going to prepare an amendment. Prepare for both rather than one or the other.

Clark: It might have been the understanding that the Centers had budgeted for an agreed upon procedure but they had budgeted for an audit.

Chairman Skarphol: If you are confident that an audit addresses the situation....

Clark: It does not cover those agreed upon procedures, so if it is to cover those agreed upon procedures, I don't think it does. But when I saw the language initially, it was my understanding that the centers knew that there was post award monitoring. They didn't budget that based upon a full blown audit. That full blown audit is more expensive to conduct. That is why they allowed granting those funds for the audit.

Chairman Skarphol: The cost of the agreed upon procedures is substantially less, probably less of an issue.

Clark: There are people who have stronger opinions about it than I do. It was my understanding of why when this language went in.
We can prepare those amendments for you.

Meeting Closed.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

HB1018
2/14/11
14532

☐ Conference Committee

Committee Clerk Signature

Shirley Branning

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Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: Some of the petroleum folks would like us to change what is eligible on p. 12 of HB 1018. We have not taken action on that particular subject in this bill and some would like us to incorporate the ability to use these dollars for new tanks and plumbing because they are concerned about the underground tanks that they have in place if they put this type of more corrosive product. Asking Mr. Rud to approach the podium.

Mike Rud, North Dakota Petroleum Marketers Office: What we are looking for is to take the remaining state dollars, about \$740,000 and use that for blender pumps but also for marketers to use the available money for infrastructure should they choose to redo their piping or their tanks to be sure they are compatible with the higher blends, to avoid any disasters. The need for higher blends, to keep the public safe.

Rep. Martinson: Didn't we decide that if they had not applied by January 31 that money would not be available?

Chairman Skarphol: I am looking for the document where we had committee action. The dollars do not reflect that we did anything.

Rep. Martinson: Since it ended on January 31, we would have to know how much it would be.

Rep. Williams: On p. 2 of the budget, line 24. It was not funded by the governor that is why we did not touch in committee.

Chairman Skarphol: That is what was appropriated in '09, \$1M. and there is some left with uncertainty of how much.

Rep. Williams: We did not touch it in committee because we said it is not there.

Rep. Martinson: We said the program is over if they had not applied by January 31.

Rud: I understand that there is \$740,000 of state and \$255,000 of federal money left. I think there is less, about \$150,000 because there are people who are still in the process of applying for these pumps. The date was extended by the government from stimulus. It may be May of this year that they are not allowed to access it anymore.

Chairman Skarphol: Addressing Sara Chamberlin, Legislative Council Representative, Was there any action on the blender pump issue?

Chamberlin: No

Chairman Skarphol: There was some discussion, however, on that handout dated February 7 but there was never a motion made. Did Mr. Rud provide you with a proposed amendment?

Chamberlin: I have a sketched amendment.

Rep. Hawken: Because of that discussion, I included that in transferring money for child care. We did not.

Chairman Skarphol: The \$740,000 still remains in this budget without being addressed.

Rep. Hawken: Mine went up to \$1.6M so I still would like that money.

Chamberlin: The changes will be on p. 12 of the bill, line # 8. Cost share grants of up to \$5,000 is suggested to change to \$25,000. Per pump is suggested to change to per retail location. Moving on to additional changes as follows: On line 9 before biofuel is suggested to change to for the installation of tanks, piping and biofuel blender pumps. On line 13 it would read the verification of costs for tanks piping, biofuel blender pumps.

Chairman Skarphol: Those are the recommendations that we have.

Rep. Monson: \$740,000 in state money from previous appropriation, plus \$250,00 federal dollars.

Chairman Skarphol: That is not germane in this discussion because it is there regardless of what we do.

Rud: The federal dollars would become much harder for us to access. We would have to go through some environmental assessments if we were to include all of the infrastructure. We might have to forgo the federal dollars unless we can set them aside specifically for for blender pumps. Use the \$740,000 for tanking and piping and other equipment.

Rep. Monson: How many more facilities are planning to put in blender pumps?

Rud: About 15, and more if their tanks and pipes were compatible to higher blends.

Rep. Monson: If we were to adopt this amendment, on line 8 where we went from \$8,000 to \$25,000 I would be upset if I got \$5,000 because I was on the ball and did it right away.

Rud: There is more and more concern about the compatibility issues. Some did sign up and had pumps in place and were not adequate earlier and as we go to higher blends.....

Rep. Monson: Could these people go back and reapply? Could they access that \$5,000?

Rud: By all means, they could go back and repair their pipes.

Chairman Skarphol: we've used \$260,000 out of \$1M, is that what we have used?

Rud: It was \$1M in state and \$1M in stimulus.

Chairman Skarphol: Our funds were available at \$5,000 [per pump. And how many pumps got put in? Apparently 50 some at \$5,000 a throw can burn up \$250,000..

Dolan: The estimated carry over in this line is \$740,000.

Chairman Skarphol: \$260,000 would buy you 52 pumps. Can they buy more than one pump per location?

Rud: Yes, 2% of that \$2M total that was available, they could put at least four per site.

Chairman Skarphol: What is the average number of pumps you've got installed?

Rud: Three pumps per site.

Chairman Skarphol: That would be 14 locations at \$25,000 a throw, would be \$300,000.

Rep. Martinson: Is one pump one unit even if it has two or three nozzles on it?

Rud: That is one dispenser.

Chairman Skarphol: We are going to spend half of the money upgrading the ones we already did it. Do you have enough people interested to use rest of it?

Rud: If you put this in place where they can access this money for infrastructure because the people who signed off for the certification with the health department also signed off

that if their sites are not compatible and they have a release then they can't access their tank for cleanup. They have a concern about the cleanup because it is \$.5M to \$1M for cleanup.

Rep. Monson: I've seen pumps that have E 85 and E 30 they are not really a blender pump. In my mind you can pick a blender pump and say I want E 75, punch it in. Or are you talking about a dispenser that says E 85 or E 30. Asks for clarification on what a blender pump is.

Rud: You could probably have an E 10 E 30 and E 85. That is what we consider a blender pump. You can't dial up your own level.

Rep. Hawken: To get the price down, from the manufacturer, where is that?

Rud: A few installers set some money aside and brought the price of the blender pump down to encourage folks to put the blender pumps in along with this program. There was some movement in the Valley to get that done. Manufacturers may not be giving a break.

Rep. Monson: Did they think ahead and put in different tanks and pumps or did they take the money, put in their own blender pumps and use their old tanks?

Rud: No one will take responsibility to install these blender pumps and certify these sites and keep an eye on them to be sure they are up to speed. Some had bad information because they wanted to sell a dispenser.

Rep. Monson: If we make the amendment to give out this \$25,000, that we help these guys get their pipes and their tanks before we go down the road with any new blender pumps. This seems like disaster waiting to happen.

Rep. Martinson: Rep. Hawken could give us information on the child care portion.

Rep. Hawken: The recruitment and retention of child care workers as was piloted last year and the total to do half of it is \$5M. Where that money would come from currently is \$150,000 from the development loan fund, \$400,000 for grants for early childhood facilities, \$150,000 from Child Development, \$619,000 from the Division of Energy and \$2M from the Centers of Excellence imminent research and what was left over in the Great Plains Energy bill which was \$65,000. Without using any of the blender pump money. I visited with the leadership and it is my feeling that at least \$1M should be taken out of Human Services because they take credit for all of this that is being done by Child Resource and Referral who would be running this program. Currently there would be \$1,615,759 that would be an additional appropriation. The other two sources that I had were the blender pump fueling of \$750,000 and the \$300,000 carry over in Agriculture Products and Utilization Commission (APUC). The total will be \$5M.

Chairman Skarphol: To reach the \$5M some would have to come from Human Services.

Rep. Hawken: Eventually, we don't have that bill to get it now.

Chairman Skarphol: Excluding the blender pumps, what is the amount?

Chamberlin: Excluding the blender pumps would be \$1,615,000. \$3,384,241.

Rep. Monson: All the things that you added together, taking from what we had cut out, this budget would increase by \$615,000 and does not include the blender pump or the APUC money.

Rep. Hawken: The budget would increase by \$1.6M if we added those other two items. I did talk to Rep. Carlson about this, moving forward. We talk about assisting petroleum dealers; this is a desperate need for workforce. We just added \$4M to the IT budget. This is valuable and it should be continued for one year.

Sara Chamberlin: Because of the removal of \$13M for Centers of Excellence, \$2M of that would need to come back in that was originally in the Centers of Excellence recruitment grants. The next piece that would have to come back in is the remaining general fund appropriation. Without the blender pumps funding that would be the \$1.6M. This would general funds of the \$2M and the \$1.6M. Offers to print out the summary sheet.

Rep. Dosch: What did we fund them last time?

Rep. Hawken: We used stimulus money last time for the pilot. Just shy of \$4M. Distributing handout # 3.

Chairman Skarphol: If we do this, what can we do with the \$830,000 that is in the extension budget for kindergarten.

Rep. Hawken: They are totally different programs. Explains the need for the funding. Research shows that there is a payback.

Chairman Skarphol: What can we do with the \$1M that is in the education bill that we will have to fund Head Start? Would this address the same issue as Head Start?

Rep. Hawken: Yes, it addresses the same issue but for a different population at a different time in their lives. I have a chart that shows all of the different agencies involved and how it ties together. This group is currently working so that we don't do duplication but a seamless piece. All will be working together, so that we will not be duplicating. A place to provide quality child care is needed if workers are going to come to the area. This helps our state grow. This is a workforce program.

Chairman Skarphol: The frustration is that if we could get them all in the same room at the same time, we could save some money.

Rep. Hawken: That is exactly what we are doing but we are doing it without legislation. In the next couple of weeks there will be an outline where we have cut from one board to three, the Department of Human Services, DPI, the Health Department, Extension, Commerce and the governor's office all working together on these early childhood issues so we are not duplicating. We have areas that are rural, a bigger poverty area. The

workforce area is what this would address and why it is in Commerce. You're training childcare centers and in the home. They pay taxes, at one time they were the sixth largest industry as far as paying taxes in the state. The people who are the worker bees need a place that they feel comfortable with for their children. Quality childcare for the workers makes a difference in how you can attract a workforce. The first focus at the time of pregnancy is what kind of child care is available. People don't come here if they can not be certain of quality child care. It is a piece that makes our state grow. It is considered as a social program but it is a workforce program.

Rep. Martinson: Move \$1,615,759 general fund appropriation.

Rep. Hawken: Second

Rep. Dosch: I will vote against this motion. I would have no problem doing everything but the \$1.6M. We are increasing spending over and above the Governor and if Rep. Hawken can get that out of Human Services, great. Right now simply adding additional, if we can't find the money, I can't support it for \$5M.

If we can take out the \$1.6M

Rep. Monson: Will support this with the hope that \$1.6M will be found in Human Services.

Motion Carried: 5-1-0, Opposed by Rep. Dosch.

Chairman Skarphol: We are down to \$8M that we have removed here.

Rep. Monson: Move to make changes to blender pump, that allow the pipes and the tanks and somewhere in legislative intent that we put in a bunch more blender pumps they go back and address issues that are going wrong with what might be done.

Rep. Martinson: I hope that in five to ten years when the subsidies are gone and ask for money to remove them all.

Rep. Dosch: Second

Voice Vote, motion carries.

Chairman Skarphol: We did have a motion with regard to the Nekoma project, the Great Plains Applied Energy Research Center. We have since taken that money for the Bismarck State work and moved it into the higher ed budget. I assume the \$600,000 is still appropriated, based on our motions.

Chamberlin: Affirms.

Chairman Skarphol: The motion that you reference on # 3 of this handout takes a care of all of the issues in #s one and two, correct?

Chamberlin: The committee would need to decide what to do on One and Two because there was a motion to include the language in HB 1058 and HB 1059 in HB 1018 for

Commerce. What needs to be decided is, the funding that was provided for Centers of Excellence of \$13M has now been reduced to the \$11M remaining. The committee has not acted on removing funding from the bill or changing. There has been a motion to remove the sections related to the Centers of Excellence but the a[appropriation in Section still remains. It has been reduced now to \$11M. \$2M of that is for the Child Care.

Chairman Skarphol: We appropriated general funds so the actual amount remaining, if you were to deduct the \$1,615,790 would be less.

Chamberlin: Correct, that full piece was to come from what was appropriated for Centers of Excellence. Doing the calculation :

Chairman Skarphol: Have we made the motion to put the new language from the auditor's office in here?

Chamberlin: No, suggested by legal staff, Jen Clark as well as

Chairman Skarphol: There was an amendment that was presented? It is 1002 (See attached amendment). This would accomplish everything on this sheet that hasn't been?

Chamberlin: This amendment only relates to Centers of Excellence. It also incorporates what the auditors office recommended.

Rep. Martinson: Addressing Chamberlin, Where is the \$600,000 for Nekoma?

Chamberlin: There hasn't been an amendment prepared for that yet, but it is included.

Chairman Skarphol: Amendment 1002 would include the language that is required in HB 1060 and what else?

Chamberlin: This amendment is what legal staff is recommending replacing what has been removed for Centers of Excellence. It allows the Department of Commerce to continue monitoring and disperse of any amounts that have not been awarded.

Chairman Skarphol: With regard to amendment 1002, what are your wishes?

Rep. Dosch: Move to accept the adoption of the Amendment 01002.

Rep. Martinson: Second

Roll Call Vote: Motion carried: 6-0-0.

Chairman Skarphol: Now we have the issue of what kind of dollars to leave in the Department of Commerce for investment. We are down to under \$8M in reductions.

Rep. Monson: This would be the substitute pool of money so that they could continue new Centers of Excellence but under new and tighter guidelines administered through the Department of Commerce.

Chairman Skarphol: We were going to give them a pool of money to have available to invest. If they are unsuccessful in gaining a profit, it would go away. Our commitment to the Centers of Excellence has been met.

Rep. Dosch: We have no guidelines; do we pass it out of here with no money and establish parameters in full committee?

Rep. Williams: What denomination are we talking about?

Chairman Skarphol: We have never discussed a number. They are in shock. We can wait for the other side of the body to see what they can do with it.

Rep. Hawken: It would be nice if we put some money in.

Rep. Monson: It is the Senate's turn. Commerce knows what our discussions have been and can present it to the Senate. I am comfortable sending it out the way it is.

Chairman Skarphol: We are not ready to take action. Any other potential changes?

Break for the day.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1018
2/18/11
14757

☐ Conference Committee

Committee Clerk Signature

Shirley Branning

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Minutes:

You may make reference to "attached testimony."

Chairman Delzer: Calling the Committee to order to discuss HB 1018, the Department of Commerce budget.

Representative Skarphol: I move we adopt amend .01001.

Representative Monson: Second.

Representative Skarphol: Discussion of the amendment beginning on pg. 8 to talk about the money first. There was \$2M in infrastructure grants in the last biennium, \$1.5M from Lewis and Clark Foundation Grants, \$500,000 for the Theodore Roosevelt Foundation Grant. The committee approved \$1M be left in the budget for that purpose. The Minot Air Force Base realignment grant, #3 is to remove centers of excellence removing \$13M. That will take about 13 pages out of the bill. Name change pg. 8 will remain the Workforce enhancement funding mechanism Federally funded is the jobs for America's graduate program, discontinued. WorkKeys program for \$125,000 is removed, \$100,000 for the Indian Business office. All of that added together resulted in an \$8,459,691 general fund reduction in this budget. We did remove the division of energy, centers of excellence. Page 4 of the bill has some language changes and the process of auditing to the Agreed Upon Procedures. The agreed upon procedures are delineated in pp. 4-5. A change in the

blender pump item includes infrastructure upgrades, reading from pg. 12 of the amendment.

Chairman Delzer: Does this mean the same ones that have done the pumps will get another grant to do their piping?

Representative Skarphol: We hope there is some monitoring of the appropriateness of that, we did not increase or appropriate new money. We allowed to carry forward money that was left from the program, \$740,000.

Chairman Delzer: Was the federal money used first?

Representative Skarphol: Most federal and general fund money available, most of the federal money is going to be used up and this is what will be left of that. At \$14,000 a piece to be divided into \$740,000 it comes out at 52 which is in the area of the number of retailers who may have an interest in doing this.

Chairman Delzer: You're leaving it up to the commerce department to determine who receives grants.

Representative Skarphol; We didn't tighten up any language there.

Chairman Delzer: It seems the old language had a maximum per location of \$40,000.

Representative Skarphol: The old language was they could have \$5000.

Chairman Delzer: Is that language in here?

Representative Skarphol; It's not in here now. There was discussion on ag product utilization. There is a \$203,000 general fund increase to ag products in the last biennia there was a change to fund ag products on a 5% of the profits of the State Mill at \$600,000. There was the availability for \$738,000 of Ethanol motor vehicle fuel tax, ending in about \$110,000 after all distributions. The energy office is gone. We continued the internship program.

Chairman Delzer: Did you make any increase in the Trade Office?

Representative Skarphol: \$489,000 for the Trade Office, it was not changed.

Chairman Delzer: Did you change anything in the amount that they have to use that? Where is that at?

Representative Skarphol: The same language that was in last time is in this time. Page 21 of existing bill, section 9 we removed the following sections with our amendment: 4, 5, 9, 11, 14, 15, 16, 17, 25, 27, and 30.

Chairman Delzer: In the sections you added, they relate to the monitoring of the grants.

Representative Skarphol: We did add in the language that we said on the floor, it was 1058,1059 that are reflected in the amendment on p. 5-6. We did authorize the \$600,000 for the Anti Ballistic Missile Site at Nekoma. Calling on Rep. Monson to speak to that.

Representative Hawken: Early Childhood see attachment #1. This program was in place last session for workforce development and we are training the childcare workers so that we can retain them and those businesses pay taxes into our general fund. The second piece is the workers who need childcare have a quality place for their children. The program in the last biennium was extremely successful. The training program is what is being created, provided on line and get a certificate. Money was moved around within the Commerce Budget as to Childcare grants and loans. From last session there was \$450,000 for child development credentials that would come out of the money now. The eminent researcher grant was another source of funding. The remaining funding should be paid for by Human Services for the mandate by law. This is not the same as the Extension Bill, it is a place for workers and their children.

Chairman Delzer: Changing the language at all from HB 1418. Are you changing the program or expanding? Is there a requirement for matching funds?

Representative Hawken: There are requirements for matching funds in some instances, not all. Moving forward it should not need the funding it needs right now.

Chairman Delzer: What kind of limits are there on grant amounts per each?

Representative Hawken: The grant amount piece is pretty much gone....childcare isn't like building houses or running a farm, there is a business component, there is a training, retention, recruitment component to increase the number of day care providers in the state.

Chairman Delzer: Could you put together a one page sheet that shows the funding and where it goes.

Representative Hawken: Yes I can

Representative Monson: AMB missile site or SRMSC see attachment 2 and 3. Min 1900 The local community has kicked in a lot of money to date, as a match. Min 2300. It was intended to be a part of the Centers of Excellence.

Chairman Delzer: I thought they were going to do an Unmanned Vehicle Site out of Grand Forks.

Representative Monson: They are...part of the reason for this is there is cleared air because it was an air base and a missile site. It was sited to keep that space very clear. Not that much cost. There would be a museum piece and much as with the Offensive Missile Site we have now.

Chairman Delzer: What if the purchase price cannot be attained, does it return to the general fund?

Representative Monson: Yes, since it is through commerce

Chairman Delzer: About half way through attachment 2 you've got \$3-\$5M needed to clean up heavy metal pollution.

Representative Monson: That has to be done before they can sell it. Not many people are interested in something like this so it pretty much has to be a government entity. No other branch of the military needs it, so the next people that can buy it would be a government entity.

Chairman Delzer: Who would the owner be?

Representative Monson: It would be up to commerce to decide how they want to do that.

Chairman Delzer: questions by the committee

Representative Skarphol: Going back to early childhood grant information on pg. 10 of that amendment. Reading item # 10. There are some loans still available as delineated on pg. 9 of amendment #1001 to bring the total to \$5M.

Chairman Delzer: Further questions

Amend adopted by voice vote

Chairman Skarphol: Move Do Pass as Amended

Rep. Monson: Second

Representative Nelson: When the Governor talked about the Energy Office, weren't they combining renewable energy office? Are they still in existence?

Representative Skarphol: This was a new entity.

Chairman Delzer: It was all for new FTE for a new office and no new movement within Commerce.

Representative Nelson: Maybe that was in his description, but I wanted to be clear

Chairman Delzer: I don't believe there's any reduction

Vice Chairman Kempenich: The renewable is just an advisory board

Representative Nelson: And they're still in existence, they weren't taken out?

Representative Skarphol: There is still an office of renewable energy within the Commerce Division of Community Services. As a committee we felt we met our commitment to the Centers of Excellence program. We had committed to \$50 million and we are at \$60M plus today. It is expected to build on its own.

Chairman Delzer: There are parts I agree with, and parts I do not agree with. There are some pretty creative things going on here, which we've done in a number of budgets.

Representative Skarphol: We tried to be as straightforward as we could with this. We feel we put this in the place it should be.

Roll Call Vote: 18-1-2. Opposed by Chairman Delzer.

Carrier: Rep. Skarphol

Meeting adjourned.

FISCAL NOTE
Requested by Legislative Council
04/08/2011

Amendment to: Engrossed
 HB 1018

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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).*

In addition to the appropriations contained in HB 1018, this amendment creates a new income tax credit for purchases of machinery and equipment used to automate the manufacturing process.

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.*

Section 15 of HB 1018 creates a corporation and individual income tax credit for certified primary sector businesses equal to 20% of the cost of purchasing equipment for automating the manufacturing processes. The total amount of tax credits for automation is limited to \$2 million per tax year. The effective date and expiration date in section 40 of the bill would have this tax credit effective for the 2012, 2013, and 2014 taxable years. This could result in a reduction in state general fund revenues of up to \$2 million for the 2011-13 biennium, and up to \$4 million for the 2013-15 biennium. The actual amount of automation expenses that will qualify for the credit cannot be determined.

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.*

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	04/11/2011

Date:

Feb. 7, 2011

Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1018

House Appropriations – Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number H

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Martinson Seconded By Rep. Williams

Representatives	Yes	No	Representatives	Yes	No
Bob Skarphol	X		Clark Williams	X	
Kathy Hawken	X				
Mark Dosch	X				
Rep. Martinson:	X				
David Monson	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment

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

Date: 2/15/11
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations – Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Monson Seconded By Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman Bob Skarphol		X	Clark Williams		X
Vice Chair Hawken	X				
Mark Dosch		X			
Rep. Martinson:		X			
David Monson	X				

Total (Yes) 3 No 3

Absent 0

Floor Assignment
Chairman Skarphol

If the vote is on an amendment, briefly indicate intent:
To add \$5M

Date: 2/15/11
Roll Call Vote #2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations – Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Bob Skarphol	X		Clark Williams	X	
Vice Chair Hawken	X				
Mark Dosch		X			
Rep. Martinson:	X				
David Monson	X				

Total (Yes) 5 No 1

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To Add \$5M

February 16, 2011

VK
2/21/11
106

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 1, line 1, remove the second "the"

Page 1, line 2, after "enact" insert "section 15-69-07,"

Page 1, line 2, after the first comma insert "and"

Page 1, line 2, remove "chapter to title 54, and two"

Page 1, line 3, replace "new sections to chapter 54-60" with "section to chapter 54-60"

Page 1, line 3, after the second "the" insert "centers of excellence program,"

Page 1, line 4, remove "centers of research excellence program, centers of entrepreneurship"

Page 1, line 5, remove "excellence grants,"

Page 1, line 6, remove "15-69-02, 15-69-03,"

Page 1, line 6, after the fourth comma insert "and"

Page 1, line 6, remove ", 15-69-06, 54-44.5-09, 54-60-21, 54-60-22,"

Page 1, line 7, remove "and 54-60-23"

Page 1, line 8, after the second comma insert "and"

Page 1, line 8, remove ", the office of renewable energy and"

Page 1, line 9, remove "efficiency, and centers of workforce excellence grants"

Page 1, line 9, after the first semicolon insert "to repeal chapter 15-69 of the North Dakota
Century Code, relating to the centers of excellence program,"

Page 1, replace line 22 with:

"Operating expenses	14,478,272	(595,012)	13,883,260"
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Page 1, replace line 24 with:

"Grants	65,411,058	851,936	66,262,994"
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Page 2, replace line 1 with:

"North Dakota development fund	0	250,000	250,000"
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Page 2, replace line 3 with:

"Workforce enhancement	0	2,000,000	2,000,000"
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Page 2, remove line 6

Page 2, replace line 8 with:

"Partner programs	2,022,044	0	2,022,044"
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Page 2, remove line 9

Page 2, replace line 11 with:

"Total all funds	\$97,672,773	\$28,591,967	\$126,264,740"
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Page 2, replace line 13 with:

"Total general fund	\$28,006,303	\$9,623,500	\$37,629,803"
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Page 2, replace line 14 with:

"Full-time equivalent positions	68.00	.25	68.25"
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Page 2, replace line 20 with:

"Workforce enhancement fund	\$1,000,000	\$2,000,000"
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Page 2, remove lines 21 through 23

Page 2, after line 27, insert:

"Tourism infrastructure grant	0	1,000,000"
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Page 2, replace line 28 with:

Child care grants and loans	1,820,000	370,338
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Child care service providers	0	4,935,000
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recruitment, training, and retention grants"

Page 2, replace line 29 with:

"Centers of excellence	19,500,000	0"
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Page 2, after line 30, insert:

"Minot air force base realignment grant	0	250,000"
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Page 3, replace line 2 with:

"Total all funds	\$99,064,635	\$33,052,088"
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Page 3, replace line 4 with:

"Total general fund	\$30,470,000	\$8,555,338"
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Page 5, line 10, overstrike "(Effective through July 31,"

Page 5, line 10, remove "2021"

Page 5, line 10, overstrike the boldfaced closing parenthesis

Page 5, line 16, after "4." insert ""Department" means the department of commerce.

5."

Page 5, overstrike lines 17 through 25

Page 5, remove lines 28 and 29

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 5

Page 8, line 8, overstrike "(Effective through July 31,"

Page 8, line 8, remove "2021"

Page 8, line 8, overstrike ") Application - Eligibility requirements" and insert immediately thereafter "Centers of excellence program"

Page 8, line 9, overstrike "1."

Page 8, line 9, overstrike "provide center application forms, accept"

Page 8, overstrike lines 10 through 20 and insert immediately thereafter "administer the centers of excellence program:"

Page 8, overstrike lines 24 through 30

Page 9, overstrike lines 1 through 23

Page 9, line 26, overstrike "(Effective through July 31,"

Page 9, line 26, remove "2021"

Page 9, line 26, overstrike the boldfaced closing parenthesis

Page 10, line 2, overstrike "board" and insert immediately thereafter "department"

Page 10, line 4, overstrike "commission's" and insert immediately thereafter "department's"

Page 10, line 6, overstrike "commission" and insert immediately thereafter "department"

Page 10, line 7, remove "Instead of requiring annual audits under this subsection, the"

Page 10, replace lines 8 through 13 with "Effective on the effective date of this Act, the department shall assume the postaward monitoring duties previously fulfilled by the commission and the center shall provide the department, rather than the commission, with the information necessary to monitor the postaward activities of the center."

Page 10, line 14, overstrike "commission directs the"

Page 10, line 14, overstrike "to distribute" and insert immediately thereafter "distributes"

Page 10, line 15, overstrike "commission" and insert immediately thereafter "department"

Page 10, line 23, overstrike "In making funding recommendations"

Page 10, overstrike lines 24 through 26

Page 10, line 27, overstrike "commission shall direct the"

Page 10, line 27, overstrike "to" and insert immediately thereafter "shall"

Page 10, line 29, overstrike "commission" and insert immediately thereafter "department"

Page 11, line 2, overstrike "commission may"

4 of 11

Page 11, line 3, overstrike "direct that the"

Page 11, line 3, after "commerce" insert "may"

Page 11, line 4, overstrike "commission" and insert immediately thereafter "department"

Page 11, line 5, overstrike "commission" and insert immediately thereafter "department"

Page 11, line 6, overstrike "commission's" and insert immediately thereafter "department's"

Page 11, line 6, overstrike ", which"

Page 11, overstrike line 7

Page 11, line 8, overstrike "centers of excellence forums" and insert immediately thereafter "related to this program"

Page 11, remove lines 11 through 18

Page 11, after line 18, insert:

"**SECTION 7.** Section 15-69-07 of the North Dakota Century Code is created and enacted as follows:

15-69-07. Centers of excellence postaward monitoring.

1. For no fewer than six years and no more than ten years following center designation, the department shall monitor a center's activities in order to determine whether the center is having the desired economic impact.
2. Instead of requiring annual audits under subsection 2 of section 15-69-05, the department may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under subsection 2 of section 15-69-05 or for an agreed-upon procedures engagement.
3. At a minimum, an agreed-upon procedures engagement under subsection 2 must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;

- f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
- g. Verification of a sample of labor charged to the center;
- h. Verification business incentive agreements comply with chapter 54-60.1; and
- i. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences."

Page 12, line 8, replace "five" with "fourteen"

Page 12, line 8, replace "pump" with "retail location"

Page 12, line 10, after "locations" insert ", including the piping system and storage components"

Page 12, line 13, after "equipment" insert ", including the piping system and storage components"

Page 13, remove lines 15 through 30

Page 14, remove lines 1 through 31

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 30

Page 17, remove lines 1 through 31

Page 18, remove lines 1 through 6

Page 18, after line 13, insert:

"SECTION 10. GRANT - DIVISION OF TOURISM - TOURISM INFRASTRUCTURE GRANTS. The grants line item in section 1 of this Act includes the sum of \$1,000,000 from the general fund for providing a tourism infrastructure grant.

SECTION 11. GRANT - MINOT AIR FORCE BASE REALIGNMENT GRANT. The grants line item in section 1 of this Act includes the sum of \$250,000 from the general fund for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission.

SECTION 12. CHILD CARE GRANTS - WORKFORCE DEVELOPMENT - QUALITY IMPROVEMENT - TECHNICAL ASSISTANCE - CAPACITY BUILDING. The grants line item in section 1 of this Act includes the sum of \$4,935,000 from the general fund for providing grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1.

SECTION 13. INNOVATION 2020 AWARD. The department may administer an innovation 2020 award program to provide proof-of-concept funding to a qualified entrepreneur to assist in moving a new technology from academia into the commercialization cycle, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to an award under this section:

1. An applicant must be an individual who is associated with a North Dakota institution of higher education as a student, an employee, or other relationship the department may authorize.
2. The applicant must have an early-stage technology with high commercial potential.
3. The department shall establish the qualified uses of funds received under this section.
4. As a term for receipt of funds under this section, the recipient shall agree to the department's repayment terms equal to two times the amount of the award.
5. The department's repayment terms may include the department taking an equity position in, providing a loan to, or using any other innovative financing mechanism to provide the funds to the recipient. The terms of repayment may be conditioned on the new technology becoming income generating.
6. An award under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
7. An award under this section is not a business incentive under chapter 54-60.1.

SECTION 14. TECHNOLOGY AWARD EQUITY INVESTMENT PROGRAM.

The department may administer a technology award equity investment program that provides matching equity investments to technology-based businesses, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to technology award equity investments:

1. An applicant must:
 - a. Be a North Dakota business that is at the startup stage;
 - b. Be a primary sector business in the technology field; and
 - c. Have a legal structure that was established following comprehensive vetting, development of proof of concept, and a completed business plan.
2. Before funds are distributed under this section, the recipient shall provide the department with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. Matching funds must come from a North Dakota angel fund certified under section 57-38-01.26 and be in cash. Matching funds may not be in-kind assets.
3. An equity investment under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
4. An award equity investment under this section is not a business incentive under chapter 54-60.1."

2011

Page 18, remove lines 14 through 31

Page 19, remove lines 1 through 26

Page 20, line 10, replace "The" with "Up to \$665,000 of the"

Page 20, line 11, replace "46" with "26"

Page 20, line 12, remove "On June 30, 2011, the office of management and budget shall"

Page 20, remove lines 13 and 14

Page 20, line 15, replace "entrepreneurship excellence-awarded projects," with "The department of commerce may spend these funds for the purposes provided for in this section,"

Page 20, line 16, remove "The department of commerce may use up to \$5,000,000 of the funds"

Page 20, replace line 17 with "The department of commerce may use up to \$600,000 of these funds for a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma. The department of commerce may use up to \$65,000 of these funds for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1."

Page 21, line 1, remove "CENTERS OF"

Page 21, line 1, replace "EXCELLENCE" with "ENHANCEMENT"

Page 21, line 2, remove "centers of"

Page 21, line 3, replace the first "excellence" with "enhancement"

Page 21, line 3, remove "centers of"

Page 21, line 3, replace the second "excellence" with "enhancement"

Page 21, remove lines 6 through 15

Page 21, line 17, replace "\$400,000" with "\$250,000"

Page 22, remove lines 1 through 21

Page 23, after line 7, insert:

"SECTION 26. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 27. EFFECTIVE DATE. Section 26 of this Act becomes effective on August 1, 2023."

Page 23, line 8, replace "10" with "8"

Page 23, line 11, replace "10" with "8"

Page 23, line 11, replace "13" with "9"

Page 23, line 11, replace "21" with "18"

8611

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Department of Commerce - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$10,871,979		\$10,871,979
Operating expenses	14,108,260	(225,000)	13,883,260
Capital assets	70,018		70,018
Grants	60,627,994	5,635,000	66,262,994
North Dakota Development Fund	400,000	(150,000)	250,000
Discretionary funds	928,082		928,082
Centers of workforce excellence	2,000,000	(2,000,000)	
Economic development initiatives	186,846		186,846
Agriculture Products Utilization Comm	2,739,767		2,739,767
Centers of excellence	13,000,000	(13,000,000)	
North Dakota Trade Office	2,553,000		2,553,000
Partner programs	2,122,044	(100,000)	2,022,044
Division of Energy	619,691	(619,691)	
Federal fiscal stimulus funds	24,496,750		24,496,750
Workforce enhancement		2,000,000	2,000,000
Total all funds	\$134,724,431	(\$8,459,691)	\$126,264,740
Less estimated income	88,634,937	0	88,634,937
General fund	\$46,089,494	(\$8,459,691)	\$37,629,803
FTE	70.25	(2.00)	68.25

Department No. 601 - Department of Commerce - Detail of House Changes

	Adds Tourism Infrastructure Grants ¹	Adds Minot Air Force Base Realignment Grant ²	Removes Centers of Excellence ³	Removes Centers of Workforce Excellence ⁴	Adds Workforce Enhancement Funding ⁵	Removes Jobs for America's Graduates Programs ⁶
Salaries and wages						
Operating expenses						(100,000)
Capital assets						
Grants	1,000,000	250,000				
North Dakota Development Fund						
Discretionary funds						
Centers of workforce excellence				(2,000,000)		
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence			(13,000,000)			
North Dakota Trade Office						
Partner programs						
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement					2,000,000	
Total all funds	\$1,000,000	\$250,000	(\$13,000,000)	(\$2,000,000)	\$2,000,000	(\$100,000)
Less estimated income	0	0	0	0	0	0
General fund	\$1,000,000	\$250,000	(\$13,000,000)	(\$2,000,000)	\$2,000,000	(\$100,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

20011

	Removes WorkKeys Program ⁷	Removes Funding for the American Indian Business Office ⁸	Adds Grants for Child Care Service Providers ⁹	Reduces Development Fund Child Care Loan Funding ¹⁰	Reduces Grants for Early Childhood Facilities ¹¹	Removes Grants to Individuals Seeking a Child Development Associate Credential ¹²
Salaries and wages						
Operating expenses	(125,000)					
Capital assets						
Grants			4,935,000		(400,000)	(150,000)
North Dakota Development Fund				(150,000)		
Discretionary funds						
Centers of workforce excellence						
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence						
North Dakota Trade Office						
Partner programs		(100,000)				
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement						
Total all funds	(\$125,000)	(\$100,000)	\$4,935,000	(\$150,000)	(\$400,000)	(\$150,000)
Less estimated income	0	0	0	0	0	0
General fund	(\$125,000)	(\$100,000)	\$4,935,000	(\$150,000)	(\$400,000)	(\$150,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Removes Funding for Energy Division ¹³	Total House Changes
Salaries and wages		
Operating expenses		(225,000)
Capital assets		
Grants		5,635,000
North Dakota Development Fund		(150,000)
Discretionary funds		
Centers of workforce excellence		(2,000,000)
Economic development initiatives		
Agriculture Products Utilization Comm		
Centers of excellence		(13,000,000)
North Dakota Trade Office		
Partner programs		(100,000)
Division of Energy	(619,691)	(619,691)
Federal fiscal stimulus funds		
Workforce enhancement		2,000,000
Total all funds	(\$619,691)	(\$8,459,691)
Less estimated income	0	0
General fund	(\$619,691)	(\$8,459,691)
FTE	(2.00)	(2.00)

¹ Funding is added for tourism infrastructure grants to be administered by the Division of Tourism.

² Funding is added for a Minot Air Force Base realignment grant to enhance economic development and employment opportunities associated with the Minot Air Force Base resulting from action by the federal defense base closure and realignment commission.

100011

³ Funding provided in the executive budget for centers of excellence is removed.

Sections added in the executive budget extending the program through 2021 are removed; therefore, the majority of the program will expire on July 30, 2011. Sections are added providing that the Department of Commerce administer the centers of excellence program, distribute funds to the centers, monitor centers for compliance with award requirements, review changes in assertions made in center applications, and conduct postaward monitoring of centers.

Sections are added repealing these provisions on August 1, 2023.

⁴ The executive budget recommendation to create a centers of workforce excellence from the current workforce enhancement grant funding is removed.

⁵ Funding for the workforce enhancement grant program is provided for the 2011-13 biennium, at \$2 million, a \$1 million increase from the funding provided in the 2009-11 biennium.

⁶ Funding from the general fund to continue four Jobs for America's Graduates programs previously paid for with federal funds in the 2009-11 biennium is removed.

⁷ One-time funding for a statewide marketing effort of the WorkKeys program is removed.

⁸ One-time funding for the American Indian Business Office is removed.

⁹ Funding is provided from the general fund in the amount of \$4,935,000 to provide grants in collaboration with the Department of Human Services under North Dakota Century Code Section 50-11.1-14.1 to child care providers for workforce development, quality improvement, technical assistance, and capacity building.

¹⁰ Funding included in the executive budget for child care loans from the Development Fund is reduced to provide a total of \$250,000.

¹¹ Funding included in the executive budget for grants to early childhood facilities is reduced to \$100,000.

¹² Funding included in the executive budget for grants to individuals seeking a child development associate credential is removed.

¹³ Funding included in the executive budget for a new Division of Energy and two associated FTE positions is removed.

This amendment also:

Changes provisions added in the executive budget relating to the biofuel blender pump incentive program to provide that cost-share grants are also available for the installation of the related blender pump piping system and storage components and that the per retail location limit is \$14,000 rather than \$5,000.

Removes provisions included in the executive budget establishing the office of renewable energy and energy efficiency as a separate division of the Department of Commerce rather than as part of the Division of Community Service.

Provides authority for the department to administer during the 2011-13 biennium an innovation 2020 award program to award grants to qualified entrepreneurs to move new technology from academia into the commercialization cycle.

Provides authority for the department to administer during the 2011-13 biennium a technology award equity investment program to provide matching equity investments to technology-based businesses.

Authorizes the department to continue up to \$665,000 of the \$5 million of 2009-11 unspent general fund appropriation authority relating to the Great Plains Applied Energy Research Center. Of the \$665,000, the department may use \$600,000 to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson Safeguard Complex in Nekoma and \$65,000 for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building pursuant to Section 50-11.1-14.1.

Date: 7/18
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations Committee

Legislative Council Amendment Number 01001

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

voice vote - carries

Date: 4/18Roll Call Vote #: 22011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018House Appropriations

Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew			Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch	X		Representative Williams		
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 18 No 1

Absent 2

Floor Assignment Rep. Skarphol

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

REPORT OF STANDING COMMITTEE

HB 1018: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (18 YEAS, 1 NAYS, 2 ABSENT AND NOT VOTING). HB 1018 was placed on the Sixth order on the calendar.

Page 1, line 1, remove the second "the"

Page 1, line 2, after "enact" insert "section 15-69-07,"

Page 1, line 2, after the first comma insert "and"

Page 1, line 2, remove "chapter to title 54, and two"

Page 1, line 3, replace "new sections to chapter 54-60" with "section to chapter 54-60"

Page 1, line 3, after the second "the" insert "centers of excellence program,"

Page 1, line 4, remove "centers of research excellence program, centers of entrepreneurship"

Page 1, line 5, remove "excellence grants,"

Page 1, line 6, remove "15-69-02, 15-69-03,"

Page 1, line 6, after the fourth comma insert "and"

Page 1, line 6, remove ", 15-69-06, 54-44.5-09, 54-60-21, 54-60-22,"

Page 1, line 7, remove "and 54-60-23"

Page 1, line 8, after the second comma insert "and"

Page 1, line 8, remove ", the office of renewable energy and"

Page 1, line 9, remove "efficiency, and centers of workforce excellence grants"

Page 1, line 9, after the first semicolon insert "to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program;"

Page 1, replace line 22 with:

"Operating expenses	14,478,272	(595,012)	13,883,260"
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Page 1, replace line 24 with:

"Grants	65,411,058	851,936	66,262,994"
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Page 2, replace line 1 with:

"North Dakota development fund	0	250,000	250,000"
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Page 2, replace line 3 with:

"Workforce enhancement	0	2,000,000	2,000,000"
------------------------	---	-----------	------------

Page 2, remove line 6

Page 2, replace line 8 with:

"Partner programs	2,022,044	0	2,022,044"
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Page 2, remove line 9

Page 2, replace line 11 with:

"Total all funds	\$97,672,773	\$28,591,967	\$126,264,740"
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Page 2, replace line 13 with:

"Total general fund	\$28,006,303	\$9,623,500	\$37,629,803"
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Page 2, replace line 14 with:

"Full-time equivalent positions	68.00	.25	68.25"
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Page 2, replace line 20 with:

"Workforce enhancement fund	\$1,000,000	\$2,000,000"
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Page 2, remove lines 21 through 23

Page 2, after line 27, insert:

"Tourism infrastructure grant	0	1,000,000"
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Page 2, replace line 28 with:

Child care grants and loans	1,820,000	370,338
-----------------------------	-----------	---------

Child care service providers	0	4,935,000
------------------------------	---	-----------

recruitment, training, and retention grants"

Page 2, replace line 29 with:

"Centers of excellence	19,500,000	0"
------------------------	------------	----

Page 2, after line 30, insert:

"Minot air force base realignment grant	0	250,000"
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Page 3, replace line 2 with:

"Total all funds	\$99,064,635	\$33,052,088"
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Page 3, replace line 4 with:

"Total general fund	\$30,470,000	\$8,555,338"
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Page 5, line 10, overstrike "(Effective through July 31,"

Page 5, line 10, remove "**2021**"

Page 5, line 10, overstrike the boldfaced closing parenthesis

Page 5, line 16, after "4." insert ""Department" means the department of commerce.

5."

Page 5, overstrike lines 17 through 25

Page 5, remove lines 28 and 29

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 5

Page 8, line 8, overstrike "(Effective through July 31,"

Page 8, line 8, remove "2021"

Page 8, line 8, overstrike ") **Application - Eligibility requirements**" and insert immediately thereafter "Centers of excellence program"

Page 8, line 9, overstrike "1."

Page 8, line 9, overstrike "provide center application forms, accept"

Page 8, overstrike lines 10 through 20 and insert immediately thereafter "administer the centers of excellence program."

Page 8, overstrike lines 24 through 30

Page 9, overstrike lines 1 through 23

Page 9, line 26, overstrike "(Effective through July 31,"

Page 9, line 26, remove "2021"

Page 9, line 26, overstrike the boldfaced closing parenthesis

Page 10, line 2, overstrike "board" and insert immediately thereafter "department"

Page 10, line 4, overstrike "commission's" and insert immediately thereafter "department's"

Page 10, line 6, overstrike "commission" and insert immediately thereafter "department"

Page 10, line 7, remove "Instead of requiring annual audits under this subsection, the"

Page 10, replace lines 8 through 13 with "Effective on the effective date of this Act, the department shall assume the postaward monitoring duties previously fulfilled by the commission and the center shall provide the department, rather than the commission, with the information necessary to monitor the postaward activities of the center."

Page 10, line 14, overstrike "commission directs the"

Page 10, line 14, overstrike "to distribute" and insert immediately thereafter "distributes"

Page 10, line 15, overstrike "commission" and insert immediately thereafter "department"

Page 10, line 23, overstrike "In making funding recommendations"

Page 10, overstrike lines 24 through 26

Page 10, line 27, overstrike "commission shall direct the"

Page 10, line 27, overstrike "to" and insert immediately thereafter "shall"

Page 10, line 29, overstrike "commission" and insert immediately thereafter "department"

Page 11, line 2, overstrike "commission may"

Page 11, line 3, overstrike "direct that the"

Page 11, line 3, after "commerce" insert "may"

Page 11, line 4, overstrike "commission" and insert immediately thereafter "department"

Page 11, line 5, overstrike "commission" and insert immediately thereafter "department"

Page 11, line 6, overstrike "commission's" and insert immediately thereafter "department's"

Page 11, line 6, overstrike ", which"

Page 11, overstrike line 7

Page 11, line 8, overstrike "centers of excellence forums" and insert immediately thereafter "related to this program"

Page 11, remove lines 11 through 18

Page 11, after line 18, insert:

"SECTION 7. Section 15-69-07 of the North Dakota Century Code is created and enacted as follows:

15-69-07. Centers of excellence postaward monitoring.

1. For no fewer than six years and no more than ten years following center designation, the department shall monitor a center's activities in order to determine whether the center is having the desired economic impact.
2. Instead of requiring annual audits under subsection 2 of section 15-69-05, the department may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under subsection 2 of section 15-69-05 or for an agreed-upon procedures engagement.
3. At a minimum, an agreed-upon procedures engagement under subsection 2 must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;

- g. Verification of a sample of labor charged to the center:
- h. Verification business incentive agreements comply with chapter 54-60.1; and
- i. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences."

Page 12, line 8, replace "five" with "fourteen"

Page 12, line 8, replace "pump" with "retail location"

Page 12, line 10, after "locations" insert ", including the piping system and storage components"

Page 12, line 13, after "equipment" insert ", including the piping system and storage components"

Page 13, remove lines 15 through 30

Page 14, remove lines 1 through 31

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 30

Page 17, remove lines 1 through 31

Page 18, remove lines 1 through 6

Page 18, after line 13, insert:

"SECTION 10. GRANT - DIVISION OF TOURISM - TOURISM INFRASTRUCTURE GRANTS. The grants line item in section 1 of this Act includes the sum of \$1,000,000 from the general fund for providing a tourism infrastructure grant.

SECTION 11. GRANT - MINOT AIR FORCE BASE REALIGNMENT GRANT. The grants line item in section 1 of this Act includes the sum of \$250,000 from the general fund for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission.

SECTION 12. CHILD CARE GRANTS - WORKFORCE DEVELOPMENT - QUALITY IMPROVEMENT - TECHNICAL ASSISTANCE - CAPACITY BUILDING. The grants line item in section 1 of this Act includes the sum of \$4,935,000 from the general fund for providing grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1.

SECTION 13. INNOVATION 2020 AWARD. The department may administer an innovation 2020 award program to provide proof-of-concept funding to a qualified entrepreneur to assist in moving a new technology from academia into the commercialization cycle, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to an award under this section:

1. An applicant must be an individual who is associated with a North Dakota institution of higher education as a student, an employee, or other relationship the department may authorize.

2. The applicant must have an early-stage technology with high commercial potential.
3. The department shall establish the qualified uses of funds received under this section.
4. As a term for receipt of funds under this section, the recipient shall agree to the department's repayment terms equal to two times the amount of the award.
5. The department's repayment terms may include the department taking an equity position in, providing a loan to, or using any other innovative financing mechanism to provide the funds to the recipient. The terms of repayment may be conditioned on the new technology becoming income generating.
6. An award under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
7. An award under this section is not a business incentive under chapter 54-60.1.

SECTION 14. TECHNOLOGY AWARD EQUITY INVESTMENT PROGRAM.

The department may administer a technology award equity investment program that provides matching equity investments to technology-based businesses, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to technology award equity investments:

1. An applicant must:
 - a. Be a North Dakota business that is at the startup stage;
 - b. Be a primary sector business in the technology field; and
 - c. Have a legal structure that was established following comprehensive vetting, development of proof of concept, and a completed business plan.
2. Before funds are distributed under this section, the recipient shall provide the department with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. Matching funds must come from a North Dakota angel fund certified under section 57-38-01.26 and be in cash. Matching funds may not be in-kind assets.
3. An equity investment under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
4. An award equity investment under this section is not a business incentive under chapter 54-60.1."

Page 18, remove lines 14 through 31

Page 19, remove lines 1 through 26

Page 20, line 10, replace "The" with "Up to \$665,000 of the"

Page 20, line 11, replace "46" with "26"

Page 20, line 12, remove "On June 30, 2011, the office of management and budget shall"

Page 20, remove lines 13 and 14

Page 20, line 15, replace "entrepreneurship excellence-awarded projects," with "The department of commerce may spend these funds for the purposes provided for in this section,"

Page 20, line 16, remove "The department of commerce may use up to \$5,000,000 of the funds"

Page 20, replace line 17 with "The department of commerce may use up to \$600,000 of these funds for a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma. The department of commerce may use up to \$65,000 of these funds for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1."

Page 21, line 1, remove "CENTERS OF"

Page 21, line 1, replace "EXCELLENCE" with "ENHANCEMENT"

Page 21, line 2, remove "centers of"

Page 21, line 3, replace the first "excellence" with "enhancement"

Page 21, line 3, remove "centers of"

Page 21, line 3, replace the second "excellence" with "enhancement"

Page 21, remove lines 6 through 15

Page 21, line 17, replace "\$400,000" with "\$250,000"

Page 22, remove lines 1 through 21

Page 23, after line 7, insert:

"SECTION 26. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 27. EFFECTIVE DATE. Section 26 of this Act becomes effective on August 1, 2023."

Page 23, line 8, replace "10" with "8"

Page 23, line 11, replace "10" with "8"

Page 23, line 11, replace "13" with "9"

Page 23, line 11, replace "21" with "18"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Department of Commerce - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$10,871,979		\$10,871,979
Operating expenses	14,108,260	(225,000)	13,883,260
Capital assets	70,018		70,018

Grants	60,627,994	5,635,000	66,262,994
North Dakota	400,000	(150,000)	250,000
Development Fund			
Discretionary funds	928,082		928,082
Centers of workforce excellence	2,000,000	(2,000,000)	
Economic development initiatives	186,846		186,846
Agriculture Products Utilization Comm	2,739,767		2,739,767
Centers of excellence	13,000,000	(13,000,000)	
North Dakota Trade Office	2,553,000		2,553,000
Partner programs	2,122,044	(100,000)	2,022,044
Division of Energy	619,691	(619,691)	
Federal fiscal stimulus funds	24,496,750		24,496,750
Workforce enhancement		2,000,000	2,000,000
	\$134,724,431	(\$8,459,691)	\$126,264,740
Total all funds			
Less estimated income	88,634,937	0	88,634,937
	\$46,089,494	(\$8,459,691)	\$37,629,803
General fund			
	70.25	(2.00)	68.25
FTE			

Department No. 601 - Department of Commerce - Detail of House Changes

	Adds Tourism Infrastruc ture Grants ¹	Adds Minot Air Force Base Realignm ent Grant ²	Removes Centers of Excellenc e ³	Removes Centers of Workforc e Excellenc e ⁴	Adds Workforc e Enhance ment Funding ⁵	Removes Jobs for America's Graduate Programs ⁶
Salaries and wages						
Operating expenses						(100,000)
Capital assets						
Grants	1,000,000	250,000				
North Dakota Development Fund						
Discretionary funds						
Centers of workforce excellence				(2,000,000)		
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence			(13,000,000)			
North Dakota Trade Office						
Partner programs						

Division of Energy Federal fiscal stimulus funds						
Workforce enhancement				2,000,000		
	\$1,000,000	\$250,000	(\$13,000,000)	(\$2,000,000)	\$2,000,000	(\$100,000)
Total all funds	0		0	0	0	0
Less estimated income	0	0	0	0	0	0
	\$1,000,000	\$250,000	(\$13,000,000)	(\$2,000,000)	\$2,000,000	(\$100,000)
General fund	0		0	0	0	0
	0.00	0.00	0.00	0.00	0.00	0.00
FTE						

Removes WorkKeys Program⁷

Removes Funding for the American Indian Business Office⁸

Adds Grants for Child Care Service Providers⁹

Reduces Development Fund Child Care Loan Funding¹⁰

Reduces Grants for Early Childhood Facilities¹¹

Removes Grants to Individuals Seeking a Child Development Associate Credential¹²

Salaries and wages	(125,000)					
Operating expenses						
Capital assets						
Grants			4,935,000		(400,000)	(150,000)
North Dakota Development Fund				(150,000)		
Discretionary funds						
Centers of workforce excellence						
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence						
North Dakota Trade Office						
Partner programs		(100,000)				
Division of Energy						

Federal fiscal stimulus funds Workforce enhanc ement	(\$125,000	(\$100,000	\$4,935.00	(\$150,000	(\$400,000	(\$150,000
Total all funds))	0)))
Less estimated income	0	0	0	0	0	0
	(\$125,000	(\$100,000	\$4,935.00	(\$150,000	(\$400,000	(\$150,000
General fund))	0)))
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Removes Funding for Energy Division ¹³	Total House Changes
Salaries and wages		(225,000)
Operating expenses		
Capital assets		
Grants		5,635,000
North Dakota Development Fund		(150,000)
Discretionary funds		
Centers of workforce excellence		(2,000,000)
Economic development initiatives		
Agriculture Products Utilization Comm		
Centers of excellence		(13,000,000)
North Dakota Trade Office		
Partner programs		(100,000)
Division of Energy	(619,691)	(619,691)
Federal fiscal stimulus funds		
Workforce enhancement		2,000,000
	(\$619,691)	(\$8,459,691)
Total all funds		0
Less estimated income	0	0
	(\$619,691)	(\$8,459,691)
General fund		
FTE	(2.00)	(2.00)

¹ Funding is added for tourism infrastructure grants to be administered by the Division of Tourism.

² Funding is added for a Minot Air Force Base realignment grant to enhance economic development and employment opportunities associated with the Minot Air Force Base resulting from action by the federal defense base closure and realignment commission.

³ Funding provided in the executive budget for centers of excellence is removed.

Sections added in the executive budget extending the program through 2021 are removed; therefore, the majority of the program will expire on July 30, 2011. Sections are added providing that the Department of Commerce administer the centers of excellence program, distribute funds to the centers, monitor centers for compliance with award requirements, review changes in assertions made in center applications, and conduct postaward monitoring of centers.

Sections are added repealing these provisions on August 1, 2023.

⁴ The executive budget recommendation to create a centers of workforce excellence from the current workforce enhancement grant funding is removed.

⁵ Funding for the workforce enhancement grant program is provided for the 2011-13 biennium, at \$2 million, a \$1 million increase from the funding provided in the 2009-11

biennium.

⁶ Funding from the general fund to continue four Jobs for America's Graduates programs previously paid for with federal funds in the 2009-11 biennium is removed.

⁷ One-time funding for a statewide marketing effort of the WorkKeys program is removed.

⁸ One-time funding for the American Indian Business Office is removed.

⁹ Funding is provided from the general fund in the amount of \$4,935,000 to provide grants in collaboration with the Department of Human Services under North Dakota Century Code Section 50-11.1-14.1 to child care providers for workforce development, quality improvement, technical assistance, and capacity building.

¹⁰ Funding included in the executive budget for child care loans from the Development Fund is reduced to provide a total of \$250,000.

¹¹ Funding included in the executive budget for grants to early childhood facilities is reduced to \$100,000.

¹² Funding included in the executive budget for grants to individuals seeking a child development associate credential is removed.

¹³ Funding included in the executive budget for a new Division of Energy and two associated FTE positions is removed.

This amendment also:

Changes provisions added in the executive budget relating to the biofuel blender pump incentive program to provide that cost-share grants are also available for the installation of the related blender pump piping system and storage components and that the per retail location limit is \$14,000 rather than \$5,000.

Removes provisions included in the executive budget establishing the office of renewable energy and energy efficiency as a separate division of the Department of Commerce rather than as part of the Division of Community Service.

Provides authority for the department to administer during the 2011-13 biennium an innovation 2020 award program to award grants to qualified entrepreneurs to move new technology from academia into the commercialization cycle.

Provides authority for the department to administer during the 2011-13 biennium a technology award equity investment program to provide matching equity investments to technology-based businesses.

Authorizes the department to continue up to \$665,000 of the \$5 million of 2009-11 unspent general fund appropriation authority relating to the Great Plains Applied Energy Research Center. Of the \$665,000, the department may use \$600,000 to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson Safeguard Complex in Nekoma and \$65,000 for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building pursuant to Section 50-11.1-14.1.

2011 SENATE APPROPRIATIONS

HB 1018

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1018
March 15, 2011
Job # 15460

☐ Conference Committee

Committee Clerk Signature

Rose Loring

Explanation or reason for introduction of bill/resolution:

A bill to provide an appropriation for defraying the expenses of the department of commerce.

Minutes:

See the Dept. of Commerce handout which includes attachments # 1 - # 21.

Vice Chairman Grindberg called the committee hearing to order on HB 1018. Roll call was taken.

Sara Chamberlin - Legislative Council; **Tammy R. Dolan** - OMB.

Paul Govik, Acting Commissioner, ND Department of Commerce

Testified in support of HB 1018

Handed out Dept. of Commerce Testimony on HB 1018 (see attached #1) and presented an overview of the department.

Senator Christmann asked about the requested carry over authority wanted to know if that was authority in the Governor's Executive Budget and the House carried them over – or are those additional things that are being requested beyond what's in the bill now.

Paul Govik: That was in the Governor's Executive Budget and all but two were able to get in so we do have some proposed amendments. One is the USS ND submarine, the \$100,000 that was appropriated for this biennium but it appears that they will not be able to get that money spent and so we're asking that the money be extended into the next biennium. The other is some wording on the transfer into the internship fund and it's just the mechanics of how the money goes into the fund.

Wally Goulet, VP and General Counsel for National Information Solutions; and Chairman of the ND Economic Development Strategic Plan

Testified in support of HB 1018

Read from his testimony included in the Dept. of Commerce handout.

Senator Bowman Could you give a background on China pilot training program? Is it military or private?

Bruce Smith, Dean of Aerospace at Odegard School of Aerospace Sciences at UND: We have over 400 international students in our program at UND. That's not to overshadow the

800 undergraduate UND students that we have in our flyline program. It was a program that was developed certainly to expand the capabilities that we have at UND. It helps us reach what I call a critical mass which allows us to have the quality and capabilities that we have in our program not only for the international students but also for the undergraduate students. There are over 200 that come from Beijing in China and 25 from Taiwan. They are in a one year program where they learn their private commercial instrument and multi-engine ratings in a special program in a heavy airplane called a King Air. They get between 250-270 hours and then go back to China where they spend 6 months in an upgrade Boeing 737 simulators and then begin to fly for Air China airlines. It's a great program for us. The other benefits to UND is that it fills up the housing, it fills up the food services.

Connie Ova, CEO, Jamestown Stutsman Economic Development Association of ND

Testified in support of HB 1018

No written testimony –

Keith Lund, VP of Grand Forks Region Economic Development Corporation

Testified in support of HB 1018

Testimony attached in the Dept. of Commerce handout.

Andy Peterson, President of ND Chamber of Commerce

Testified in support of HB 1018

Testimony attached in the Dept. of Commerce handout.

Paul Govig gave a brief update on the Centers of Excellence and introduced:

Mark Nisbet, Chairman of Centers of Excellence Commission

Testified in support of HB 1018

Testimony attached in the Dept. of Commerce handout – Centers of Excellence tab.

**Deanette Piesik, Executive Director of TrainND – Northwest at Williston State College.
Petroleum Safety and Technology Center of Excellence**

Testified in support of HB 1018

Testimony attached in the Dept. of Commerce handout – Centers of Excellence tab.

**Philip Boudjouk, Vice President of Research, Creative Activities & Technology Transfer,
NDSU**

Testified in support of HB 1018

Testimony attached in the Dept. of Commerce handout – Centers of Excellence tab.

Bruce Smith, Dean of Aerospace at Odegard School of Aerospace Sciences at UND

Testified in support of HB 1018.

Testimony attached in the Dept. of Commerce handout – Centers of Excellence tab.

Senator Robinson: Do we have any competition in terms of any other facility on an international scale in this area or are we the only show in town?

Bruce Smith: There are a number of competitors. What we have now is that we started ahead of everyone else. We're at the leading edge and we're recognized as being ahead of everyone else. In any case, in an environment like this that has so much potential is that they're kind of lapping at your heels. We're ahead of the competition, but we need to stay there.

Senator Robinson: How many trainees have we had through this program? How many vehicles do we have at UND at this time and what do you see 2 or 3 years from now?

Bruce Smith: We've developed the one and only undergraduate degree program offered in the United States with a bachelor's degree in Unmanned Aircraft Systems. We currently will have this May, four graduates from that program and three already have jobs. We have 44 majors in that curriculum, and this is only after 18 months and we also have 78 enrolled in the intro course. So projecting ahead two years, as it will start to generate graduates in the neighborhood of 30-40 a year, there are jobs available for them. At this point they are not in ND unless they tag themselves to the border protection that is flying out of Grand Forks and the Air Force base or Homeland Security.

Senator Robinson: Do these vehicles need regular ongoing maintenance and is that happening at UND?

Bruce Smith said they have seven vehicles at UND and they range from a 12 foot Scan Eagle down to the Dragon Flyer which is about 3 foot in diameter. Unfortunately there are no two year colleges that provide maintenance training. Lake Region used to do that, although we're still tied to them for simulator maintenance. It's been positive for Northland Community College in that they've gotten a \$5M grant from the State of MN to pursue a curriculum in Unmanned Aircraft System maintenance. They are tied very closely with our Center of Excellence, albeit MN, but their funding is coming from the State of MN.

Senator Robinson: Are there any limitations in terms of distance with these vehicles in your ability to control the vehicle across the globe?

Bruce Smith: Probably one of the misnomers of unmanned aircraft is that they're really not unmanned. They're remotely piloted. For example, the mission of the Guard in Fargo is where they sit in a confined top secret area in Fargo and they are actually flying missions in Afghanistan and Iraq on the other side of the world. The ones that would fly the Global Hawks have almost unlimited range at very high altitudes – 60,000 feet plus and with mid-air refueling, they'd probably fly forever. The range is unlimited.

Senator Wardner: Remind me, what year did Odegard start this and what he started with.

Bruce Smith: Odegard started in 1968 and he started with two airplanes. The neat part of our heritage is for our 40th anniversary, we bought those two airplanes back. John left me with the legacy where he said that it wouldn't cost the state a cent. There was a concern - It wasn't an academic program and wasn't supposed to cost anything, but Clifford said he'd make it academic. Today, with 5 academic departments and all 5 offering masters degrees and 4 offering doctorates, there is no question about the academic standing of the school. In addition to that, we have a \$92M/year budget and I get a \$7M return for tuition. I don't think

there is any state funding that comes out of that from the tuition we generate, and I get about \$2M a year from the Centers of Excellence. That \$2M/year really broke Odegard's tradition because that's the first state tax dollars that we've ever gotten. It makes up a little less than 2% of my budget. All the buildings we have, all the aircraft we have, all of the simulators, all of the capability that makes us the best in the world, we're all self-generated without state tax dollars.

Senator Wanzek asked about unmanned farm equipment and Bruce Smith said that will eventually come and you'll have that capability. Another important aspect of the Centers of Excellence is the research is there to provide the detail and requirement for these sensors.

Mark Askelson Associate Professor, Dept. of Atmospheric Sciences

Answered questions and handed out Limited Deployment-Cooperative Airspace Project - (LD-CAP)

He wanted to say a few words about LD-CAP – a project that has unlimited opportunities with the unmanned aircraft systems(UAS). The FAA requirement is that a pilot maintains vigilance so that you don't run into anyone. Without a person on a UAS, you cannot do that. At the Odegard School we have been working on this. The FAA is in the process of transforming our airspace into what they call NextGen. With NextGen, all aircraft will be required to have something called ADSB – it's a transponder on board that tells everyone where you are at, and you can also get information about where everybody else is at. That is expanded to occur in 2020. The problem is that unmanned aircraft are not invited to the party. This is mandated for manned aircraft, but the use of such technologies on unmanned aircraft has not been tested and proven yet. If we are going to realize the potential, we have to open up airspace. The idea with LD-CAP is that we will investigate, set up a way of testing this capability with an unmanned aircraft in ND. We've identified a location east of Devils Lake that would be perfect for this. We'd be leveraging existing radars in that area. We'd be leveraging the fact that many aircraft in that area already have ADSB on them. We have quite a partnership to try and make this happen. A lot of unmanned aircraft are very small, so SWP is important, size, weight & power. We're trying to revolutionize the ADSB industry and by teaming with NDSU and Appareo, we believe we can do that by taking ADSB technology and taking it from a box to a chip. That obviously solves your size, weight, power types of issues. Not only would we have a wonderful resource that everybody could utilize enabling unmanned aircraft to do what we want them to do, but we could also benefit from that as well from a business standpoint.

UND has a memorandum of understanding in place with the Mitre Corporation. The principal customer of the Mitre Corp. is the FAA and DOD. They are a federally funded research organization and have a strong interest in getting unmanned aircraft into the airspace as well. They have identified ND as the place to do this. We've identified what everybody's roles would be. They work closely with the FAA. The FAA is a safety organization and are driven by data. They say you have to show me you are safe. We have a great partnership; we have private sector Appareo, we have NDSU, UND and Mitre all working together.

One of the challenges is working with the existing radars saying we'll equip all these aircraft with this equipment (ADSB) but we won't be able to guarantee that somebody won't fly in from somewhere else and not be equipped. So what we are going to do is utilize existing radars to identify those aircraft that aren't talking to us and convert the information about where they're at into an ADSB message, so everybody else can see them providing another layer of safety. This is important to the FAA. In that process, we plan to have a focused activity area in which

we would leverage existing radars that are here in the state already. Those radars are owned and operated by the ND National Guard. Part of our effort is to set up a very intensive operation range with those radars. We've worked with the National Guard in the past to do something like this. I can't praise them enough.

Senator O'Connell: You said they refuel in flight?

Mark Askelson: I don't know a whole lot about in flight refueling with unmanned aircraft. A lot of them have been designed so you load them up and they fly for 20 hours. You fill them up and they fly across the world, however, is that possible, that would be very possible.

Senator Robinson asked about UAS accidents that hit the wrong target. Do we have any research or follow up investigation that would direct those accidents to the technology or human operation error?

Mark Askelson: The point of what we're trying to establish here, for operating on the national airspace system is to identify what technologies work and don't work; what are the limitations and what procedures do we need to follow to make sure they are safe and so we do not hit somebody else. The problem you referred to is more of a targeting issue with their ordinance, that is what they are shooting at people. Some of those same similar types of challenges can exist with unmanned aircraft.

Senator Robinson: Could you get the committee some estimates on the cost of these UAS systems; what the different sizes and costs might be? It would be rather interesting.

Julie Kuennen, I.D.E.A. Centers Executive Director

Testified in support of HB 1018

No written testimony, but spoke on grassroots entrepreneurial projects in a wide variety of industries; from software development to manufacturing to service based industries and into training.

Bill Goetz, Chancellor, North Dakota University System commented on the Centers of Excellence across the state. When we look at where we were at in this state 8 – 10 years ago as it relates to economic efforts and we look at the representation that we have here today, not only from business but also state government and other entities, I think it tells us a lot in terms of where we are at today and where we ought to be going as far as our future is concerned.

Today is a day of answering the question of what are we going to be doing in adding to the production possibilities of our economy and our society and the State of ND as far as our future is concerned. You as policy makers, looking at the big picture with a vision, cannot be satisfied as to where we are today; we need to be wrestles about our future. We need to continue to invest and continue the efforts of being holistic in the steps that we take. The connection that we have today with the Department of Commerce and the University System speaks very well to bringing resources together, bringing intellectual power together and adding to the productivity of our state. It is critical we continue to work together with a united focus. This budget (HB 1018) needs our support as it was offered by the Governor.

John Schneider, Executive Director, Agricultural Products Utilization Commission

Testified in support of HB 1018

Speaking from written testimony in the Dept. of Commerce handout – ED&F tab.

Sara Otte-Coleman, Director, Tourism Division

Testified in support of HB 1018

Speaking from testimony in the Dept. of Commerce handout – Tourism tab.

Senator Warner: How do you isolate tourism dollars from the surge in oil development money as far as motels, restaurants, etc? Do you readjust the baseline numbers? Is the surge of oil development, which is taking up some of the resources which might be available for tourism, is it inhibiting the development of tourism in some other area particularly in the southwest.

Sara Otte-Coleman: Tourism encompasses leisure travel and business travel. We know that business and business/leisure combined is a growing sector. Nationally it is not growing, but here it is growing and we know a lot of that is attributed to the business in the oil belt. Our most recent detailed research showed that business leisure travel was the second most popular reason to come to ND in 2008 right behind the outdoor experience. That was still only 17%. We did an informal survey about a month ago of the CVBs to see if they could talk to their hotels and find out how much of this business is attributable to business travel specifically. That survey showed about 45%. Some of these hotels that are 100% occupied by oil workers year round, but we forget, in terms of total inventory, the number of rooms available in oil country, is a fraction of what's available even just in Fargo. When you do the math and sort it all out that is the number that we came up with in weighing the percentages and the occupancies. As far as rooms available, this spring we worked with all the CVBs and worked on a coordinated effort to communicate when those rooms were available to get the message out that people have to plan ahead.

Senator Wardner: With the price of gas and the economies around the nation still down, what do you see for this coming summer?

Sara Otte-Coleman: We are cautiously optimistic. Obviously gas prices are a hindrance at how it's eating away at discretionary income. We have a calculator on our website so people can calculate the difference. The difference between last year's gas price and this year's gas price from a round trip drive trip from Minneapolis to Bismarck and back was about \$25. We're trying to convince people that it's not a deal breaker. Our money only allows us to market regionally so we're marketing close to home anyway. They've seen those message and we want to encourage them not to scratch their travel plans completely. Maybe you won't get to see the Grand Canyon, but this is the year to see ND.

Beth Zander, Director, Workforce Development Division

Testified in support of HB 1018

Written testimony in the Dept. of Commerce handout – the Workforce tab.

Jim Boyd, Interim Director, Division of Community Services

Testified in support of HB 1018

Written testimony in the Dept. of Commerce handout – the Community tab.

Senator Warner: Is there anything on federal horizon between now and October – with the discussions going on with the budget where you might see one of your programs impacted? Over the following federal fiscal year where you might see significant drops in income because so many of your programs is going to look like a target at the federal level. Are there any programs that we would need to supplant with state general fund dollars in order to keep our operations running efficiently?

Jim Boyd: Certainly our programs, as well as many other federal programs are under scrutiny in terms of continued funding. The budget request that we have submitted, once you take out the ARRA funds gets us back to where we were prior to the Recovery Act coming into being. There is such a wide range of proposals that have been floating around and so much discussion that still needs to occur. It's tough to guess what the outcome might be. Some of the proposals coming out of House Appropriations at the federal level would do significant damage to our programs. However, on the other side with the President's Executive Budget, there might be some reductions but not quite as drastic. It's really early for us to tell. I would think the spending authority that we're requesting should cover any funding that we might get up to and including current levels that existed prior to the recovery act.

Senator Warner: I see what you do as being propped up from a lot of different directions. I'd hate to see the legs cut off or one leg of the stool and tip over because we had an effort in two other areas of Commerce or somewhere else, like the Workforce Development Fund fell apart because the federal component wasn't there – where we've done some good work and one piece would topple the structure.

Jim Boyd: As far as requesting funds to replace the federal funds, at this point we have not envisioned doing so because it's very early in this process. We have said that as far as Recovery Act funds which have supplemented our programs considerably that we do not anticipate requesting any funds from the legislature to replace any Recovery Act funds that are lost. As far as the base programs go, I wish I knew.

Dean Gorder, Executive Director, ND Trade Office

Testified in support of HB 1018

Written testimony in the Dept. of Commerce handout – ND Trade tab

Paul Govig introduced the Energy Division saying they take great pride at the ND Department of Commerce in delivering programs and services in a timely, effective and efficient manner. He said it is expected of them and they have not been able to do that with the demands on them from energy. They feel it's pro-active to create an energy division of Commerce to take care of some of the demands that are all over the state that have to do with energy. He asked the committee to consider adding the approx. \$620,000 back into the budget for that.

Sandi Tabor, Lignite Energy Council and member of Renewable Energy Council

Testified in support of HB 1018

No written testimony.

Senator Bowman: Are the energy companies driving this request or are we offering this to companies?

Sandi Tabor: I think you are offering this as an opportunity. If I put on my Director of Transmission hat to give you an idea how we work with the Dept. of Commerce. There are a lot of people here who want transmission built; a lot of companies who want to develop wind farms. My working with Commerce in the energy area is often those developers go to Commerce because "they're the Commerce Dept." That's part of their job to look at business development. When I answer your question, "Are we asking for it?" I think not, but to us it makes sense to have it happen.

Al Christianson, Renewable Energy Council

Testified in support of HB 1018

No written testimony.

Dale Neiswag, Basin Electric Power Cooperative and Dakota Gasification

Testified in support of HB 1018

No written testimony.

Public Comment -

Carol Goodman, Cavalier County, Jobs Development Association

Testified in support of HB 1018

No written testimony.

She said our state needs to continue to move forward but at a local economic development level, there are four words that thread through all of that activity. The first one is risk, invest, learn and revise. That process keeps going on over and over. You assess the risk, you decide to take it, you invest resources, you learn from that process and then you analyze what you've done and where you've been and what you can do better.

Senator Wardner asked what she thought was beneficial about the Higher Education Round Table for small communities or to the state or to your area.

Carol Goodman: We have studied that document and saw the relationships and synergies that we could have with specific institutions within that university system and also the partnerships. We have one of NDSUs research centers in Langdon so the interaction with the community on that level to begin with gave us some background. The two way partnership that can come forward through the university systems, it was something that our board and community saw as very beneficial. We go back to that document every once in a while and bounce it against the philosophy of how we build our own programs. The training opportunities, the university intellectual resources, the professors we've gone to for advice on a number of projects, all of those kinds of things have woven their way into what we have worked on over the last 20 years.

Ken Satrang – General Manager, Petro Serve USA

Testified in support of HB 1018

Testimony attached # 2 & 2A - at the end of the Dept. of Commerce handout.

Senator Christmann: I'm still perplexed, especially now that this has been done and blender pumps have proven that they can work and deliver the right blend, why is it up to the tax payer to provide you or any other retailer with new pumps any more than its up to the taxpayers to help you put in an ice cream machine or a pizza lane. You're in that business, it seems like it should be your job.

Ken Satrang: There are two things that are very important in America. One is energy and the other is food. So it's very important that we lessen our dependence on foreign oil. Give a man a fish and you feed him for a day, teach a man to fish, you feed him for a lifetime. We aren't asking for the fish. We aren't asking to be taught to fish. We aren't asking for a fishing pole. We're simply asking for a little bit of bait that will make the gas station people put in new pumps. I don't need new pumps, and I don't need ethanol blender pumps. If we're going to lessen our dependence on foreign oil, by giving a little bit of incentive – a little bit of bait, they'll bite and put in new pumps, we expand our market for ethanol, they have UL approved pumps, it's safer because we've got sump pumps underneath these pumps. It's about an incentive. That's why it's been so successful in ND.

Senator Bowman: I'm concerned about where we're headed. We see the highest price corn we've seen in many years, and part of that is due to the ethanol production. And we've seen gasoline shoot up a huge amount in just the last few weeks as well as the grocery store food prices go right up with it. When does the consumer say enough of this is enough? Instead of us subsidizing and forcing this on us, are we going to break everybody before we start over again or where do you think this is going to be in another 2 or 3 years if things keep going like they are.

Ken Satrang: I think the problem is the speculators and also the problem we're having in the Middle East. That's what raising the price of gasoline right now and that's what is raising up the food costs. The thing about ND is that we'll get tired of just eating fish. We need both agriculture and oil. We need more than one sector to grow the state's economy. We have to balance both sides of the state.

Tom Lilja, Executive Director, ND Corn Growers Association

Testified in support of HB 1018

Testimony attached - # 3

Also a proposed amendment # 3A

Terri Thiel, Executive Director, Dickinson CVB

Testified in support of HB 1018

Written testimony # 4

Sheri Grossman, President, Destination Marketing of North Dakota (DMAND)

Testified in support of HB 1018

Written testimony attached - # 5

Alexis Brinkman, Administrator, ND Ag Coalition

Written testimony in support of HB 1018 – see attached # 6

Cal Klewin, Economic Development Association of ND (EDND)

Testified in support of HB 1018

Written testimony # 7

Bill Shalhoob, Chairman, Tourism Alliance Partnership

Testified in support of HB 1018

Written testimony # 8 & ND Tourism fact sheet - # 9

Lynn Bergmann,

Testified in support of HB 1018

No written testimony, but handed out "Report to Taxpayers on Centers of Excellence" – see attached #10.

He stated that the Commerce Dept. should not be granting marketing funds to entrepreneurs and said the state should not be funding the actual physical implementation of a project.

Senator Wardner: When you talked about the competitor in New Salem, was that Centers of Excellence dollars?

Lynn Bergmann: They were Commerce Dept. dollars. I'm not a real fan of the Commerce Dept. I own a vineyard in Grand Forks county and one of my competitors in Maple Valley got \$25,000 to market wine. Another competitor in New Salem got \$10,000 to start a vineyard. I kind of did that with sweat equity on my own. I don't feel the state should be giving other people money to compete with me. But I don't know if they're doing it in the Centers of Excellence.

Senator Wanzek: What was the message, are you saying we should....?

Lynn Bermann: What I'm suggesting is that you should be able to get answers to all those questions within a week from the Commerce Dept. If you can't get good solid answers to those questions within a week, then I'd seriously consider tacking their budget down until they....delaying this through the session until they find you a good answer. The taxpayers want to know – Is this just fattening the pockets of existing businesses or is it starting real bonafide new high tech businesses.

Senator Grindberg: When we passed out COE bill in the first half, the press reported that there was \$30M in the bill. I don't believe that was the case. We pared it down to match the governor's recommendation. In the interim bill, they had additional \$10M for the experimental program to stimulate competitive research which is typically in the higher ed budget. So I think they added them up and reported it that way, but that's not what the actual was, but just as a point of order.

Lynn Bermann: I would stand with my suggestion that you cut ¼ of the budget. I think the taxpayers would like to see this things going down and not up.

Rep. Kathy Hawkin, District 46, Fargo

Testified in support of HB 1018

No written testimony. Handed out ND Early Childhood Diagram – see attached # 11

A news article – Child Care crunch – see attached # 12

She wanted to address the workforce and childcare training section of the bill. If train the childcare worker, then you have a quality business where parents can leave their children plus the state gets tax money from the child care business.

Tracy Finneman, Marketing Manager, Dept. of Commerce

Testified in support of HB 1018

Written testimony in the Marketing tab of the Dept. of Commerce handout.

Justin Dever, Manager, Office of Innovation and Entrepreneurship, Dept. of Commerce

Testified in support of HB 1018

Written testimony in the Marketing tab of the Dept. of Commerce handout.

Paul Govik wrapped up the Department's budget hearing.

Senator Wardner: What program would have given money to the wineries that Mr. Bergman was talking about? Would that have been out of the economic development area?

Paul Govik: Those dollars came through ag products and it was legislatively apportioned or we were dictated to provide that to that effort, so that's where that came from.

Senator Krebsbach: It has been mentioned that ND does not need an energy "czar". I don't believe "czar" was ever intended to be used for that title. Could you give me a good reason why we do need this person and I agree we do, but I'd like to hear from you what it is.

Paul Govik – In my opinion, why we need an energy division within the Dept. of Commerce is to pro-actively deal with both the demands and the opportunities that we find in the energy industry. As an example, this past summer, Shane and I spent a number of weeks talking about the needs and opportunities trying to help our partners to work up strategies and plans to deal with this. In my opinion, the energy division, that is the focus, to help our partners if they are communities, if they are counties, if they are areas. It's to help them work through that process so we can deal with those opportunities and challenges in the oil and gas area. Also, it can be enlarged to other energy sources too.

Vice Co-Chairman Grindberg closed the hearing on HB 1018.

Additional testimony –

North Dakota CCR&R (Child Care Resource & Referral)- Growing Child Care ND, ND HB 1418 Progress Report brochure – see attached #13 in the back of the Dept. of Commerce handout.

Gary Inman, Sr. Vice President of Information Technology, State Bank & Trust

Written testimony in support of HB 1018 – see attached # 14 & 15.

Nathan Presnell, Just 4 Kidz Childcare, New Rockford

Written testimony in support of HB 1018 – see attached #16

L. John MacMartin, President, Minot Area Chamber of Commerce

Written testimony in support of HB 1018 – see attached #17.

Mary Lee Nielson, Marketing Coordinator, Valley City Convention & Visitors Bureau

Written testimony in support of HB 1018 – see attached # 18

Susie Baisch, Executive Director, Devils Lake Tourism

Written testimony in support of HB 1018 – see attached # 19

Terry Harzinski, Executive Director, Bismarck-Mandan Convention and Visitors Bureau

Written testimony in support of HB 1018 – see attached # 20

Nina Sneider, Executive Director, Buffalo City Tourism Foundation

Written testimony in support of HB 1018 – see attached # 21

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1018
03-21-2011
Job # 15761

☐ Conference Committee

AR 

Explanation or reason for introduction of bill/resolution:

A SUBCOMMITTEE HEARING ON THE DEPARTMENT OF COMMERCE

Minutes:

See attached testimony #1

Chairman Grindberg called the subcommittee hearing to order in reference to HB 1018, Department of Commerce at 3:30 pm on March 21, 2011. Senators Holmberg and Robinson were present. Tammy R. Dolan, OMB and Sara Chamberlin, Legislative Council was also present. So we are clear in what is in the first engrossment fully aware of what the House did.

Justin Dever, Manager, Office of Innovation and Entrepreneurship, Dept. of Commerce: **North Dakota Dept of Commerce** walked through the engrossed bill. Section 3, this section was in the original bill and deals with the North Dakota development fund, their ability to provide loans to child care facilities, the executive budget recommendation included \$400,000 for the North Dakota development fund line, that was reduced by the House to \$250,000.

Chairman Grindberg: \$400,000 of new money and the House reduced it to \$250,000?

Justin Dever: During the current biennium, last session the legislature appropriated \$1.25 million for this purpose and the Governor recommended an additional \$400,000.

Senator Robinson: I understand there are some other bills floating around on daycare. Maybe for our next meeting we need to get a handle on what else is out there. If there is anything else alive that would compliment what we have here.

Justin Dever: Section 4 deals with the Centers of Excellence statute, this overall, what the House did, what we requested was that the whole statute be extended. We wanted the statute to be extended so that we can continue to distribute so that the Centers of Excellence could continue to distribute grant funds as well as provide post award monitoring of the centers. What the House did is they struck out the continuation of that component and amended the existing statute to transfer that responsibility to the Department of Commerce. So that includes section 4, section 5, section 6, and then section 7 is a new one that puts in place what they wanted Commerce to do with the post award monitoring.

Senator Holmberg submitted Testimony attached # 1, Comparison of Centers of Excellence Funding.

Chairman Grindberg: Let's go back to section 4, the way the language was set up 2 years ago the centers program would expire? **Justin Dever:** Yes.

Chairman Grindberg: The bill as introduced by the agency and executive branch reinstated all the current criteria?

Justin Dever: It extended the sunset date to 2021, however, the new dollars for Centers of Excellence were for a different part of statute. It was not to fund the current program; the current program was kept in place to continue the monitoring of the current centers and the distribution of funds to the current centers.

Chairman Grindberg: So that is what sections 4, 5, and 6 do?

Justin Dever: Sections 4, 5, and 6 were amended by the House to leave in place certain parts of the current statute and let others expire.

Chairman Grindberg: The over struck language is House action?

Justin Dever: That was all House action. What they attempted to do is to take out everything that would allow any future approvals and keep in place the monitoring of the program.

Chairman Grindberg: Our amendment would be to have to restore this.

Justin Dever: That would be our preference at the very least to keep the Centers of Excellence Commission in place to allow them to continue the monitoring of the current centers.

Chairman Grindberg: We will have a future meeting on the Centers of Excellence but now I understand what they did.

Justin Dever: On section 7, they did add some minimum requirements for the agreed upon procedures. You may recall that the interim Work Force Committee addressed this issue, they allowed full fiscal audits to be done twice during the midpoint of each center and then at the end of the post monitoring period, the House version agrees with that but they also wanted to specify what these agreed upon procedures had to include. For the most part these include what we are already doing.

Chairman Grindberg: That is acceptable.

Justin Dever: Section 8 deals with the bio-fuel blender pump program. This program was put in place last legislative session. It did have an expiration date of November 30, 2010. We are asking for this program to be continued and that unexpended funds be carried over to the next biennium for this purpose.

Senator Robinson: Is that because of the language last session? The underscored language here, is that all new language or its new language because of the way the statutes were written?

Justin Dever: It is new language because the statute has expired, and section 8 does have an expiration date.

Senator Holmberg: North Dakota has placed more blender pumps than all the other states combined.

Justin Dever: On section 8 the one change the House made is they put in a limit of \$14,000 per retail location and they also allowed the use for piping system and storage components.

Senator Robinson: Was there any objection to that? Is that something the industry supported?

Justin Dever: Both the ethanol as well as the petroleum marketers voiced approval.

Paul Govik, Acting Commissioner, North Dakota Department of Commerce: There probably are some concerns we might have if we are involved in that environmental concern but we think we can work through that. We don't think that's a big issue. We would concur with the recommendation.

Chairman Grindberg: What would the rationale be for that if the cost of above ground warranted the maximum per blender pump why would we need to include below ground?

Paul Govik: It's our opinion that their interested in broadening what the funds can be used for to ensure that those funds get used up.

Mike Rud, President of North Dakota Petroleum Marketers: We want to be sure everyone is doing due diligence with these projects. We'd like to see some of that money be used for infrastructure. I think the corn growers offered an amendment the other day that asked for another \$20,000 specifically to go to blender pumps. I think what you are going to see is your going to see probably a higher percentage rather than at 2% you probably going to see 4%-5% I believe is what that amendment asked for. It would make more money available so each site would probably have access to about \$34,000 per project so we would like to see it go toward everything, not just blender pumps but infrastructure as well.

Senator Robinson: Explain the \$20,000 again. I remember the amendment but not the specifics.

Mike Rud: I think they offered \$20,000 per retail site that would specifically set aside for blender pumps, and then still leave the \$14,000 for infrastructure. You can use \$20,000 per retail site is how that amendment read and I don't think there was a cap on retail sites.

Chairman Grindberg: Who's responsible for the infrastructure to be correct so it doesn't pose a problem down the road?

Mike Rud: Right now a marketer has to do due diligence, he has to get with his petroleum equipment installer, he has to get with the Department of Health, and they are all working through the Department of Commerce on the blender pump program that is in place. There is an application form that goes along with filling out the information to get into the blender pump program and all of that information is in there. There is about a 2 page document that the Health Department puts out that deals with compatibility issues and the marketer signs off on this and then he is responsible at that point should something happen. Our main goal is to make sure we've got a tank fund that we use to protect from petroleum releases and it's marketer funded and we want to make sure that someone isn't entering into this program not doing due diligence, ending up with incompatible equipment and as a result our tank fund taking a major hit because we only have about \$6 million in that tank fund and an average clean up is probably a half a million to \$1 million per site. We want to make sure everyone is doing things right and in the process we want to make sure that these blends aren't getting a black eye because they will get a black eye if we have compatibility issues.

Justin Dever: Section 9 creates an internship fund with continuing appropriation authority. This fund would make it easier for us to offer internship opportunities on odd number summers. Summers are obviously the time of year that most internships occur and this just makes that easier to have it. That is \$900,000 in the budget.

Chairman Grindberg: The interim bill had that language that removed the restriction on repeat participation on internship fund. Do you recall that current law, use Microsoft as an example, if they hire first summer of the biennium 20 interns they are done for the rest of the biennium if I understand that right.

Justin Dever: It's not just the biennium. If we subsidize 20 internships one year, future years we would only pay for number 21, 22, and 23.

Chairman Grindberg: The interim bill removed that restriction so that summer 1 they could hire 20, and the next summer they could hire 20 new interns.

Justin Dever: We did offer an amendment related to this fund. What is done in this bill is it carries over funds from this biennium and allows those funds to be transferred into this new fund. We neglected to insert into this bill the transfer of the new funds. Without that transfer language this fund would not receive those dollars.

Justin Dever: Section 10 was added by the House. This is \$1 million for tourism infrastructure. Section 11 was also added by the House, this is \$250,000 for a Minot Air Force Based realignment grant.

Senator Holmberg: What was the background of that? Are they on the list that fears closure?

Paul Govik: It's our understanding that they are trying to be proactive and do as much as they can prior to any of those things happening.

Senator Holmberg: I'm assuming it was a legislative initiative because it wasn't something that the executive branch had turned down in their budget.

Justin Dever: Section 12 is childcare grants for quality improvement, technical assistance, and capacity building. This section includes \$4,935,000 for this. There is an additional \$65,000 that is used from carryover funds for a total of \$5 million for this purpose. Funds were provided for the current biennium to the Department of Human Services HB 1418 contained I believe \$3.6 million of federal stimulus funds for the current biennium for this purpose.

Senator Holmberg: One of the things I thought the House was looking at the use of carry over funds and not have to count them in this budget. Was there any discussion of having that money turned back? We talked about those things, but we don't always follow through on either side sometimes.

Justin Dever: The Governors budget recommendation had \$5 million of carryover from the Great Plains Applied Industry Research Center. That was to be used for Centers of Excellence. The House reappropriated that carryover that included a \$4.335 million in HB 1003 for BSC, \$65,000 for this purpose that we just talked about, the childcare grants, and then about \$600,000 for Nekoma. Section 13, innovation 20/20 award, the House killed HB 1058 that had this innovation 20/20 award; this was an interim Workforce Committee bill. The bill originally had \$500,000 for this purpose. The House put the language in HB 1018 but did not include any funds for it. They did amend the language so it's "may" administer instead of "shall". That is similar in section 14 for the technology award equity investment program. I believe that was HB 1059. That also as it came out of the interim Workforce Committee had \$500,000 in appropriations. Again, the House did not put any funding to this and amended it so that it is "may".

Senator Holmberg: How would you handle that, would you do it or just look at the word "may" and say they didn't provide money therefore we just may not do it?

Justin Dever: Without any funding for this purpose, we would not be doing it. I'm not aware of any other funding sources within Commerce that we would reappropriate internally for this purpose.

Paul Govik: I would agree with Justin, it would be hard to do this without the funds.

Chairman Grindberg: You have watched these two bills through the interim, is it worthy to have 2 programs or combine it into 1 program then having a funding discussion around it? They are both somewhat similar. What are your thoughts?

Paul Govik: It would be easy to combine them. If there was dollars attached to that we would have some options as far as implementing these. Justin, do you think it would be advantageous to have them separate?

Justin Dever: No, I think there may be ways to combine them. If you were to combine them my suggestion would be to put this in the North Dakota development fund. Both of these programs have somewhat of a repayment option. The innovation 20/20 award provides a repayment provision of 2 to 1 if the product is commercially successful. The equity investment program is an equity investment that's something the North Dakota development fund could exit out of that investment at some point.

Chairman Grindberg: Work on how you would propose blending these, say, by the end of the week.

Justin Dever: Section 15 is a request for carryover for the Agricultural Products Utilization Commission. This is the same language that has been included in past appropriations bills.

Chairman Grindberg: What is their current cash balance? **Justin Dever:** I don't know off the top of my head.

Justin Dever: The fuel tax deposit into the fund in 2010 from the gasoline tax refund was about \$95,000. Last session you did included a provision that 5% of the profits of the state mill and elevator will also go into that fund, that deposit was \$660,000. They had a record year.

Chairman Grindberg: Tammy you will research that and give us a projection of what potentially is forecasted?

Justin Dever: Section 16 is carry over of the discretionary funds, line item. Section 17 is carry over of the internship funds of operation intern, and then the transfer into the fund that is created in the previous section? Section 18 includes the \$665,000 of the carryover from the Great Plains Applied Energy Research Center, the unexpended funds; of those \$600,000 is for the Safeguard Complex at Nekoma and the \$65,000 for those grants to childcare service providers.

Senator Robinson: Is that a special bill in the House that was folded into here? Where did that come from?

Justin Dever: That was a legislative initiative from the House.

Chairman Grindberg: I believe the economic development efforts in Cavalier County have been working with UND for some time on a plan to provide the acquisition for training and testing.

Paul Govik: We've been working with them on that for at least 2 years so it is ongoing.

Senator Holmberg: What was the connection there to all the things they were doing with this Great Plains Energy and \$65,000 for childcare, how did that fit into this picture?

Paul Govik: I think they wanted to just round off that to \$5 million and find with that facility what was appropriated to use those funds.

Justin Dever: Section 19 is carryover authority being requested for the technology based entrepreneurship grant program. This grant program we have been providing half of the fund upfront when the grant is awarded and then half of the funds at the conclusion of the project. We are requesting this carry over so that we can continue that and fund half of the money after the project is completed. These will be committed funds; we are not asking for this to be carried over and then continuing to use the funds. Section 20 is carryover authority being requested for the early childhood facility grants program. Section 21 is the carryover authority for the bio-fuel blender pump program. At this point I will also mention the other amendment

that we requested was carryover authority for the funds that were provided for the USS North Dakota, \$100,000 provided for that and we would like to continue that into next biennium.

Chairman Grindberg: Why was that delayed?

Paul Govik: Some of those funds will go out but it takes a long time to get that built and then to actually launch it and do those things and so it's a bit slower than expected.

Justin Dever: Section 22 is the transfer into the workforce enhancement fund. The one component of the Governors Centers of Excellence proposal was centers of workforce excellence which he had funded at \$2 million. Basically it was renaming workforce enhancements grants to centers of workforce excellence. The House did not agree with the name change but they did agree with the \$2 million for this purpose.

Chairman Grindberg: Four years ago we put \$2 million into the enhancement fund, two years ago we put \$1 million, and now we are back to \$2 million.

Justin Dever: Section 23 is the transfer of the \$250,000 to the North Dakota development fund for the childcare loans. So it's appropriated in order for it to get into the development fund there needs to be a transfer mechanism. Section 24 includes the matching fund requirement for the North Dakota Trade Office. This matching requirement basically requires them to match about \$750,000 which is the same matching requirement that they had during the current biennium.

Chairman Grindberg: I have a request of somebody, an email from Dean, \$2.553 million for the Trade Office with a \$489,000 increase. So the \$2.553 million is all general fund? **Justin Dever:** Yes. **Chairman Grindberg:** And the \$750,000 is on top of that? **Justin Dever:** Yes. **Chairman Grindberg:** Of the \$2.553 million what would be operating and specifically, I asked Dean to give me his square foot lease rates with the space at Barry Hall. He sent me a note that North Dakota Trade Office is paying \$2.00 per square foot on 4,300 square feet. What we need to resolve is that is no way market rent and additionally the University filled up all the offices for the Trade Office so there is an expense on furniture on top of what would be a normal commercial rate. The latest office survey for space and occupancy in charges on real estate in Fargo is, utility rates alone are \$1.40 per square foot and if truly he's only paying \$2.00 he's covering his utilities and we've got other operating expenses. There is clearly an adjustment that has to be made at least so that we are covering their costs.

Senator Robinson: What would be the going rate?

Chairman Grindberg: Considering the investment in Barry Hall I would put that as a Class A space. That's a going rate at \$16.00 per square foot which does not include janitorial or utilities. Operating expenses are \$4.75-\$6.60 per square foot so you have \$16.00 plus, we'll round it to \$5.00 plus about \$40.00. I'm in no way suggesting that it equals that amount but we have to have some type of adjustment on that space. Verify his square footage and that he is paying \$2.00 per square foot. Just recheck that.

Chairman Grindberg: Currently that is something that the North Dakota Trade Office negotiates with, I'm assuming, NDSU. Department of Commerce I don't believe has been involved with that negotiation.

Justin Dever: Section 24 is grants for early childhood facilities. The Governor had recommended about \$520,000 for this purpose. The House had reduced it by \$400,000.

Senator Robinson: We need to have child care and we need to have a sufficient amount.

Justin Dever: Sections 26 and 27 repeals the chapter 15-6 of the century code, that's Centers of Excellence, repeals it as of August 1, 2023. What they left in place was basically Commerce is responsible for the continuation of monitoring and distributing the funds. Section 28 was the expiration date for the bio-fuels blender pump and section 29 is an emergency clause for the \$900,000 for the operation intern program and that is to deal with summer internships.

Chairman Grindberg: What I wanted to do next is move into discussion on the e-folio concept that passed out of here that was an interim bill that's now in the House. I'm anticipating that the House is going to either kill that bill entirely or strip e-folio out. The second things I wanted to accomplish today was to see if we are on the same page between Commerce and workforce and setting up a pilot with a regional approach to e-folio and whether that regional proposal as we know it with the costs that are associated with that earlier in the session are one institution, two institutions in the region, how did we come up with those numbers and then decide how to proceed with that for a full scale pilot project whether that's 1 campus or 3 campuses in a region, and the once we figure out where we are at we can go back and get some insight from the gentlemen who presented to our committee and figure out what we need to do.

Beth Zander, Director, Workforce Development Division: In conversation with Eric we asked what would it cost to deliver these services or purchase these services in one quadrant to the state, he responded that 1/3 of those costs that you see on there so I built the fiscal note based on that. All that was asked is a quadrant, and I presume 2 campuses. I think that because we have to bid this out we'll have to build the scenario that we want.

Senator Robinson: We talked about it in terms of the potential and the concept and that's where we left it. Keep us posted.

Chairman Grindberg: As I understand it State College of Science is using a portion of this at the present.

Beth Zander: I believe Valley City has something, have they got a piece that they developed or is there some division that is using...

Marsha Krotseng, NDUS: I understand you are doing something but your sense is there may be some interest in possibly exploring.

Senator Robinson: I could find out I'll follow up on that.

Chairman Grindberg: How we are going to fund that? Marsha if you can work with Beth to figure out if we went with 2 institutions, a 2 year and a 4 year and given that science is already in part of this, I'm not sure what aspects they are using but certainly there must be a cost savings because they are already in the system and I presume that all the students are working through that system. If we could find out under that scenario what would the cost then be for an estimated range for an RFP.

Beth Zander: It should benefit educators, students, and business. How in depth do we want to go with those components could affect the price.

Chairman Grindberg: I'm not so interested in the educator, I'm more interested in the student employer and from a policy perspective being able to pull what their academic strength is and model that against the needs of the workforce.

Senator Robinson: Wahpeton might have some advice based on their initial experience working at least to some degree here. I will follow up with our campus right away. They might be getting back to you Marsha on how these things work.

Beth Zander: I believe with a pilot we don't jump in.

Marsha Krotseng: Not looking so much to interface with what the educators are doing because if we are talking about that then we are probably talking about trying to interface it with one of the learning management or other systems and that's definitely going to add to the cost.

Senator Robinson: If this pilot works we extend it to 3 or 4 more institutions or all or whatever. Then down the road we might look at this educational component, but I think now the benefit to the students is really priority.

Chairman Grindberg: I suppose we would have to determine what a reasonable reporting time for the pilot and the data probably would be...

Beth Zander: I would plan to wrap up by December 2011.

Chairman Grindberg: We'll meet again on Wednesday.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1018 subcommittee

March 28, 2011

Job # 16062

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

This is a subcommittee hearing for the Dept. of Commerce budget.

Minutes:

You may make reference to "attached testimony."

Chairman Grindberg called the subcommittee hearing to order on HB 1018. Subcommittee members **Senator Holmberg** and **Senator Robinson** were present.

Sara Chamberlin - Legislative Council; **Tammy R. Dolan** - OMB.

Chairman Holmberg introduced John C. Schuller who is a RQ-4 Global Hawk Unmanned Aircraft System (UAS Program) Manager for the Aerospace Systems sector of Northrop Grumman Corporation in Rancho Bernardo, California and asked him to give the committee a background of Northrop Grumman and North Dakota.

John C. Schuller – Northrop Grumman: Northrop Grumman takes ND very seriously to say the least. In a very short period of time, Northrop Grumman has built the most advanced unmanned aircraft on the planet. There is future technology out there and I will tell you that the future is here and now. At Grand Forks Air Force Base, we're getting ready to put in the Global Hawk which is a 100% autonomous aircraft that is not fly by or stick and rudder like other types of aircraft. It's fly by computers. Being 100% autonomous, the pilot can tell the airplane, with one mouse click, can tell it to take off. The plane will fly 30 hours, fly its mission, come back and land within 9 inches of center line on the runway and not have to talk to human being the entire 33 hours. It's the only aircraft that can do that on the planet. With what's happening now in the world, just in the last few weeks, the Global Hawks are currently flying over the Japanese nuclear reactor. They are also flying over Libya. Two weeks ago, we didn't think any of this would be possible. We're now sending more planes from California immediately to supplement the planes that are in Guam and Sicily – where some of these aircraft are flying out of.

But what I wanted to say here today is, for the last two years, I have been in charge of doing the preliminary groundwork and hiring the employees in getting ready to deliver an aircraft here from Northrop Grumman Corp. On 15 April, we're going to deliver our first ground shelter to the Grand Forks Air Force Base. It's a \$21M system that will be installed at Grand Forks and the pilots will sit in that shelter controlling airplanes around the world. The first two planes that the pilots at Grand Forks are going to control will be flying over Afghanistan 24 hours a day,

seven days a week. And those two planes are literally internet routers and com packages in the sky that allows all our ground troops to communicate on the other side of the mountains in Afghanistan which they could not do until last September when we started doing this. This is a very important Department of Defense mission and Grand Forks is going to take over that mission completely. The first of eleven programmed Global Hawks are scheduled to arrive here on 26 May. We're trying to get the Global Hawk here in time for Senator Conrad's UAS Summit that he's holding in Grand Forks. Our company has 120,000 employees and we're in all 50 states and 24 countries, but to be able to come into Grand Forks and lease or buy a license and have an office at the Center of Innovation on the campus of the University of North Dakota; to be able to do that for our company and to allow us to expand on the eastern side of ND, since we're already on the western side of ND, that will really allow us to have a soft landing into Grand Forks. Once we were established on the campus at UND at the Center of Innovation, to be able to have an office there and literally network around the town and county and have a set up there because we didn't have office space at the Air Force Base yet. That made it incredibly easy and attractive for our company to not only set up the operation there, but so we are currently meeting with the UND on trying to set up a training program for international pilots of Global Hawk.

Next month, Northrop Grumman is getting ready to sell its first Global Hawk to a foreign company which is Germany. The aircraft is called Euro-Hawk and Germany wants to buy 5 Global Hawks. The North Atlantic Treaty Organization wants to purchase 8 Global Hawks, Japan was budgeted, until the tsunami hit, for 3 Global Hawks as well Singapore and Australia. We've never delivered any of these planes internationally, so that is coming this year and coming along with that is the requirement for pilots. Currently, Beale Air Force base in California is the only school that can train the Global Hawk pilots, and they're maxed out. They don't plan to do hardly any international training for foreign military pilots. UND is the only path to that. At California, Northrop Grumman is the one that has the contract for instructors that actually teaches the course. They can come into UND and be comfortable with that operation and be there with all that innovation, which is incredible. When I see all the young kids there thinking out of the box like I've never seen before. You have a unique set-up there with the Centers of Excellence and the Center for Innovation. I'm here to say thank you to the state for the support that you've given, not only to our company on the east side, but also in western ND in New Town where Northrop has had for 40 years has had a cable assembly and manufacturing plant.

I'm here to stay, "You all are doing it right." I just came from spending 10 years in a state that's not doing it right. I just moved here from California and the last thing I'm going to do is tell you how to work your budget because coming from California, it probably won't have a lot of credibility talking to state government about how to work a budget so I won't do that. But I do want to say that you're pro-business attitude here has been noticed by Northrop Grumman and North Dakota is really on the radar screen for Northrop Grumman. Upper administration wanted me to pass along how we are not only going to set up an unmanned plane and provide this service to the Air Force on a long term basis, but we're also looking at expanding training programs that will benefit Northrop Grumman and North Dakota. I'm here if you have any questions or want me to clarify anything, I'd be happy to.

Senator Robinson asked about the cost of the plane and wanted to know what his relationship with the unmanned planes that are being manned out of Fargo.

John Schuller: The cost of the Global Hawk system, called a UAS, an unmanned aerospace system which consists of the aircraft, the shelter to control the mission, the shelter to control the take-off and landing as well as the back end, the exploitation part of the system. The typical cost of the system, of one plane, is \$100 M. The sensors you're getting in Grand Forks is called an MPR tip. It's the most advanced reconnaissance sensor on the planet and it's only coming to Grand Forks. Your state, your local community, and your congressional delegation – if it wasn't for them, if it wasn't for all the efforts since 2005 to save the base, to do the UAS transition, you wouldn't be getting this over a billion dollar program coming just for the UAS' that are coming here. The three shelter systems that you're getting in the next 18 months are \$21M plus I just hired 29 people in the last several weeks and 25% of them were from ND. The potential here for the unmanned missions is incredible. In a very short period of time, the University of North Dakota has overcome the New Mexico State University in Las Cruces; they used to be the premiere UAS center in the United States and I've dealt with them for 10 years. North Dakota has clearly become the leading state for unmanned programs in the United States. That took a lot of work and a lot of effort and it's really paid off. If you hadn't made all that effort to save the base, none of this would be happening.

Senator Robinson: What's the relationship or what kind of vehicles or planes that they are using in Fargo?

John Schuller: The planes that Fargo flies are built by our friendly competitor General Atomics out of San Diego. They're called the Predator. It is a weaponized aircraft that has bombs and missiles and is remotely controlled from Fargo. And Fargo is flying these planes overseas on a 24/7 basis. They're flying non-stop out of Fargo. Fargo also plans on having six Predators up at Grand Forks for operations and support. The limiting factor for the Predators flying out of Grand Forks is that you don't have sufficient restricted airspace like they do in Nevada and CA. Any unmanned airplane that flies below 18,000 ft. in the United States has to fly in restricted airspace. That's because they don't have what we call "see and avoid". The limiting factor of unmanned airplanes flying in the United States is that they don't have "detect sense and avoid". "Detect sense and avoid" is the Holy Grail of unmanned operations in the entire world. Whatever company, whatever university, whatever think tank, whatever research lab that comes up with a suitable "detect, sense and avoid" system for unmanned aircraft will be right up there with Orville and Wilbur Wright.

Senator Grindberg: That's part of the NextGen mission?

John Schuller: It should have been. NextGen is mainly about the airspace. The FAA has not come up with specifications to detect, sense and avoid. Northrop Grumman has developed a first generation detect, sense and avoid that we're going to put on the Global Hawk and sell it to the Navy. That is not going to be a FAA certified detect, sense and avoid system and only because the FAA has not published regulations on what is required for detect, sense and avoid. What I mean is "Will an unmanned plane have to avoid a manned plane by a mile or half a mile. Will they have to be able to see it day or night? Will they have to be able to detect it when the unidentified plane is coming out of the sun? There are all those technical specifications that haven't been solved yet. The FAA hasn't designed yet.

Senator Grindberg: The goal is by 2020?

John Schuller: Yes, and I heard the FAA say that several years ago. That's going to be a challenge. What the state is doing now, the funding at your Centers of Excellence that allows me and Northrup Grumman to do a soft-landing here in North Dakota. In other words, it has really made it easy for our company to get established and operate on this side of the state. The experience that Northrop Grumman has, you can easily leverage that with other companies in the state and around the world. We've already sent two teams out here since September at the Center of Innovation on the campus at UND to meet with groups there, to get established and set up a training program to include not only UND but other areas in town.

Chairman Holmberg: You mentioned hiring 29, what do you see happening over the next 2 years.

John Schuller: I have 29 right now and the plane hasn't even come here yet. Right now the Northrop Grumman forecast is that within 24 months, I should have over 100 employees because once you start getting the planes here, once you get the shelters set up, the first set of shelters is going to be for the planes over in Afghanistan. With the next set shelters, we're going to be controlling planes literally all over the world. That will require additional technical support. My team provides the technical support to the Air Force. There are certain things the Air Force can't do to the black boxes on the airplanes. They pull them out to replace them and can't fix because they don't have any test equipment. Or they can't open them up to check the card. Our group is contracted to the Air Force – 29 people and you don't even want to know what my operating budget is a month. It's around \$5M. The economic impact –we've already noticed that some of the homes that I've been looking at are starting to get eaten' up by the guys that are working for me. It's not just the fact that I should easily have 100 people in the next two years. It's what other systems can come here. Once you get a UAS system set up in there, you now have the leverage to get another UAS system here. In addition, UAS unmanned aircraft blend in very well with tankers, blend in very well with bombers. That's a good mix so there's no conflict there. You all are doing it the right way. Your state working for the unmanned program, I think it's going to pay off. Keep going. You need to be aware that I seriously believe that there could be another Base Realignment and Closure (BRAC). I really think there is one on the horizon and once again, you need to be prepared to protect Minot and Grand Forks because you don't want to wait until it's too late. Now is the time. I still have a house in New Mexico from a base that got BRACed. They canned the base, and it was put up for closure the same time your base was in 2005. I had a house there. I was already out in California, but I still had a house in NM. My wife said they're closing the base. I said "Don't underestimate the committee of 50 to can the Air Force base. Now special ops command has come to town; the community invited special ops command from Florida to come out there and take a look at the base. They gave them a helicopter ride. The general said that this looks just like Iraq, I'll take it. And now they're going from 1700 people to 8000 people and that was on the same BRAC list as your base was. So once again, it's the community support. I can promise you, you wouldn't have your base in this state if your local state and congressional delegation didn't want them. They'd be gone. Congratulations on saving that base. This is one of the finest military bases on infrastructures. So there's been a lot of money spent on that base. I hope I've given you kind of an idea of what a company looks for when they come into a community. They don't want to just come in and be part of the military. They want to come in and be part of the community. We want to add and contribute to the economic development of the area.

Senator Grindberg: How much does an F-22 Raptor cost? And **John Schuller** replied that an F-22 is about \$250M. **Senator Grindberg:** The Global Hawk is a \$100M.

John Schuller: It's hard to believe, but high altitude and reconnaissance technology – just the lens on the Global Hawk, just the camera lens, is a cultured crystal grown in Italy that costs over a million dollars. That's just the lens on one of the sensors.

Senator Robinson: You were talking about the various components of these unmanned planes being built all over the country.

John Schuller: The fuselage for the Global Hawk is built in Mississippi; the wings, 130 foot composite wing is built in Dallas, TX; the composite tail is built in West Virginia. When you think of the states, West Virginia's senators were very strong supporter, Mississippi's Trent Lott comes to mind; Robert Byrd of West Virginia; Dick Armey in TX. When you want to recruit corporations and recruit their business, the way to do it is to have congressional delegations that are interested. In four months here, I have met every elected representative including the congressional delegation and in 10 years, I don't ever remember a senator coming out to the Air Force Base. I thank you very much for your time. I really appreciate it.

Senator Grindberg: Thanked him for coming. We are going to meet at 4:00 again today as a committee. He asked Andy Peterson, President of the ND Chamber of Commerce to come today and wanted to know his thoughts on an envisioning committee and putting together an amendment that would have commerce involved with an envisioning competitiveness study or planning effort to assess NDs position and challenges for the next decade.

Andy Peterson, Pres. ND Chamber of Commerce

We've begun talking about what's next. There is an up cycle and a down cycle. Fortunately, ND is in the up cycle and clearly what Mr. Schuller is talking about really comes into play when we talk about businesses being here in ND. It's the tax structure, it's the regulatory structure. It's the legal environment that attracts businesses to stay or to come and stay. These are some of the things we've admired and like and think our state is very fortuitous in having. Anybody who is leading a company out there is always looking for the next thing. You don't want to start planning when you're at the top of the cycle. That's too late. You want to start planning when you're moving up the cycle to see where you're going. Where is our state going next? What are we doing next? What kind of industries do we want to attract? What is it that is all about ND? Our organization is going into long-term strategic planning session in early June. I'm looking at how we can help lead the way in that. I'll just leave it to Senator Grindberg and I'll respond to any questions.

Senator Grindberg: I would see this as a private sector led effort that maybe has involvement with Commerce and maybe appointment of a couple legislators, but it is really private sector led that reviews and understands and makes recommendations on higher education, taxes, business development and those types of approaches. For the last 8 years, we've had comprehensive legislative business congress which is a 4 year practice – largely legislative led. The timing of Andy's arrival as the president of state chamber that we got to have this discussion about more private sector led from the standpoint of where does the state need to be in 10 years. There are some pretty diverse opinions on higher education itself that when you bring movers and shakers and even CEO level perspectives across the state together kind

of gives a different perspective than what we argue and debate here every two years whether it's higher education or tax policy

Andy Peterson: He shared an anecdote about a new restaurant and the positive comments made a huge difference in business. If you want to know what people's opinions truly are, you have to ask them out of the limelight. If you talk about CEO personalities and types, they meet legislators and tell you what they think you want to hear. But if you really want to know what they want to hear, visit with them privately, understand where they're at, understand their needs and they'll provide that kind of leadership. It's often times not in front of a committee. It's not going to be in front of a camera. It's going to be the kind of discussion that takes place honestly and openly in the environment that is right for that. When we talk about the private sector leading this kind of planning, I think you're looking at a different kind of thing. Not that they'll all be cooperative, but certainly they have strong opinions and will be if you give them the right environment.

Paul Govik, Acting Commissioner, ND Department of Commerce: The Economic Development Foundation does this strategic plan that we report on so we provide information on that. It seems to me, what's being discussed here is probably broader than that and is a bigger picture and probably incorporates things besides primary sector and a certain focus that we have with the Foundation and with the economic development strategic plan. That's where I'm thinking this is going and obviously we can work with the Chamber. We can work with the private sector and would be more than willing to help out anywhere we can with this idea because we also agree that good planning and good plans are very beneficial. We need to do that type of thing. It's always good to look over the horizon. One thing we know is that it's going to be different than what we expect but if we don't work on that, we'll never have a real handle on that. I think it's an interesting idea.

Senator Grindberg: These are unprecedented times. You look at the state's budget situation and now there's going to be an initiated measure on ballot which will be interesting to watch over the next two years. The Legacy Fund that some claim could be \$4B fund in 4-5 years. We've had discussion this session on oil extraction tax rates. There is consistent debate on higher education. They are all key components of our economy and our livelihood here, so it's really time to have a private sector CEO led visioning and competitiveness discussion alongside what could be here in two years. Certainly the legislature can be involved.

Paul Govik: The previous ones that we have been involved with were, when times weren't so good, so this is different. It's a whole different perspective, but there's probably just as much sense to do it at this juncture as it is when things aren't so good. You can make many of the same arguments, though because things that we should be doing and thinking about when we are in this financial position too. Not just when it's negative, so it makes sense to me.

Senator Grindberg: Our primary agenda item was to meet the gentlemen from Northrop Grumman. I hadn't planned on having a separate meeting on blender pumps. I think there is consensus amongst the subcommittee that carry forward and then the clarification on the language is that we'll act accordingly on. We had talked about child care and I would like to spend this afternoon's meeting this afternoon on childcare. Tomorrow we'll pick up on Centers of Excellence.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1018
03-28-2011
Job # 16088

☐ Conference Committee

AL *Alice Decker*

Explanation or reason for introduction of bill/resolution:

A SUBCOMMITTEE HEARING ON THE DEPARTMENT OF COMMERCE

Minutes:

See attached testimony. 1 - 6

Chairman Grindberg called the subcommittee together for a hearing on HB 1018. Senators Holmberg and Robinson were present. Tammy R. Dolan, OMB and Sara Chamberlin, Legislative Council was also present. We will reconvene. We will pick up child care. Child care related funding Testimony attached # 1. General fund money provided in 5 different areas. Reading from the child care funding. 2nd biennium child care provided. Who would like to give an overview of Commerce's perspective?

Paul Govik, Acting Commissioner, North Dakota Department of Commerce: I am not sure how Representative Hawken has that planned to be spent. I don't have a good handle on that.

Chairman Grindberg: Can you provide us any documentation in the House Appropriations Committee that might have an outline of that?

Beth Zander, Director, Workforce Development Division: What I can tell you is that the funds that were allocated last biennium got accomplished what was needed for 18 months, the difference is based on the expectation that would occur for 24 months.

Chairman Grindberg: I'm not sure that's apples and apples. I have on my sheet \$1.25 million and 5/100 of \$1.75 million, roughly \$1.8 million in general fund for the 09-11 biennium for Commerce judging by what's on this spreadsheet.

Beth Zander: The money went through DHS last year.

Linda Reinke, Child Care Resource and Referral: Last year the legislature approved HB 1418 which put in place under the Department of Human Services a childcare recruitment training and retention effort. They provided one time funding for that at \$3.6 million and that was as Beth said, for 18 months and the \$4.9 million is extrapolated to 24 months. What we promised to do during that time was to recruit 110 family childcare providers and 20 centers and we are near that point. We promised to train those childcare providers so it's not just grants that we are providing them to support their services, but we are also providing technical

assistance and training and we also promised to retain, work with 90 family childcare providers and 10 centers and we've reached that goal at this point. We feel this is an important project given the lack of availability of childcare and some of the issues that we have with turnover in the childcare field and Fargo 2 years ago experienced a great deal of turnover. What we see with the small family childcare providers, the in home industry, they have about a 17% turnover on an annual basis. We in the state are spending a lot of money recruiting and regulating and inspecting the new providers and bringing them into the system but not doing a whole lot on retaining them. The data that I have in front of you (attachment 2) on the second page shows the recruitment efforts in the various counties that we have worked and the number of providers and the number of spaces that we have increased childcare in the state. The second page talks about the workforce training and that was, we put in place with some of the stimulus dollars an online training system for childcare providers and they can receive up to 120 hours of training online. With that they can get their child development associate credentials which is a highly honored credential in the early childhood community and is recognized nationally. We've also worked with the University Systems and have articulated that 120 hours into a 2 and 4 year degree so that it's just not for not the training that people are receiving. The last page shows the retention efforts and the various counties that we worked with. Again our objective with the people when it comes to retention is that we want them to become credentialed. We know that having trained childcare providers is the number one factor for quality in the childcare industry.

Chairman Grindberg: You mentioned the \$3.6 million, was that general fund money?

Linda Reinke: That was stimulus dollars, ARRAs. It was one of the only times that stimulus dollars was attached to a bill that was passed.

Chairman Grindberg: I presume then that there is \$22.3 million for the 09-11 biennium. That \$3.6 million would be buried in that number? There is nothing on the sheet that's specifically \$3.6 million. There is \$22.3 million for the department, there is \$892,000 childcare transition assistance, head start \$262,000, and early childhood contract providing training technical assistance of \$6.3 million. I'm going totals, not general fund. The total general fund is \$2.5 million so presume that that number is...

Linda Reinke: We are contracted by the Department of Human Services to carry out this function.

Chairman Grindberg: Did the department request this money be put in DHS? **Linda Reinke:** No. **Chairman Grindberg:** Was there discussion; were the providers happy with one time?

Linda Reinke: In my judgment and in reports we've received is that the providers want more of this service, and the communities need this kind of support to build a supply of child care. They are very anxious to continue their training and technical assistance and onsite support, but also the communities are interested in building childcare capacity. Berthold and Minot are putting in a center. We are one of the unique offices in the state because we know all things childcare. There is nowhere else that people can go if they are interested in starting a childcare or even assessing their community of their childcare needs. We've been working heavily in Williston and Dickinson, I am responsible for western North Dakota and my counterpart is responsible for eastern North Dakota. They likewise are working at the same effort. These

dollars were divided equally and we've both moved them forward so the data that you see is collected and put together, so to answer your question, yes, we see a strong interest in continuing.

Chairman Grindberg: From my perspective, if the department didn't ask for it and it's not on an OAR, then it's kind of contrary to, you're the expert, but yet, what I'm trying to understand is the reason we asked for this is it seems like we've got programs going on and growing in a number of different agencies and it on the surface doesn't appear like it's very well coordinated. That's my personal opinion. If there is a need and you didn't request it, or it was requested and it's an OAR that would give it credence that it is a priority. I understand your answer, but I'm just trying to get a flavor because we have other executive budget recommendations on gearing up for Kindergarten, and then of course Headstart. I'm just trying to get a feeling for the priority and the number that was chosen when there was no request.

Linda Reinke: We did work with the Department to consider it as an OAR, they opted not to do it, but we feel the work is extremely valuable. It's something that hasn't been as cohesive in the past. We've been able to put together a very tight system that we can deliver across the state so any community can come to us and we bring the business in and help them get started at the beginning with a business plan and we train them right off the start and then we continue to support them as we move forward. We feel our service is valuable.

Paul Govik: Spoke to attachment 2.

Chairman Grindberg: Paul, are you staffed to handle another \$5 million in activity?

Paul Govik: If that comes to us that would be a pass through is our understanding.

Beth Zander: My understanding is it would be an RFP.

Chairman Grindberg: Do you have a spread sheet that would provide the activity?

Paul Govik: When we were working with the Governor's Office on the budget we were trying to come up in consultation with them what made sense based on the performance up until that time. Dean is here with the development fund and he can give you a run down on what's happened and what is outstanding with the development fund concerning childcare.

Chairman Grindberg: I think it would be helpful to have a 1 page summary of the portfolio.

Dean Reese, Development Fund: Spoke to attachment 3.

Chairman Grindberg: Anything on the grants?

Paul Govik: Spoke to attachment 4 and 5.

Chairman Grindberg: What is the average award? A couple thousand dollars?

Paul Govik: We were restricted to \$5000 for infrastructure grants and \$10,000 for business plans. We had a couple projects come in that could have used upwards to \$14,000 but we

weren't able to fund that much. One of the nice things that also happened was some of the projects came in cheaper than what they anticipated so there was some savings there and that's why you see only the 456. We originally had about \$480,000 that we had committed because projects had come in cheaper and some had dropped out. It's probably safe to say the average is \$3, 4, 5,000.

Chairman Grindberg: Sarah, could you put together a list of the \$3.6 million with what that current status is on the Human Service budget and where it is going?

Paul Govik: It's my understanding that that \$5 million is more geared to the workforce, not the buildings, not the egresses windows. That is not the purpose that I understand.

Chairman Grindberg: I have no other questions on this topic.

Paul Govik: On that remaining, that child development credential grants that was the one item the Governor's Office did propose. The House took that out. Do you want some information on that?

Beth Zander: Spoke to attachment 6.

Chairman Grindberg: We have waiting a few minutes, Al Palmer notified up that he was coming today to visit with the Adjutant General so he asked if he could have a little time to update us so we are going to connect with him at 4:45. Are there items that you would like to take a little time on? Not to put Beth on the spot, but maybe talk about e-folio.

Beth Zander: I haven't seen any action on that yet.

Linda Reinke: If I may, one of the things that we have done in spending out the \$3.6 million, we have done grants to childcare providers when they come into our system and when they leave, it's not methodical about how the money is going to be spent, it will show a heavier amount that's been spent that is the design of the project.

Chairman Grindberg: Are you facing a deadline of June30 use of the funds?

Linda Reinke: Yes and the project was designed for a 18 month.

Chairman Grindberg: Has it been discussed to have carryover authority? Do you need more time?

Linda Reinke: We have very thoughtful in planning in spending these dollars. They are on target to complete their plan in April, May and June. We are in the heavy end at the end of the cycle.

Senator Holmberg: You have on here Slope County, how much need is there, what kind of numbers are we talking about?

Linda Reinke: In Amidon, need for a childcare facility. If people are living in Amidon and driving to Bowman or Dickinson, they are having difficulty finding childcare. We are working

with them, they had one, it closed. There is a need in the small communities. People are working in Killdeer, driving to Dickinson and coming back to Killdeer to work and then go back.

Paul Govik: The Energy Division includes 2 FTE's and the operating cost associated with those FTE's. The other item is the North Dakota American Indian Business Development Office, the base budget has \$100,000 in it for that initiative and we requested an additional \$100 because this biennium we have run out of dollars. As far as the Energy Division is concerned what we feel is the most important part of that is that we feel it's extremely important to be proactive as opposed to reactive and I would concur with many individuals that said Shane did an excellent job dealing with the road study, the housing study, and some of the infrastructure work that he and I were involved with this spring and into the summer.

Chairman Grindberg: We have some hearings Wednesday morning and then Thursday we will probably be in all day hearings.

Al Palmer, University of North Dakota Center for Unmanned Aircraft: We have been working for some time to develop a cooperative airspace. It's called limited deployment cooperative airspace project. We have been working with Mitre out of Arlington VA and Mitre is a federally funded research and development center of the FAA. UND, 2 weeks ago signed a memorandum of understanding with Mitre so that we could continue this project. We have requested funding from the state of North Dakota to help kick this off. Mitre has agreed to bring in approximately \$2 million a year, federal money to support this project for 2 years. That money would be used to bring in an aircraft into the state that is an optionally piloted aircraft that we can fly from the ground but at the same time have a pilot inside the aircraft for seeing avoid and also to develop the software for a box that would fuse the data from the Grand Forks Air force Bases and radars that we would be using from the North Dakota National Guard as well as developing software that would allow the unmanned aircraft to maneuver if they sense another aircraft in the area.

Chairman Grindberg: You mentioned the \$4 million from Mitre and we have \$4.5 million of state money that's been in the works here with part of the Centers of Excellence program. How would this \$8 million be broken down in a simple description?

Al Palmer: The money that would come from Mitre would be for their engineers and to develop software and actually build that fusion box and also to bring in that optionally piloted aircraft to fly.

Chairman Grindberg: The FFA legislation funding bill is that House version the same as the Senate on 4 zones?

Al Palmer: I don't know where we are at on that. I suspect it will be somewhere between 4 and 6.

Chairman Grindberg: Will Mitre have a role in every one of those zones?

Al Palmer: I think if we are the first ones to get selected then Mitre has signed an agreement with us to partner with North Dakota to make this happen.

Dave Sprynczynatyk Adjutant General, ND National Guard: This is very important to North Dakota and the North Dakota National Guard, as I stated before we have our wing at Fargo, we have an authorized element to be establish at the Grand Forks Air force Base, but until we have the air space that we need, we are not going to be able to implement that authorization. It's called watch and recovery element and from our perspective we hope that we can do everything possible to open up that air space so that we can begin to do the things from a guard perspective that we are authorized to do but can't because of airspace.

Chairman Grindberg: There was some discussion last week about the sentinel radars. Any update on the radar?

Dave Sprynczynatyk Adjutant General: This past fall we had 3 radars set up with UND to do a pilot project in northeast North Dakota. Personnel from ND and FL that operated the radar to support the work that was being done. Looking some time next summer or fall or early 2012 we would be able to support a continuation similar to what we did before. That is the general time frame that we are talking about, roughly 3 weeks. For us it becomes more challenging the closer we get to 2013 only because that unit has a mission that they will be deployed. We don't know at this point what the status of that radar is going to be.

Chairman Grindberg: At this point of the session it's important to be on the same page. We'll close the subcommittee meeting and we will start at 11:00 on Tuesday on Centers of Excellence.

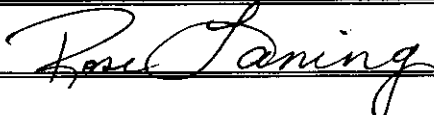
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1018 subcommittee
March 29, 2011
Job # 16128

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

This is a subcommittee hearing on HB 1018 relating to the Dept. of Commerce.

Minutes:

See attached testimony # A – C.

Subcommittee **Chairman Grindberg** called the subcommittee hearing to order on HB 1018. Subcommittee members **Senator Holmberg** and **Senator Robinson** were present.

Sara Chamberlin - Legislative Council: **Tammy R. Dolan** - OMB.

Paul Govik, Acting Commissioner, ND Department of Commerce handed out Technology-Based Research Proposal 2011-2013: \$18 million – attachment # A
Centers of Excellence Program 2011-2013: \$20 million – attachment # B

One side has the proposal based at \$18M and if you add the Workforce Enhancement Grants, that's another \$2M so that's \$20M. On the back side of that page is what was proposed in the Governor's budget, so we have both of those here. We've been having some discussions on this and currently this is where we are sitting in some general agreement with the discussions. You can see the Research Centers of Excellence, that incorporates NDSU and UND and that's for \$13M. As a component of that, we have Eminent Researcher Grants for \$1M and the Capstone Demonstration Project for \$4M. Entrepreneurship Centers of Excellence is at \$4M and support is for \$1M and that's technology, investments and loans. That's a general overview of the discussions that we've been having.

Chairman Holmberg: We will not put everything to bed until we go back and re-visit the infrastructure grant section that the Governor had in his budget.

Paul Govig: We'll take that into account. We just assumed you'd want to see some of this as a starting point.

Justin Dever, Manager, Office of Innovation and Entrepreneurship, Dept. of Commerce
Handed out proposed amendments (draft form) to HB 1018 – see attachment # C.

He explained that the top portion is the change in the appropriation levels and reflects the \$13M level general funds that the Governor had proposed for the Centers of Excellence.

The section 5 amendment – the House had removed the COE (Centers of Excellence) commission. This part of the amendment would restore the COE commission which we do utilize later on in the amendments. Page 1 & page 2 keeps in place the COE commission and the commission's role with the distribution of funds to the current centers as well as postaward monitoring. The House had amended that to basically give that responsibility to the Dept. of Commerce.

In page 2, where it says, "Page 8, replace lines 3 through 6 with:" That was included by the House as alternative to the current audit requirement. It requires fiscal audits twice; once at the midway point and once at the end. The House did specify what the agreed upon procedures must include.

Page 3 It's still titled, "Centers of entrepreneurship excellence", although we have heard comments that we shouldn't utilize the COE name in this and we're open to suggestions for that. This section would allow institutions under control of the State Board of Higher Education that are not research universities to access these Entrepreneurship Excellence grants.

The appropriate use of funds would include grants to establish new entrepreneurial centers within the eligible institutions for enhancing the ability of existing entrepreneurial centers to assist entrepreneurs in growing their business. The Department of Commerce is to work with the COE commission establishing guidelines to qualify for a grant under this section including the preference for an applicant that establishes the availability of matching funds. The commission is also to consider how a proposed grant award would help achieve the goals outlined in the ND Economic Development Strategic Plan.

Section 13 – This is Centers of Research Excellence. For the most part, this mirrors what the Senate approved in SB 2057. Some of the changes on page 5 about the use of funds. We incorporated the House's amendments dealing with the annual audit requirements.

Page 6 – The Eminent researcher recruitment grants – we utilized the language that was recommended in the original HB 1018 by the Governor. These grants would be to a research institution basically for start up costs in recruiting researchers. The version approved in SB 2057 would be used to fund endowments. This does not have the endowment component in that. We did include the Centers for Research Excellence fund. This was included in SB 2057. The original HB 1018 had just utilized the current Centers of Excellence fund instead of creating a fund. We thought we'd go with what the Senate had originally recommended.

The next portion of the amendments – this subcommittee asked us to look at the Innovation 2020 and the Technology Award matching investment awards portions and looked at combining them. We did discuss that internally. Our recommendation is instead of combining them, is to do away with Innovation 2020 and instead, just focus on the technology matching investment portion. We made a few changes to that. The bill, as it came over, included equity investments. Our recommendation is to broaden that so it not just equity investments, but could also include loans. It basically says investments. We also have put in there that they would have to meet the underwriting guidelines as established by the ND Development Fund Inc. The next amendments – the way that we funded our recommendation is that we did \$13M general fund and that would be used for Centers of Research Excellence. The Governor

had proposed the carryover, \$5M that was to be spent for the Great Plains Applied Energy Research Center. We restored that funding for Centers of Excellence type projects. We provided \$4M for the entrepreneurship component – the Centers of Entrepreneurship Excellence and \$1M carryover for the ND Development Fund for that investment matching program.

Chairman Holmberg: How does that square with what the House did on 1003?

Justin Dever: It does not square at all. The House utilized \$4.335M for BSC.

Chairman Holmberg: In other words, we're spending the money twice at this stage. The Higher Ed subcommittee, if they go forward, will find another source of funds for the BSC 4th floor. In the workup that Brady is putting together, we will find that money. We're not going to take it out of this, so our committee will be fine. We're not going to double spend it. This doesn't mean that we may not fund the BSC 4th floor, it's just we're not going to use this money. This money belongs here.

Justin Dever continued to go through the amendment and discussion was held on various programs at the Centers of Excellence.

Senator Grindberg asked the committee of their wishes for additional meetings and said they have a number of items to cover.

- 1) USS North Dakota
- 2) Operation intern
- 3) Energy Division – FTEs
- 4) Work Keys
- 5) Native American presentation
- 6) E-folio
- 7) Blender Pumps – carry forward language and clarification
- 8) Nekoma option on land acquisition
- 9) Additional House items
- 10) Has background on competitive commercial real estate rates in Fargo.

The North Dakota trade office, when it moved into 4300 sq. ft. at Barry Hall ended up with a \$2/sq. ft. lease rate. That doesn't even cover utilities as well as other charges, so I propose that go to \$8/sq.ft. which is about \$8 below market. That would increase the trade office general fund of \$60,000 for the biennium for at least covering the cost of maintenance and utilities.

Senator Grindberg: One of the things I've noted is that the creation of a division was not listed as part of the discussion of the Commerce strategic plan, so I have a little heartache by creating a division without having it gone through a discussion about FTEs. The end game would be the same but do we need a division versus just an additional commission or an assistant commission for energy or something?

Senator Robinson: If the two or three of us could sit down a day or two before we request a formal amendments. I had to miss the daycare discussion yesterday because of other subcommittees meeting back to back in the Senate Conference Room. I need to get a handle on where we are and what options we have. I need to get a better understanding of the issue.

Senator Grindberg: We had some discussion about the memo, and had a better understanding of what all that means and the funding. I can only give you my personal views. Aside from the funding, my preference is that we need to support child care assistance in some form or fashion. I'm still not sold that commerce is the place for that, particularly after \$3.6M in Human Services. I just have a hard time getting social childcare issues wrapped into the commerce budget which is primarily about business and growth. I understand that there are folks making the argument that it's part of economic development, I get all that. I'm just not sold that it belongs in Commerce.

Senator Robinson: I'm concerned that in the end, it not fall through the cracks and if we do push it all into Human Services, the problem with that is there are too many folks that it's just another social program and that budget is mushrooming the way it is. It becomes at risk there as well.

Chairman Holmberg: The concern is that it's an area that grows all over. There is a bulge here and a bulge there and pretty soon you're growing programs all over the place. Just look at tobacco cessation. There are monies and nodules and efforts in a whole bunch of different departments.

Senator Grindberg: Tomorrow afternoon at 4:00 with E-folio and Native American discussion.

Chairman Holmberg suggested 3:30 because there last hearing is 3:00.

Senator Grindberg closed the subcommittee hearing on HB 1018.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1018
April 5, 2011
Job # 16374

☐ Conference Committee

Committee Clerk Signature

Rose Laning

Explanation or reason for introduction of bill/resolution:

This is a committee vote on HB 1018 relating to the Dept. of Commerce.

Minutes:

See attached testimony # 1.

Chairman Holmberg called the committee hearing to order on HB 1018.

Senator Grindberg handed out amendment 11.8160.02005 (see attached # 1) and read from pages 17 & 18.

Senator Grindberg moved Do Pass on amendment 11.8160.02005.
Senator Erbele seconded.

Chairman Holmberg: In your subcommittee there was some concern and some discussions about the location of the childcare in the past was located in the Human Service budget. Even though there is stuff there, we are setting up another revenue source. Is that accurate?

Senator Grindberg: I believe so. There are additional funding amounts in the commerce budget. There is at present \$250,000 for loan assistance for early childhood facilities and an additional \$100,000 for grants for early childhood facilities for providing technical assistance and business plan and infrastructure grants that are limited to \$5,000. Those programs started in Commerce last session. The stimulus funding was provided in the Human Service budget. The action by the House would've provided \$5M in collaboration with the Department of Human Services. I think there is a policy or question of what is the right entity that should be administering that size of a grant program. In my opinion, Department of Commerce, through the development fund certainly can provide loan assistance with what they do with loans to small business. At the end, I think we'll have to decide which agency is most appropriate to administer a \$5M grant.

Senator Robinson: I appreciate the discussion because of the importance of child care. It's out of here the House reduced the Human Services by millions and millions of dollars, so the chances of putting it in there are remote at best. What possible home is there for it at this eleventh hour of the session as we go into conference committee? Someone suggested yesterday that we look at the OMB budget. Where are we going to turn to fund childcare? It's a statewide problem and the west in particular is in really a crunch time with childcare with the

oil impact. Visiting with professionals in the industry, they are at a loss of what we're going to do.

Senator Warner: May I request a division of the amendment and that we vote separately on footnote #2.

Chairman Holmberg: Yes, we can do that. Footnote #2 on section 17. If it fails or is not removed, there's no problem with it.

Senator Bowman: If I read this right, the negotiations between this version and the original version is between \$4,935,000 or \$250,000, so it could be anywhere between those two in conference?

Senator Grindberg: That would be my understanding. The House had an additional \$65,000 from the Great Plains Applied Energy Research that rounded that to \$5M even. For all practical purposes, it would be the difference between \$250,000 and \$5M in conference.

Senator Robinson: I support the package. I support Centers of Excellence. It wasn't my intention that we would reduce funding for Centers of Excellence, but I would like to see us fund daycare. The House did some things that we weren't excited about. They also took some dollars left over from the Bismarck facility and funded that fourth floor. We had to deal with that in higher education yesterday.

Chairman Holmberg: Let's focus on the bulk of the amendment. That's everything except the childcare issue. We'll get that resolved, vote on it and then come back to the childcare issue.

Senator Christmann: # 4 - the e-portfolio pilot project. Was that in the bill – or are we also doing that elsewhere?

Senator Grindberg: Yes, it was in an interim bill that passed here at first half with no funding.

Senator Christmann: #5 – the \$100,000 to the American Indian Business Development Office. Are we just giving them money or is it for a certain thing or what?

Senator Grindberg: It continues to advance the interest of the Native American Business Development activities from the executive recommendation.

Senator Christmann: Where is this office? **Senator Grindberg:** In the Dept. of Commerce.

Senator Christmann: Then jumping over to the 2nd page – they're not numbered but like the 4th full paragraph, the vaccinology initiative. Who gets vaccinated for what?

Senator Grindberg: It's not related to vaccines as you would understand it. It's an economic development related activity. It was a request from one of the colleagues up in the chamber to have a matching program for a local initiatives. It has nothing to do with vaccines. It's an economic development based component of a vaccine strategy that's being built in Fargo.

Senator Christmann: Based on that explanation, I'm not too high on that. I'm not too high on the energy position. We're talking about multi-billion dollar energy companies that in many cases have associations among themselves and I think are highly capable of doing this kind of thing. I know a lot of them like this because it's just that much less they need to do themselves. If they were out there on the ground with people that aren't working for their companies, they would find that the bad discussions about them having the taxpayers do their work and this type of thing isn't worth what they're getting out of it. In general, I think there has been some restraint shown here and as a package, I'm going to go along with this.

Senator Bowman: Section 36 – the amendments under that section are exactly the same as amendments I drafted for the flaring bill. The only difference is that this is a "may" consider rather than "shall". The reason that we put "shall" in there was because of the importance of recognizing potential affects from this gas being up in the air and the EPA concerns about changing the environmental quality of our air. So I'm very interested in knowing why it was put in here as a "may" consider rather than "shall" do the study.

Senator Grindberg: The only answer I have for you is how I request any other study is always "may". I never ask for a mandatory study.

Senator Bowman: It already passed the Senate with every single vote "shall" study so something happened between how it came out of the Senate and whoever made the decision to change that and put it in here. I'd sure like to know a little bit about this because unless the other bill was supposed to be killed, I don't know.

Chairman Holmberg: Do you remember the status of the other bill? Do remember the number of that?

Becky J. Keller: SB 2355. It failed in the House.

Chairman Holmberg: So this is the only vehicle for that study.

Senator Bowman: It's a 50-50 chance then. It's better than nothing.

Senator Grindberg: If Senator Bowman wants to change a word, then we could have a debate on that or a vote.

Senator Bowman: The oil and gas industry is so important to our economy. That is the one little thing that really could make a huge difference in the future is if we allow too many of these gas wells to flare and people start getting concerned about it from a public health issue, and the EPA can come in and say "I'm sorry, you're done until you get this problem corrected". That's why I put all of the players together and the industry is a part of that study. The Health Dept. was a part of the study and by bringing them all together, they should be able to come up with a solution that avoids us from ever going down that path of shutting down the fields because of too many flared gas wells.

Senator Christmann: I agree. This is a big one and I think it's important that each of us remember that and work with whoever is elected to legislative management to encourage them that this be one of the ones that they select, but we spend 70-80 days down here and on any

given day, whatever we're voting on, it seems like this one we need for sure and when we start putting a mandatory, we can literally end up with so many studies that we become a full time legislature. I don't think that's what the people want either so that's why we traditionally tried to keep as many as possible to "may" consider and go to work on your legislative management team that are elected.

Senator Bowman: I understand exactly the position you just said but being I've been here for as many years as I have and know that these things are just like flipping a coin. You may get it or you may not. The importance of this issue to our state's economy was so important to me because I've seen the growth and I've also seen the amount of gas that's being flared. I've travelled this area many times and I put it as a "shall" for one reason, to make sure that we address the issue before it becomes something that we'll be sorry that we didn't address.

That's why I made it a "shall". I know the choices that Legislative Council has in studying these and I know the process they go through to pick them but there's no guarantee at all that it will be studied. There could be a guarantee between now and the end of the next session that we could have a major problem because of the amount of wells that are going to be drilled in the next two years. Make up your mind.

Chairman Holmberg: Keep in mind that no matter what we do, this goes across the hall into a conference committee and I agree 100% with what **Senator Christmann** said. The folks on legislative management, and I've been there before. They are not oblivious to the kinds of discussions and chatter that goes on in important bills as was this original bill. I know there was a lot of work done by the people who were on that subcommittee with those folks to try and come up with something that would satisfy as many as possible and they were mostly OK with having a study. I kind of lean towards what **Senator Bowman** is saying for only one reason and that is the Senate already passed language that said "shall". The Senate did that once. If we were to put "shall" in here, then the conferees would be in a stronger position and maybe they have to compromise on changing it to "may", but the House already turned down the "shall" once. So Senator Krebsbach wanted to move that in our deliberations on amendments .02005, that actually the language be changed to "shall study" and take out "may consider" studying.

Senator Krebsbach: For purpose of discussion and motion to be acted on, I would move that we do that – remove "may consider studying" and put in "shall study".

Chairman Holmberg: I don't know how you have to do that in the books. Does that have to be a roll call vote or is that a friendly amendment that we can save a little time on? Maybe you want to be on record.

Vote # 1 -

Chairman Holmberg: All in favor of changing that language to "shall study" say aye.

Voice vote carried.

Chairman Holmberg: Now we have in front of us .02005 amendment as amended. All of that amendment with the exception of footnote # 2 which is the childcare. If there are no further discussion points, let us call the roll on the amendments with the exception of footnote #2.

Vote # 2 -

**Senator Grindberg moved Do Pass on amendment 11.8160.02005 less Footnote #2.
Senator Erbele seconded.**

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

Chairman Holmberg: Now vote on footnote #2. If you vote "yes", you are voting to reduce the funding from \$4.9M to \$250,000. If you vote "no", you are voting against that and you want the House version to stay in the bill.

Senator Christmann: We could debate it for a long time. I just want to say that I hope we look at this, not like in the world of the inside the capital building, but in the real world. We spend another \$4.5M, we have to spend \$4.5M less someplace else. We're not printing this money. If you buy this thing, that means and that means you do without something else. If this passes, then I would request that we reconsider our action by which we passed the rest of it and start subtracting from something else because we can't just come up with four and half million dollars unless somebody has it laying on their desk top.

Chairman Holmberg: If we defeat this, we spend the money. If we pass this, we remove the money. You said if we pass this we should go back in and look.

Senator Robinson: To me, we are investing significant money and we've had success in the area of Workforce Development. It's a given with Workforce Development that people who come to the state, many of which are child-bearing age and they are seeking quality affordable accessible childcare and in the absence of that, we're going to curtail our ability to grow jobs in ND. Forty years ago, for a lot of reasons, was not an issue. This is an issue that has become, not a luxury, but a necessity. There is an argument, that if we don't invest in this, we're not getting a return on our investment in other areas because those areas will be impacted in a negative way without childcare. It complements what we're doing in economic development in all 53 counties. There are some counties that don't have quality, affordable accessible daycare. Those counties are going to struggle. I can appreciate **Senator Grindberg's** comment about "is this the place for it?" I don't know, but I know we need childcare in ND.

Senator Krebsbach: I sit here very confused on this issue because I definitely see the need for more money in childcare and I support that endeavor. My concern is where does it belong? Does it belong in Commerce? Does it belong in Human Services or somewhere else? I'm hoping and I will not support the motion to leave it in. I will support the motion to remove it at this time. I certainly hope that we can find someplace in this budget before we go home, the monies that have been requested because there is a definite need out there. I hear it from my local community and from other areas around. We've all gotten a lot of information on this.

Chairman Holmberg: I think Senator Christmann made a very important point. There is only so much money available and I don't know at the end of the day how our priorities with the Senate and the House how they end up but I'm going to support also the subcommittee's action which would ask you – the subcommittee is asking you to vote "yes" on this amendment. If you vote "yes", you are voting for \$250,000 in this bill for childcare. If you vote "no", you are voting for \$4.9M in this budget.

Vote # 3 –

Footnote #2 – Yes means reduce the childcare in the bill to \$250,000.

No - means House version stays in the bill and want to spend \$4.9M.

A Roll Call vote was taken. Yea: 9 Nay: 4 Absent: 0

The bill is now amended to reduce childcare to \$250,000.

Senator Robinson passed out amendment 11.8160.02002 and said he's offering this amendment for his region of the state. This is simply permissive legislation that allows the local municipality to negotiate with your development corporation when you have an opening in the development facility. When you have an incubator, they move out. You might have a month, you might have 3 weeks, you might have 6 weeks. You can negotiate and these folks are almost the same people often to negotiate whether or not they want to waive the property tax or a payment in lieu of taxes. If you have a number of changes during the course of the year, you are constantly making an adjustment; who was in, when did they come in, when did they move out. This is simply permissive that they "may" apply for and the municipality may grant a partial or complete exemption from the taxes or payment in lieu of taxes. This leaves things in the local hands and can't be done under present statutes.

Senator Grindberg: I'm not certain because we're altering tax policy and I'm not sure what the ramifications of this could be statewide. On one hand I'm intrigued and supportive and yet I'm just concerned what this would ultimately do with other non-profits and how broad could this be.

Senator Robinson: We visited and **John Walstad** put this together and we expressed those concerns about being specific to this section regarding the development corporations and the relationship at the local level with municipalities. That's all we're trying to do – confine it to that level. We were of the opinion that it's a rather minor change because it is permissive. It does not have to happen. We were in a situation where the city and the development corporation wanted to do this, and thought they could but found out they could not without this change. That's why we're seeking again the permissive language so they can, should they choose, they can put in place a waiver. We're looking at weeks or months. We're not looking at years and years.

Senator Kilzer: I've expressed my concerns about institutions using their tax exempt status to compete with private industry and I think if this paragraph that's being considered, I don't know if it's been before the Finance and Tax Committee at all, but it looks to me that property owned by a non-profit that is leased out and they're probably in competition with private industry, is asking for some further choices that they can make during vacancies. At least at first glance, I don't think I can support that.

Senator Robinson: This is economic development designed to grow business in local communities. In our community, a small community, we brought in a small computer operation. They relocated downtown and they provided half a dozen jobs. We move in another small operation and that's the intent. They're very sensitive because when something like this happens with local tax dollars, the city commission has hearings before any grant dollars are approved. The public shows up and they're very sensitive to competition issues.

What they are trying to do is bring up new start up businesses. Sometime you get graduates right out of college. Other times we've had situations where folks get together and a couple individuals will invest and buy some basic equipment and try to get a business going. This is economic development at the grassroots level.

Vote # 4 -

Senator Robinson moved Do Pass on amendment # 11.8160.02002

Senator O'Connell seconded.

A Roll Call vote was taken. Yea: 6 Nay: 7 Absent: 0

Amendment failed.

Vote # 5 -

Senator Grindberg moved Do Pass as Amended on HB 1018.

Senator Christmann seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

Senator Grindberg will carry the bill.

Date: 4-5-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1018

Senate APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Voice Vote "shall Study"

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By

Krebsbach

Seconded By

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Warner		
Senator Bowman			Senator O'Connell		
Senator Grindberg			Senator Robinson		
Senator Christmann					
Senator Wardner					
Senator Kilzer					
Senator Fischer					
Senator Krebsbach					
Senator Erbele					
Senator Wanzek					

Total (Yes) all aye No 0

Absent

Voice Vote
carried

Floor Assignment

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

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 1, line 2, replace "15-69-07" with "10-30.5-13"

Page 1, line 2, replace "and a new section" with "three new sections"

Page 1, line 3, after "54-60" insert ", a new chapter to title 54, a new subdivision to subsection 7 of section 57-38-30.3, and a new section to chapter 57-38"

Page 1, line 3, replace "the centers of excellence program," with "a small business technology investment program, a"

Page 1, line 4, remove "and"

Page 1, line 4, after "fund" insert ", entrepreneurial centers development grants, an electronic portfolio program, centers of research excellence, and income tax credits for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes"

Page 1, line 5, after the second comma insert "15-69-03,"

Page 1, line 8, after the first semicolon insert "to provide for a legislative management study of population growth impact on revenues and reduction of flaring of natural gas; to provide a vaccinology initiative grant;"

Page 1, replace lines 20 and 21 with:

"Salaries and wages	\$10,020,840	\$1,094,688	\$11,115,528
Operating expenses	14,478,272	(245,012)	14,233,260"

Page 1, replace line 23 with:

"Grants	65,411,058	(5,033,064)	60,377,994"
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Page 2, replace lines 5 and 6 with:

"Centers of excellence	0	13,000,000	13,000,000
North Dakota trade office	2,064,000	549,400	2,613,400
Partner programs	2,022,044	100,000	2,122,044"

Page 2, replace line 8 with:

"Total all funds	\$97,672,773	\$36,460,916	\$134,133,689"
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Page 2, replace line 10 with:

"Total general fund	\$28,006,303	\$17,492,449	\$45,498,752"
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Page 2, replace line 11 with:

"Full-time equivalent positions	68.00	1.25	69.25"
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Page 2, after line 17, insert:

"American Indian business office	0	100,000"
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Page 2, remove line 22

Page 2, replace line 24 with:

"Child care service providers	0	250,000"
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Page 2, replace line 26 with:

"Centers of excellence	19,500,000	13,000,000
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Electronic portfolio pilot project	0	150,000
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2020 and beyond	0	50,000"
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Page 2, remove line 28

Page 2, replace line 31 with:

"Total all funds	\$99,064,635	\$40,417,088"
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Page 3, replace line 2 with:

"Total general fund	\$30,470,000	\$15,920,338"
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Page 5, after line 6, insert:

"SECTION 4. Section 10-30.5-13 of the North Dakota Century Code is created and enacted as follows:

10-30.5-13. Small business technology investment program.

1. The corporation shall administer a small business technology investment program that provides matching investments to startup technology-based businesses.
2. The following provisions apply to small business technology investments:
 - a. A qualified applicant:
 - (1) Must be a North Dakota business that is at the startup stage;
 - (2) Must be a primary sector business in the technology field; and
 - (3) Shall meet underwriting guidelines established by the corporation.
 - b. Before the corporation distributes funds under this section, the recipient shall provide the department of commerce with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. The matching funds must be cash, must come from a North Dakota angel fund certified under section 57-38-01.26, and may not be an in-kind asset.

3. An investment under this section may not exceed fifty thousand dollars. Eligible use of the investment funds include developing a proof of concept. A recipient may not receive more than one award under this section.
4. An investment under this section is not a business incentive under chapter 54-60.1."

Page 5, after line 27, insert:

"SECTION 6. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. ~~(Effective through July 31, 2011)~~ Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission."

Page 6, line 3, remove the overstrike over "4."

Page 6, line 6, remove the overstrike over "assist with"

Page 6, line 7, remove the overstrike over "postaward monitoring as may be requested by the commission."

Page 6, line 11, remove the overstrike over "2."

Page 6, line 11, remove the overstrike over "The commission shall meet as necessary to"

Page 6, line 14, remove the overstrike over "direct the department of commerce"

Page 6, line 15, remove the overstrike over the first "to"

Page 6, line 15, remove "administer the centers of excellence program:"

Page 6, line 18, remove the overstrike over "3."

Page 7, line 16, remove the overstrike over "For no fewer than six years and no more than ten years following center designation,"

Page 7, remove the overstrike over lines 17 and 18

Page 7, line 30, remove the overstrike over "~~commission's~~"

Page 7, line 30, remove "department's"

Page 8, line 1, remove the overstrike over "~~commission~~"

Page 8, line 1, remove "department"

Page 8, line 2, remove "Effective on"

Page 8, replace lines 3 through 6 with "Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
- b. Verification of compliance with the centers of excellence program matching fund requirements;
- c. Verification awarded center funds were used for authorized uses;
- d. Verification the center complied with the center's application timeline and any authorized revisions;
- e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
- f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
- g. Verification of a sample of labor charged to the center; and
- h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences."

Page 8, line 7, remove the overstrike over "~~commission directs the~~"

Page 8, line 7, remove the overstrike over "~~to distribute~~"

Page 8, line 7, remove "distributes"

Page 8, line 8, remove the overstrike over "~~commission~~"

Page 8, line 8, remove "department"

Page 8, line 20, remove the overstrike over "~~commission shall direct the~~"

Page 8, line 20, remove the overstrike over "~~to~~"

Page 8, line 20, remove "shall"

Page 8, line 22, remove the overstrike over "commission"

Page 8, line 22, remove "department"

Page 8, line 26, remove the overstrike over "commission may"

Page 8, line 27, remove the overstrike over "direct that the"

Page 8, line 27, remove "may"

Page 8, line 28, remove the overstrike over "commission"

Page 8, line 28, remove "department"

Page 9, remove lines 5 through 30

Page 10, remove lines 1 through 7

Page 10, line 27, remove "fourteen thousand dollars per retail"

Page 10, replace lines 28 through 30 with "a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the piping systems and storage components, when blender pumps are installed for a maximum grant of thirty-four thousand dollars per location."

Page 11, remove lines 8 through 10

Page 12, replace lines 13 through 20 with:

"**SECTION 11.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Entrepreneurial centers development grants.

The department shall administer an entrepreneurial centers development grant program to provide grants to institutions under the control of the state board of higher education which are not research universities as defined under section 13 of this Act. The centers of excellence commission established under chapter 15-69 shall make grant award determinations under this section. A recipient's appropriate use of funds may include awarding a grant to establish a new entrepreneurial center within an eligible institution or to enhance the ability of an existing entrepreneurial center to assist an entrepreneur in growing the entrepreneur's businesses. The department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section which may include preference for an applicant that establishes the availability of matching funds. The centers of excellence commission shall consider how a proposed grant award would help achieve the goals outlined in the North Dakota economic development strategic plan.

SECTION 12. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Division of workforce development - Pilot program - Higher education electronic portfolio system.

1. The division of workforce development, the North Dakota university system, job service North Dakota, and representatives of the institutions of higher education under the control of the state board of higher education

shall work together to establish a pilot program through which an electronic portfolio system will be implemented by selected institutions of higher education under the control of the state board of higher education in order to address the needs of students, faculty, and employers. The pilot program may include Valley City state university and the North Dakota state college of science. If Valley City state university or the North Dakota state college of science chooses not to participate, any other institution of higher education under the control of the state board of higher education may participate in this pilot program.

2. The pilot program must provide for an electronic portfolio system that:
 - a. Is online;
 - b. Is a multimedia system that enables the user to create and manage the user's education and career information;
 - c. Enables students, job seekers, and professionals to showcase education and skills to potential employers;
 - d. Provides for creation of and access to lifelong personal electronic portfolio accounts and services to students, job seekers, and professionals seeking to advance their careers in the state;
 - e. Provides access to job seekers residing outside the state who may be interested in relocating or returning to the state; and
 - f. Allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, experience, and other factors.
3. Under this pilot program, the North Dakota university system, job service North Dakota, and the division of workforce development shall work together to:
 - a. Facilitate the effective integration of future workers into the workforce system and to enhance the ability of state and local economic development officials to effectively access North Dakota's skilled workforce through the system; and
 - b. Ensure the system is complementary to the state's workforce system and higher education system.
4. The division of workforce development shall administer the pilot program.

SECTION 13. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

1. "Center" means a center of research excellence that has been designated under this chapter.
2. "Commission" means the centers of excellence commission as defined under chapter 15-69.

3. "Department" means the department of commerce.
4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Tourism;
 - e. Value-added agriculture; or
 - f. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.
2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of a research university institution may be submitted to the department for each round of center funding.
3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the

application which clearly outline how the matching fund requirement will be met, and the commission shall consider whether the center will:

- a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Promote the commercialization of new products and services in industry clusters;
 - f. Become financially self-sustaining; and
 - g. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds - Postaward monitoring.

1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward

activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
- b. Verification of compliance with the centers of excellence program matching fund requirements;
- c. Verification awarded center funds were used for authorized uses;
- d. Verification the center complied with the center's application timeline and any authorized revisions;
- e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
- f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
- g. Verification of a sample of labor charged to the center; and
- h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.

4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.

5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no

private sector partners participating or if the statutorily required matching funds are not available.

6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Eminent researcher recruitment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer an eminent researcher recruitment grant program to provide challenge grants to raise funds to be used by research universities and foundations established to further the work of such research universities in attracting an eminent researcher to join the faculties of the research universities. Under this program, the commission shall make grant award determinations. The commission shall adopt standards relative to the award of a grant under this section which must require that a foundation contribute at least fifty percent and not more than seventy-five percent of the total amount the commission deems necessary to attract an eminent researcher. The commission may revise the contribution formulas at any time in order to maximize the benefits that may result from recruiting one or more eminent researcher in the biennium and depending on the total funds available to the grant program. In determining whether to make a grant award under this section, the commission may consider the existing programs of the North Dakota university system, the necessity for such an eminent researcher, and any duplication the recruitment of the eminent researcher might cause. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Base realignment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer a base realignment grant program to provide grants to a research university or a nonprofit university-related foundation to enhance economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission and infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base. Under this program, the commission shall make grant award determinations. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation.

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SECTION 14. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 15 of this Act.

SECTION 15. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is twenty percent of the costs incurred in the taxable year to purchase manufacturing machinery and equipment for the purpose of automating manufacturing processes. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law.
2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
 - b. "Primary sector business" means a business certified by the department of commerce which, through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth.
3. The taxpayer shall claim the total credit amount for the taxable year in which the manufacturing machinery and equipment are purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.
4. If the amount of the credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the next five succeeding taxable years.
5. The aggregate amount of credits allowed under this section may not exceed two million dollars in any calendar year. Credits subject to this limitation must be determined based upon the date of the qualified purchase.
6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must

be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-30.3.

8. The department of commerce shall provide the tax commissioner the name, address, and federal identification number or social security number of the taxpayer approved as qualifying for the credit under this section, and a list of those items that were approved as a qualified expenditure by the department. The taxpayer claiming the credit shall file with the taxpayer's return, on forms prescribed by the tax commissioner, the following information:
 - a. The name, address, and federal identification number or social security number of the taxpayer who made the purchase; and
 - b. An itemization of:
 - (1) Each item of machinery or equipment purchased for automation;
 - (2) The amount paid for each item of machinery or equipment if the amount paid for the machinery or equipment is being used as a basis for calculating the credit; and
 - (3) The date on which payment for the purchase was made.
9. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38."

Page 12, line 23, replace "\$4,935,000" with "\$250,000"

Page 12, remove lines 27 through 31

Page 13, remove lines 1 through 31

Page 14, remove lines 1 and 2

Page 14, line 16, replace "Up to \$665,000 of the" with "The"

Page 14, line 20, replace "\$600,000" with "\$4,000,000"

Page 14, remove line 21

Page 14, line 22, replace "safeguard complex in Nekoma" with "entrepreneurial centers development grants under section 11 of this Act"

Page 14, line 22, replace "department of commerce may use up to \$65,000" with "office of management and budget shall transfer \$1,000,000"

Page 14, line 23, remove "for grants to child care service providers for workforce development, quality improvement,"

Page 14, replace lines 24 and 25 with "to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 4 of this Act."

Page 15, after line 8, insert:

"SECTION 24. EXEMPTION. The amount appropriated for the promotion and marketing of the USS North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013."

Page 15, after line 13, insert:

"SECTION 26. TRANSFER - CENTERS OF RESEARCH EXCELLENCE FUND. The office of management and budget shall transfer the amount appropriated in the centers of excellence line item in section 1 of this Act to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce may use up to \$1,000,000 of the funds transferred to the centers of research excellence fund for eminent researcher recruitment grants. During the biennium beginning July 1, 2011, and ending June 30, 2013, the centers of excellence commission may not award more than one-half of the amount available for centers of research excellence grants, including base realignment grants, to one research university or nonprofit foundation related to that research university."

Page 15, after line 18, insert:

"SECTION 28. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund."

Page 15, after line 28, insert:

"SECTION 30. APPROPRIATION. There is appropriated out of any moneys in the lands and minerals trust fund in the state treasury, not otherwise appropriated, the sum of \$600,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma."

Page 16, after line 15, insert:

"SECTION 32. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research excellence fund in section 26 of this Act for grants to the North Dakota university system's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the biennium beginning July 1, 2011, and ending June 30, 2013. Up to \$2,700,000 of this amount may be awarded to the university of North Dakota and up to \$1,300,000 to North Dakota state university. The commissioner of commerce shall develop application criteria, review submitted applications, and recommend applications for approval to the centers of excellence commission.

SECTION 33. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE.

1. During the 2011-12 interim, the North Dakota economic development foundation shall contract with an organization with North Dakota business membership which is statewide in scope and represents business interests

across the state in order to conduct a 2020 and beyond initiative. The 2020 and beyond initiative must include periodic meetings of six legislators appointed by the chairman of the legislative management, with two members of the senate, one of whom must be from the majority party and one of whom must be from the minority party and two members of the house of representatives, one of whom must be from the majority party and one of whom must be from the minority party; individuals representing North Dakota business interests, individuals representing North Dakota education interests, and individuals representing state and local government interests.

2. The 2020 and beyond initiative must:
 - a. Assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends in the state;
 - b. Study and assess successful models of other states and countries in creating economic growth and whether those models could be replicated and improved upon in this state;
 - c. Evaluate the effectiveness of programs and investments in the state designed to develop the state's workforce and to attract and retain businesses in the state;
 - d. Identify impediments to and opportunities for economic growth and job creation in the state;
 - e. Consider what new investments in infrastructure and changes to the state's tax and regulatory environment could be made to maintain and increase the state's standing as a business-friendly state;
 - f. Evaluate the state's higher education model to determine whether maximum opportunities for synergy between public and private sectors are being realized;
 - g. Consider how higher education institutions in the state could spur economic development in the state through innovation, knowledge transfer, and community engagement;
 - h. Find ways to unite public, nonprofit, and business interests behind common goals and solutions for faster, better results; and
 - i. Make recommendations to the North Dakota economic development foundation based on the outcome of the initiative.
3. The legislative members of the 2020 and beyond initiative are entitled to receive compensation and expenses from the legislative council in the same manner as provided for members of the legislative management committees under section 54-35-10.
4. The grants line item in section 1 of this Act includes the sum of \$50,000 from the general fund for providing a grant to implement the 2020 and beyond initiative.

SECTION 34. DEPARTMENT OF COMMERCE GRANT - INSTITUTION OF HIGHER EDUCATION VACCINOLOGY INITIATIVE. Of the funds appropriated in the

grants line item in section 1 of this Act, \$50,000 from the general fund may be used by the department of commerce to provide a matching grant to an institution of higher education for a vaccinology initiative. The department shall require one dollar of matching funds from the institution for each one dollar of state funds awarded as a grant.

SECTION 35. LEGISLATIVE MANAGEMENT STUDY - EXAMINATION OF POPULATION GROWTH IMPACT ON REVENUES. During the 2011-12 interim, the legislative management shall consider studying the development of a reliable means of estimating the effect of future population growth on state and local government revenues. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 36. LEGISLATIVE MANAGEMENT STUDY - REDUCTION OF FLARING OF NATURAL GAS. During the 2011-12 interim, the legislative management may consider studying methods to encourage reduction or restrict allowance of flaring of natural gas. The legislative management may gather input from the tax department, oil and gas division of the industrial commission, state department of health, petroleum industry representatives, and interested members of the public and representatives of political subdivisions to identify and implement a method of reducing flaring of natural gas, including improved methods for capturing or using the natural gas. The interim committee to which this study is assigned shall meet as often as necessary before November 2011 to determine if it is feasible and desirable to seek introduction of legislation to implement any preliminary recommendation of the interim committee during the November 2011 special legislative session. The interim committee shall include in its deliberations an examination of each legislative proposal to reduce flaring of natural gas considered by the sixty-second legislative assembly. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Page 16, line 17, replace "26" with "37"

Page 16, line 19, replace "8" with "9"

Page 16, after line 20, insert:

"SECTION 37. EFFECTIVE DATE - EXPIRATION DATE. Sections 14 and 15 of this Act are effective for the first three taxable years beginning after December 31, 2011, and are thereafter ineffective."

Page 16, line 22, remove "8,"

Page 16, line 22, after the fourth comma insert "10,"

Page 16, line 22, replace "18" with "20"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Department of Commerce - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$10,871,979	\$10,871,979	\$243,549	\$11,115,528
Operating expenses	14,108,260	13,883,260	350,000	14,233,260

Capital assets	70,018	70,018		70,018
Grants	60,627,994	66,262,994	(5,885,000)	60,377,994
North Dakota Development Fund	400,000	250,000		250,000
Discretionary funds	928,082	928,082		928,082
Centers of workforce excellence	2,000,000			
Economic development initiatives	186,846	186,846		186,846
Agriculture Products Utilization Comm	2,739,767	2,739,767		2,739,767
Centers of excellence	13,000,000		13,000,000	13,000,000
North Dakota Trade Office	2,553,000	2,553,000	60,400	2,613,400
Partner programs	2,122,044	2,022,044	100,000	2,122,044
Division of Energy	619,691			
Federal fiscal stimulus funds	24,496,750	24,496,750		24,496,750
Workforce enhancement		2,000,000		2,000,000
Nekoma ABM site acquisition			600,000	600,000
	<u>\$134,724,431</u>	<u>\$126,264,740</u>	<u>\$8,468,949</u>	<u>\$134,733,689</u>
Total all funds				
Less estimated income	<u>88,634,937</u>	<u>88,634,937</u>	<u>600,000</u>	<u>89,234,937</u>
	<u>\$46,089,494</u>	<u>\$37,629,803</u>	<u>\$7,868,949</u>	<u>\$45,498,752</u>
General fund				
	70.25	68.25	1.00	69.25
FTE				

Department No. 601 - Department of Commerce - Detail of Senate Changes

	Adds Funding to ND Trade Office for Increased Lease Rate ¹	Reduces Funding for Child Care Service Provider Grants ²	Restores Funding for Centers of Excellence ³	Adds Funding for Electronic Portfolio Pilot Project ⁴	Restores Funding for American Indian Business Development Office ⁵	Adds Funding for Development Foundation 2020 ⁶
Salaries and wages						
Operating expenses				150,000		
Capital assets						
Grants		(4,685,000)				50,000
North Dakota Development Fund						
Discretionary funds						
Centers of workforce excellence						
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence			13,000,000			
North Dakota Trade Office	60,400					
Partner programs					100,000	
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement						
Nekoma ABM site acquisition						
Total all funds	\$60,400	(\$4,685,000)	\$13,000,000	\$150,000	\$100,000	\$50,000
Less estimated income	0	0	0	0	0	0
General fund	\$60,400	(\$4,685,000)	\$13,000,000	\$150,000	\$100,000	\$50,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Removes Funding for Tourism Infrastructure Grants ⁷	Removes Minot Air Force Base Realignment Grant ⁸	Adds Energy Director and Associated Operating ⁹	Restores Funding for Jobs for America's Graduates Program ¹⁰	Changes Funding Source Nekoma ABM Site Acquisition ¹¹	Total Senate Changes
Salaries and wages			\$243,549			\$243,549
Operating expenses			100,000	100,000		350,000
Capital assets						
Grants	(1,000,000)	-(250,000)				(5,885,000)
North Dakota Development Fund						

Discretionary funds						
Centers of workforce excellence						
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence						13,000,000
North Dakota Trade Office						60,400
Partner programs						100,000
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement						
Nekoma ABM site acquisition					600,000	600,000
Total all funds	(\$1,000,000)	(\$250,000)	\$343,549	\$100,000	\$600,000	\$8,468,949
Less estimated income	0	0	0	0	600,000	600,000
General fund	(\$1,000,000)	(\$250,000)	\$343,549	\$100,000	\$0	\$7,868,949
FTE	0.00	0.00	1.00	0.00	0.00	1.00

¹ Funding is added for the North Dakota Trade Office for a lease rate increase from \$2 per square foot to \$8 per square foot.

² One-time funding provided for child care service providers recruitment, training, and retention grants is reduced from \$4,935,000 to \$250,000.

³ One-time funding of \$13 million is restored for the centers of excellence grant program, the same level recommended in the executive budget.

⁴ One-time funding is added for an electronic portfolio pilot project.

⁵ One-time funding of \$100,000 is restored for the American Indian Business Development Office, to provide the same level of funding as included in the executive budget.

⁶ Funding is added for grants relating to a 2020 and beyond initiative to assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends within the state.

⁷ Funding provided by the House to the Division of Tourism for a tourism infrastructure grant is removed.

⁸ Funding provided by the House related to a Minot Air Force Base realignment grant is removed.

⁹ Funding is restored for a director of energy position (\$243,549) and associated operating expenses are added (\$100,000).

¹⁰ Funding from the general fund removed by the House to continue four Jobs for America's Graduates programs previously paid for with federal funds in the 2009-11 biennium is restored.

¹¹ The funding source of a grant to assist in the acquisition of the antiballistic missile (ABM) site at the Stanley R. Mickelson Safeguard Complex in Nekoma is changed from the carryover related to the Great Plains Applied Energy Research Center to the lands and minerals trust fund.

A new section of North Dakota Century Code is created for a small business technology investment program that provides matching investments to startup technology-based businesses.

Statutory provisions relating to centers of excellence are changed to:

- Remove the expiration date of the Centers of Excellence Commission of July 31, 2011, and

- make other changes and additions relating to postaward monitoring;
- Centers of research excellence and a centers of research excellence fund; and
- Eminent researcher recruitment grants, base realignment grants, and entrepreneurial centers development grants.

A new section to Chapter 54-60 is created to provide a pilot program within higher education for an electronic portfolio system administered by the Division of Workforce Development.

A section is added creating an internship fund.

Authority provided by the House for the Department of Commerce to administer an Innovation 2020 grant program and technology award equity investment program is removed.

A new section is added to provide that \$50,000 from the grants line item may be used as a matching grant for an institution of higher education vaccinology initiative.

Changes are made to the biofuel blender pump incentive program relating to the limits per retail location.

Funding from unspent 2009-11 biennium appropriations for the Great Plains Applied Energy Research Center of \$4 million is provided to the Department of Commerce for entrepreneurial centers development grants, and \$1 million is provided to the Development Fund for providing investments to startup state technology-based businesses.

Funding provided by the House of \$600,000 from the Great Plains Applied Energy Research Center carryover related to a grant to assist in the acquisition of the AMB site at the Stanley R. Mickelson Safeguard Complex in Nekoma is removed. The Senate changed the funding source of this initiative to the lands and minerals trust fund.

Funding provided by the House of \$65,000 from the Great Plains Applied Energy Research Center carryover related to a grant to child care service providers for workforce development quality improvement, technical assistance, and capacity building in collaboration with the Department of Human Services under Section 50-11.1-14.1 is removed.

A centers of research excellence fund is created, and the bill provides for a transfer of the \$13 million provided for centers of excellence to this fund. Of the funding provided, \$1 million is for eminent researcher recruitment grants and \$4 million for grants related to limited deployment-cooperative airspace projects (\$2.7 million to the University of North Dakota and \$1.3 million to North Dakota State University).

Sections are added to provide an income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

A section is added authorizing unexpended amounts from the 2009-11 biennium appropriation of \$100,000 for the USS *North Dakota* to continue into the 2011-13 biennium.

A section is added to provide for a Legislative Management study of the impact of future population growth on state and local government revenues.

A section is added to provide for a Legislative Management study of gas flaring issues.

Date: 4. 5 11Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1018Senate APPROPRIATIONSCommittee # 2☐ Check here for Conference CommitteeLegislative Council Amendment Number 11.8160.02005 *see footnote 2*Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment☐ Rerefer to Appropriations ☐ ReconsiderMotion Made By GrindbergSeconded By Erbele

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Senator Warner	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Senator Bowman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Senator O'Connell	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Senator Grindberg	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Senator Robinson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Senator Christmann	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Senator Wardner	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Senator Kilzer	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Senator Fischer	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Senator Krebsbach	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Senator Erbele	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Senator Wanzek	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Total (Yes) 13 No 0Absent 0

Floor Assignment _____

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

Date: 4-5-11Roll Call Vote # 3

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1018Senate APPROPRIATIONS

Committee

☐ Check here for Conference Committee*Yes = reduce childcare to \$250,000
NO = stay at \$4.9M*

Legislative Council Amendment Number

*Footnote #2 on page 17 of amendment
11.8160.02005*Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By _____ Seconded By _____

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner		✓
Senator Bowman	✓		Senator O'Connell		✓
Senator Grindberg	✓		Senator Robinson		✓
Senator Christmann	✓				
Senator Wardner		✓			
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 9 No 4Absent 0

Floor Assignment _____

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

April 1, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 1, line 5, remove "and"

Page 1, line 5, after "15-69-05" insert ", and 40-57.1-03"

Page 1, line 6, remove "and"

Page 1, line 7, after "program" insert ", and city authority to grant property tax exemptions for development organizations"

Page 12, after line 5, insert:

"SECTION 9. AMENDMENT. Section 40-57.1-03 of the North Dakota Century Code is amended and reenacted as follows:

40-57.1-03. Municipality's authority to grant tax exemption or payments in lieu of taxes - Notice to competitors - Limitations.

After negotiation with a potential project operator, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

In addition to, or in lieu of, a property tax exemption granted under this section, a municipality may establish an amount due as payments in lieu of ad valorem taxes on buildings, structures, fixtures, and improvements used in the operation of a project. The governing body of the municipality shall designate the amount of the payments for each year and the beginning year and the concluding year for payments in lieu of taxes, but the option to make payments in lieu of taxes under this section may not extend beyond the twentieth year from the date of commencement of project operations. To establish the amount of payments in lieu of taxes, the governing body of the municipality may use actual or estimated levels of assessment and taxation or may establish payment amounts based on other factors. The governing body of the municipality may designate different amounts of payments in lieu of taxes in different years to recognize future project expansion plans or other considerations.

By November first of each year, the municipality that granted the option to make payments in lieu of taxes shall certify to the county auditor the amount of payments in lieu of taxes due under this section in the following year. After receiving the statement from the municipality, the county auditor shall certify the payments in lieu of taxes to the county treasurer for collection at the time when, and in the manner in which, ad valorem taxes must be certified. Upon receipt by the county treasurer of the amount of payments in lieu of taxes under this section, the county treasurer shall apportion and distribute that amount to taxing districts on the basis on which the general real estate tax levy is apportioned and distributed. The municipality may enter

into a written agreement with the local school district and any other local taxing districts that wish to enter the agreement for an alternate method of apportionment and distribution. If such an agreement is entered into, the county treasurer shall apportion and distribute the money according to the written agreement. All provisions of law relating to enforcement, administration, collection, penalties, and delinquency proceedings for ad valorem taxes apply to payments in lieu of taxes under this section. However, the discount for early payment of taxes under section 57-20-09 does not apply to payments in lieu of taxes under this section. The buildings, structures, fixtures, and improvements comprising a project for which payments in lieu of taxes are allowed under this section must be excluded from the valuation of property in the taxing district for purposes of determining the mill rate for the taxing district.

If a property owned by a local nonprofit development organization and leased to a qualified project operator becomes vacant during the term of an exemption under this chapter, the local nonprofit development organization may apply for and the municipality may grant a partial or complete exemption from ad valorem taxation for the property to allow time for the organization to lease the property to a qualifying project operator.

Negotiations with potential project operators for tax exemption or payments in lieu of taxes must be carried on by the city council or commission if the project is proposed to be located within the boundaries of a city, and by the board of county commissioners if the project is proposed to be located outside the corporate limits of any city. A partial exemption must be stated as a percentage of the total ad valorem taxes assessed against the property. Unless the governing body of the municipality determines that there is no existing business within the municipality for which the potential project would be a competitor, the potential project operator shall publish two notices to competitors, the form of which must be prescribed by the tax commissioner, of the application for tax exemption or payments in lieu of taxes in the official newspaper of the municipality at least one week apart. The publications must be completed not less than fifteen nor more than thirty days before the governing body of the municipality is to consider the application. The municipality shall determine whether the granting of the exemption or payments in lieu of taxes, or both, is in the best interest of the municipality, and if it so determines, shall give its approval.

During the negotiation and deliberation of a property tax exemption or the option to make payments in lieu of taxes under this chapter, a municipality shall include, as nonvoting ex officio members of its governing body, a representative appointed by the school board of each school district affected by the proposed action and a representative appointed by the board of township supervisors of each township affected by the proposed action."

Page 16, line 17, replace "26" with "27"

Page 16, line 22, replace "9" with "10"

Page 16, line 22, replace "18" with "19"

Renumber accordingly

Date: 4-5-11Roll Call Vote # 4

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1018Senate APPROPRIATIONS Committee☐ Check here for Conference Committee11.8160.02002

Legislative Council Amendment Number

Amend 02002Robinson's amend.Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By

Robinson

Seconded By

O'Connell

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg		<input checked="" type="checkbox"/>	Senator Warner	<input checked="" type="checkbox"/>	
Senator Bowman		<input checked="" type="checkbox"/>	Senator O'Connell	<input checked="" type="checkbox"/>	
Senator Grindberg		<input checked="" type="checkbox"/>	Senator Robinson	<input checked="" type="checkbox"/>	
Senator Christmann		<input checked="" type="checkbox"/>			
Senator Wardner		<input checked="" type="checkbox"/>			
Senator Kilzer		<input checked="" type="checkbox"/>			
Senator Fischer		<input checked="" type="checkbox"/>			
Senator Krebsbach	<input checked="" type="checkbox"/>				
Senator Erbele	<input checked="" type="checkbox"/>				
Senator Wanzek	<input checked="" type="checkbox"/>				

Total (Yes) 6 No 7Absent 0Floor Assignment failed

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

Date: 4-5-11Roll Call Vote # 5

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1018Senate APPROPRIATIONS Committee☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment☐ Rerefer to Appropriations ☐ ReconsiderMotion Made By Grindberg Seconded By Christmann

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0Absent 0Floor Assignment Grindberg

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

REPORT OF STANDING COMMITTEE

HB 1018, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1018 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "15-69-07" with "10-30.5-13"

Page 1, line 2, replace "and a new section" with "three new sections"

Page 1, line 3, after "54-60" insert ", a new chapter to title 54, a new subdivision to subsection 7 of section 57-38-30.3, and a new section to chapter 57-38"

Page 1, line 3, replace "the centers of excellence program," with "a small business technology investment program, a"

Page 1, line 4, remove the first "and"

Page 1, line 4, after "fund" insert ", entrepreneurial centers development grants, an electronic portfolio program, centers of research excellence, and income tax credits for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes"

Page 1, line 5, after the second comma insert "15-69-03,"

Page 1, line 8, after the first semicolon insert "to provide for a legislative management study of population growth impact on revenues and reduction of flaring of natural gas; to provide a vaccinology initiative grant;"

Page 1, replace lines 20 and 21 with:

"Salaries and wages	\$10,020,840	\$1,094,688	\$11,115,528
Operating expenses	14,478,272	(245,012)	14,233,260"

Page 1, replace line 23 with:

"Grants	65,411,058	(5,033,064)	60,377,994"
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Page 2, replace lines 5 and 6 with:

"Centers of excellence	0	13,000,000	13,000,000
North Dakota trade office	2,064,000	549,400	2,613,400
Partner programs	2,022,044	100,000	2,122,044"

Page 2, replace line 8 with:

"Total all funds	\$97,672,773	\$36,460,916	\$134,133,689"
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Page 2, replace lines 10 and 11 with:

"Total general fund	\$28,006,303	\$17,492,449	\$45,498,752
Full-time equivalent positions	68.00	1.25	69.25"

Page 2, after line 17, insert:

"American Indian business office	0	100,000"
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Page 2, remove line 22

Page 2, replace line 24 with:

"Child care service providers	0	250,000"
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Page 2, replace line 26 with:

"Centers of excellence	19,500,000	13,000,000
Electronic portfolio pilot project	0	150,000
2020 and beyond	0	50,000"

Page 2, remove line 28

Page 2, replace line 31 with:

"Total all funds	\$99,064,635	\$40,417,088"
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Page 3, replace line 2 with:

"Total general fund	\$30,470,000	\$15,920,338"
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Page 5, after line 6, insert:

"SECTION 4. Section 10-30.5-13 of the North Dakota Century Code is created and enacted as follows:

10-30.5-13. Small business technology investment program.

1. The corporation shall administer a small business technology investment program that provides matching investments to startup technology-based businesses.
2. The following provisions apply to small business technology investments:
 - a. A qualified applicant:
 - (1) Must be a North Dakota business that is at the startup stage;
 - (2) Must be a primary sector business in the technology field; and
 - (3) Shall meet underwriting guidelines established by the corporation.
 - b. Before the corporation distributes funds under this section, the recipient shall provide the department of commerce with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. The matching funds must be cash, must come from a North Dakota angel fund certified under section 57-38-01.26, and may not be an in-kind asset.
3. An investment under this section may not exceed fifty thousand dollars. Eligible use of the investment funds include developing a proof of concept. A recipient may not receive more than one award under this section.
4. An investment under this section is not a business incentive under chapter 54-60.1."

Page 5, after line 27, insert:

"SECTION 6. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. ~~(Effective through July 31, 2011)~~ Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission."

Page 6, line 3, remove the overstrike over "4."

Page 6, line 6, remove the overstrike over "assist with"

Page 6, line 7, remove the overstrike over "~~postaward monitoring as may be requested by the commission.~~"

Page 6, line 11, remove the overstrike over "2. ~~The commission shall meet as necessary to~~"

Page 6, line 14, remove the overstrike over "~~direct the department of commerce~~"

Page 6, line 15, remove the overstrike over "to"

Page 6, line 15, remove "administer the centers of excellence program."

Page 6, line 18, remove the overstrike over "3."

Page 7, line 16, remove the overstrike over "~~For no fewer than six years and no more than ten years following center designation,~~"

Page 7, remove the overstrike over lines 17 and 18

Page 7, line 30, remove the overstrike over "commission's"

Page 7, line 30, remove "department's"

Page 8, line 1, remove the overstrike over "commission"

Page 8, line 1, remove "department"

Page 8, line 2, remove "Effective on"

Page 8, replace lines 3 through 6 with "Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds"

distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
- b. Verification of compliance with the centers of excellence program matching fund requirements;
- c. Verification awarded center funds were used for authorized uses;
- d. Verification the center complied with the center's application timeline and any authorized revisions;
- e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
- f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
- g. Verification of a sample of labor charged to the center; and
- h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences."

Page 8, line 7, remove the overstrike over "~~commission directs the~~"

Page 8, line 7, remove the overstrike over "~~to distribute~~"

Page 8, line 7, remove "distributes"

Page 8, line 8, remove the overstrike over "~~commission~~"

Page 8, line 8, remove "department"

Page 8, line 20, remove the overstrike over "~~commission shall direct the~~"

Page 8, line 20, remove the overstrike over "~~to~~"

Page 8, line 20, remove "shall"

Page 8, line 22, remove the overstrike over "~~commission~~"

Page 8, line 22, remove "department"

Page 8, line 26, remove the overstrike over "~~commission may~~"

Page 8, line 27, remove the overstrike over "~~direct that the~~"

Page 8, line 27, remove "may"

Page 8, line 28, remove the overstrike over "~~commission~~"

Page 8, line 28, remove "department"

Page 9, remove lines 5 through 30

Page 10, remove lines 1 through 7

Page 10, line 27, remove "fourteen thousand dollars per retail"

Page 10, replace lines 28 through 30 with "a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the piping systems and storage components, when blender pumps are installed for a maximum grant of thirty-four thousand dollars per location."

Page 11, remove lines 8 through 10

Page 12, replace lines 13 through 20 with:

"**SECTION 11.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Entrepreneurial centers development grants.

The department shall administer an entrepreneurial centers development grant program to provide grants to institutions under the control of the state board of higher education which are not research universities as defined under section 13 of this Act. The centers of excellence commission established under chapter 15-69 shall make grant award determinations under this section. A recipient's appropriate use of funds may include awarding a grant to establish a new entrepreneurial center within an eligible institution or to enhance the ability of an existing entrepreneurial center to assist an entrepreneur in growing the entrepreneur's businesses. The department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section which may include preference for an applicant that establishes the availability of matching funds. The centers of excellence commission shall consider how a proposed grant award would help achieve the goals outlined in the North Dakota economic development strategic plan.

SECTION 12. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Division of workforce development - Pilot program - Higher education electronic portfolio system.

1. The division of workforce development, the North Dakota university system, job service North Dakota, and representatives of the institutions of higher education under the control of the state board of higher education shall work together to establish a pilot program through which an electronic portfolio system will be implemented by selected institutions of higher education under the control of the state board of higher education in order to address the needs of students, faculty, and employers. The pilot program may include Valley City state university and the North Dakota state college of science. If Valley City state university or the North Dakota state college of science chooses not to participate, any other institution of higher education under the control of the state board of higher education may participate in this pilot program.
2. The pilot program must provide for an electronic portfolio system that:
 - a. Is online;

- b. Is a multimedia system that enables the user to create and manage the user's education and career information;
 - c. Enables students, job seekers, and professionals to showcase education and skills to potential employers;
 - d. Provides for creation of and access to lifelong personal electronic portfolio accounts and services to students, job seekers, and professionals seeking to advance their careers in the state;
 - e. Provides access to job seekers residing outside the state who may be interested in relocating or returning to the state; and
 - f. Allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, experience, and other factors.
3. Under this pilot program, the North Dakota university system, job service North Dakota, and the division of workforce development shall work together to:
- a. Facilitate the effective integration of future workers into the workforce system and to enhance the ability of state and local economic development officials to effectively access North Dakota's skilled workforce through the system; and
 - b. Ensure the system is complementary to the state's workforce system and higher education system.
4. The division of workforce development shall administer the pilot program.

SECTION 13. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

- 1. "Center" means a center of research excellence that has been designated under this chapter.
- 2. "Commission" means the centers of excellence commission as defined under chapter 15-69.
- 3. "Department" means the department of commerce.
- 4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Tourism;
 - e. Value-added agriculture; or
 - f. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.

5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.
2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of a research university institution may be submitted to the department for each round of center funding.
3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outline how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Promote the commercialization of new products and services in industry clusters;
 - f. Become financially self-sustaining; and
 - g. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.

5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds - Postaward monitoring.

1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;

- f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.
- 4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.
- 5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
- 6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
- 7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Eminent researcher recruitment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer an eminent researcher recruitment grant program to provide challenge grants to raise funds to be used by research universities and foundations established to further the work of such research universities in attracting an eminent researcher to join the faculties of the research universities. Under this program, the commission shall make grant award determinations. The commission shall adopt standards relative to the award of a grant under this section which must require that a foundation contribute at least fifty percent and not more than seventy-five percent of the total amount the commission deems necessary to attract an eminent researcher. The commission may revise the contribution formulas at any time in order to maximize the benefits that may result from recruiting one or more eminent researcher in the biennium and depending on the total funds available to the grant program. In determining whether to make a grant award under this section, the commission may consider the existing programs of the North Dakota university system, the necessity for such an eminent researcher, and any duplication the recruitment of the eminent researcher might cause. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Base realignment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer a base realignment grant program to provide grants to a research university or a nonprofit university-related foundation to enhance economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission and infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base. Under this program, the commission shall make grant award determinations. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation.

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SECTION 14. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 15 of this Act.

SECTION 15. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is twenty percent of the costs incurred in the taxable year to purchase manufacturing machinery and equipment for the purpose of automating manufacturing processes. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law.
2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
 - b. "Primary sector business" means a business certified by the department of commerce which, through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth.
3. The taxpayer shall claim the total credit amount for the taxable year in which the manufacturing machinery and equipment are purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.

4. If the amount of the credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the next five succeeding taxable years.
5. The aggregate amount of credits allowed under this section may not exceed two million dollars in any calendar year. Credits subject to this limitation must be determined based upon the date of the qualified purchase.
6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-30.3.
8. The department of commerce shall provide the tax commissioner the name, address, and federal identification number or social security number of the taxpayer approved as qualifying for the credit under this section, and a list of those items that were approved as a qualified expenditure by the department. The taxpayer claiming the credit shall file with the taxpayer's return, on forms prescribed by the tax commissioner, the following information:
 - a. The name, address, and federal identification number or social security number of the taxpayer who made the purchase; and
 - b. An itemization of:
 - (1) Each item of machinery or equipment purchased for automation;
 - (2) The amount paid for each item of machinery or equipment if the amount paid for the machinery or equipment is being used as a basis for calculating the credit; and
 - (3) The date on which payment for the purchase was made.
9. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38."

Page 12, line 23, replace "\$4,935,000" with "\$250,000"

Page 12, remove lines 27 through 31

Page 13, remove lines 1 through 31

Page 14, remove lines 1 and 2

Page 14, line 16, replace "Up to \$665,000 of the" with "The"

Page 14, line 20, replace "\$600,000" with "\$4,000,000"

Page 14, remove line 21

Page 14, line 22, replace "safeguard complex in Nekoma" with "entrepreneurial centers development grants under section 11 of this Act"

Page 14, line 22, replace "department of commerce may use up to \$65,000" with "office of management and budget shall transfer \$1,000,000"

Page 14, line 23, remove "for grants to child care service providers for workforce development, quality improvement,"

Page 14, replace lines 24 and 25 with "to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 4 of this Act."

Page 15, after line 8, insert:

"SECTION 24. EXEMPTION. The amount appropriated for the promotion and marketing of the USS North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013."

Page 15, after line 13, insert:

"SECTION 26. TRANSFER - CENTERS OF RESEARCH EXCELLENCE FUND. The office of management and budget shall transfer the amount appropriated in the centers of excellence line item in section 1 of this Act to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce may use up to \$1,000,000 of the funds transferred to the centers of research excellence fund for eminent researcher recruitment grants. During the biennium beginning July 1, 2011, and ending June 30, 2013, the centers of excellence commission may not award more than one-half of the amount available for centers of research excellence grants, including base realignment grants, to one research university or nonprofit foundation related to that research university."

Page 15, after line 18, insert:

"SECTION 28. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund."

Page 15, after line 28, insert:

"SECTION 30. APPROPRIATION. There is appropriated out of any moneys in the lands and minerals trust fund in the state treasury, not otherwise appropriated, the sum of \$600,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma."

Page 16, after line 15, insert:

"SECTION 32. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research

excellence fund in section 26 of this Act for grants to the North Dakota university system's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the biennium beginning July 1, 2011, and ending June 30, 2013. Up to \$2,700,000 of this amount may be awarded to the university of North Dakota and up to \$1,300,000 to North Dakota state university. The commissioner of commerce shall develop application criteria, review submitted applications, and recommend applications for approval to the centers of excellence commission.

**SECTION 33. NORTH DAKOTA ECONOMIC DEVELOPMENT
FOUNDATION - 2020 AND BEYOND INITIATIVE.**

1. During the 2011-12 interim, the North Dakota economic development foundation shall contract with an organization with North Dakota business membership which is statewide in scope and represents business interests across the state in order to conduct a 2020 and beyond initiative. The 2020 and beyond initiative must include periodic meetings of six legislators appointed by the chairman of the legislative management, with two members of the senate, one of whom must be from the majority party and one of whom must be from the minority party and two members of the house of representatives, one of whom must be from the majority party and one of whom must be from the minority party; individuals representing North Dakota business interests, individuals representing North Dakota education interests, and individuals representing state and local government interests.
2. The 2020 and beyond initiative must:
 - a. Assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends in the state;
 - b. Study and assess successful models of other states and countries in creating economic growth and whether those models could be replicated and improved upon in this state;
 - c. Evaluate the effectiveness of programs and investments in the state designed to develop the state's workforce and to attract and retain businesses in the state;
 - d. Identify impediments to and opportunities for economic growth and job creation in the state;
 - e. Consider what new investments in infrastructure and changes to the state's tax and regulatory environment could be made to maintain and increase the state's standing as a business-friendly state;
 - f. Evaluate the state's higher education model to determine whether maximum opportunities for synergy between public and private sectors are being realized;
 - g. Consider how higher education institutions in the state could spur economic development in the state through innovation, knowledge transfer, and community engagement;
 - h. Find ways to unite public, nonprofit, and business interests behind common goals and solutions for faster, better results; and
 - i. Make recommendations to the North Dakota economic development foundation based on the outcome of the initiative.

3. The legislative members of the 2020 and beyond initiative are entitled to receive compensation and expenses from the legislative council in the same manner as provided for members of the legislative management committees under section 54-35-10.
4. The grants line item in section 1 of this Act includes the sum of \$50,000 from the general fund for providing a grant to implement the 2020 and beyond initiative.

SECTION 34. DEPARTMENT OF COMMERCE GRANT - INSTITUTION OF HIGHER EDUCATION VACCINOLOGY INITIATIVE. Of the funds appropriated in the grants line item in section 1 of this Act, \$50,000 from the general fund may be used by the department of commerce to provide a matching grant to an institution of higher education for a vaccinology initiative. The department shall require one dollar of matching funds from the institution for each one dollar of state funds awarded as a grant.

SECTION 35. LEGISLATIVE MANAGEMENT STUDY - EXAMINATION OF POPULATION GROWTH IMPACT ON REVENUES. During the 2011-12 interim, the legislative management shall consider studying the development of a reliable means of estimating the effect of future population growth on state and local government revenues. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 36. LEGISLATIVE MANAGEMENT STUDY - REDUCTION OF FLARING OF NATURAL GAS. During the 2011-12 interim, the legislative management shall study methods to encourage reduction or restrict allowance of flaring of natural gas. The legislative management may gather input from the tax department, oil and gas division of the industrial commission, state department of health, petroleum industry representatives, and interested members of the public and representatives of political subdivisions to identify and implement a method of reducing flaring of natural gas, including improved methods for capturing or using the natural gas. The interim committee to which this study is assigned shall meet as often as necessary before November 2011 to determine if it is feasible and desirable to seek introduction of legislation to implement any preliminary recommendation of the interim committee during the November 2011 special legislative session. The interim committee shall include in its deliberations an examination of each legislative proposal to reduce flaring of natural gas considered by the sixty-second legislative assembly. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Page 16, line 17, replace "26" with "37"

Page 16, line 19, replace "8" with "9"

Page 16, after line 20, insert:

"SECTION 40. EFFECTIVE DATE - EXPIRATION DATE. Sections 14 and 15 of this Act are effective for the first three taxable years beginning after December 31, 2011, and are thereafter ineffective."

Page 16, line 22, remove "8,"

Page 16, line 22, after the fourth comma insert "10,"

Page 16, line 22, replace "18" with "20"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Department of Commerce - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$10,871,979	\$10,871,979	\$243,549	\$11,115,528
Operating expenses	14,108,260	13,883,260	350,000	14,233,260
Capital assets	70,018	70,018		70,018
Grants	60,627,994	66,262,994	(5,885,000)	60,377,994
North Dakota Development Fund	400,000	250,000		250,000
Discretionary funds	928,082	928,082		928,082
Centers of workforce excellence	2,000,000			
Economic development initiatives	186,846	186,846		186,846
Agriculture Products Utilization Comm	2,739,767	2,739,767		2,739,767
Centers of excellence	13,000,000		13,000,000	13,000,000
North Dakota Trade Office	2,553,000	2,553,000	60,400	2,613,400
Partner programs	2,122,044	2,022,044	100,000	2,122,044
Division of Energy	619,691			
Federal fiscal stimulus funds	24,496,750	24,496,750		24,496,750
Workforce enhancement		2,000,000		2,000,000
Nekoma ABM site acquisition			600,000	600,000
Total all funds	\$134,724,431	\$126,264,740	\$8,468,949	\$134,733,689
Less estimated income	88,634,937	88,634,937	600,000	89,234,937
General fund	\$46,089,494	\$37,629,803	\$7,868,949	\$45,498,752
FTE	70.25	68.25	1.00	69.25

Department No. 601 - Department of Commerce - Detail of Senate Changes

	Adds Funding to ND Trade Office for Increased Lease Rate ¹	Reduces Funding for Child Care Service Provider Grants ²	Restores Funding for Centers of Excellence ³	Adds Funding for Electronic Portfolio Pilot Project ⁴	Restores Funding for American Indian Business Development Office ⁵	Adds Funding for Development Foundation 2020 ⁶
Salaries and wages						
Operating expenses				150,000		
Capital assets						
Grants		(4,685,000)				50,000
North Dakota Development Fund						
Discretionary funds						
Centers of workforce excellence						
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence			13,000,000			
North Dakota Trade Office	60,400					
Partner programs					100,000	
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement						
Nekoma ABM site acquisition						
Total all funds	\$60,400	(\$4,685,000)	\$13,000,000	\$150,000	\$100,000	\$50,000
Less estimated income	0	0	0	0	0	0
General fund	\$60,400	(\$4,685,000)	\$13,000,000	\$150,000	\$100,000	\$50,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Removes Funding for Tourism Infrastructure Grants ⁷	Removes Minot Air Force Base Realignment Grant ⁸	Adds Energy Director and Associated Operating ⁹	Restores Funding for Jobs for America's Graduates Program ¹⁰	Changes Funding Source Nekoma ABM Site Acquisition ¹¹	Total Senate Changes
Salaries and wages			\$243,549			\$243,549
Operating expenses			100,000	100,000		350,000
Capital assets						
Grants	(1,000,000)	(250,000)				(5,885,000)

North Dakota Development Fund						
Discretionary funds						
Centers of workforce excellence						
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence						13,000,000
North Dakota Trade Office						60,400
Partner programs						100,000
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement						
Nekoma ABM site acquisition					600,000	600,000
Total all funds	(\$1,000,000)	(\$250,000)	\$343,549	\$100,000	\$600,000	\$8,468,949
Less estimated income	0	0	0	0	600,000	600,000
General fund	(\$1,000,000)	(\$250,000)	\$343,549	\$100,000	\$0	\$7,868,949
FTE	0.00	0.00	1.00	0.00	0.00	1.00

¹ Funding is added for the North Dakota Trade Office for a lease rate increase from \$2 per square foot to \$8 per square foot.

² One-time funding provided for child care service providers recruitment, training, and retention grants is reduced from \$4,935,000 to \$250,000.

³ One-time funding of \$13 million is restored for the centers of excellence grant program, the same level recommended in the executive budget.

⁴ One-time funding is added for an electronic portfolio pilot project.

⁵ One-time funding of \$100,000 is restored for the American Indian Business Development Office, to provide the same level of funding as included in the executive budget.

⁶ Funding is added for grants relating to a 2020 and beyond initiative to assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends within the state.

⁷ Funding provided by the House to the Division of Tourism for a tourism infrastructure grant is removed.

⁸ Funding provided by the House related to a Minot Air Force Base realignment grant is removed.

⁹ Funding is restored for a director of energy position (\$243,549) and associated operating expenses are added (\$100,000).

¹⁰ Funding from the general fund removed by the House to continue four Jobs for America's Graduates programs previously paid for with federal funds in the 2009-11 biennium is restored.

¹¹ The funding source of a grant to assist in the acquisition of the antiballistic missile (ABM) site at the Stanley R. Mickelson Safeguard Complex in Nekoma is changed from the carryover related to the Great Plains Applied Energy Research Center to the lands and minerals trust fund.

A new section of North Dakota Century Code is created for a small business technology investment program that provides matching investments to startup technology-based businesses.

Statutory provisions relating to centers of excellence are changed to:

- Remove the expiration date of the Centers of Excellence Commission of July 31, 2011, and make other changes and additions relating to postaward monitoring;
- Centers of research excellence and a centers of research excellence fund; and
- Eminent researcher recruitment grants, base realignment grants, and entrepreneurial centers development grants.

A new section to Chapter 54-60 is created to provide a pilot program within higher education for an electronic portfolio system administered by the Division of Workforce Development.

A section is added creating an internship fund.

Authority provided by the House for the Department of Commerce to administer an Innovation 2020 grant program and technology award equity investment program is removed.

A new section is added to provide that \$50,000 from the grants line item may be used as a matching grant for an institution of higher education vaccinology initiative.

Changes are made to the biofuel blender pump incentive program relating to the limits per retail location.

Funding from unspent 2009-11 biennium appropriations for the Great Plains Applied Energy Research Center of \$4 million is provided to the Department of Commerce for entrepreneurial centers development grants, and \$1 million is provided to the Development Fund for providing investments to startup state technology-based businesses.

Funding provided by the House of \$600,000 from the Great Plains Applied Energy Research Center carryover related to a grant to assist in the acquisition of the AMB site at the Stanley R. Mickelson Safeguard Complex in Nekoma is removed. The Senate changed the funding source of this initiative to the lands and minerals trust fund.

Funding provided by the House of \$65,000 from the Great Plains Applied Energy Research Center carryover related to a grant to child care service providers for workforce development quality improvement, technical assistance, and capacity building in collaboration with the Department of Human Services under Section 50-11.1-14.1 is removed.

A centers of research excellence fund is created, and the bill provides for a transfer of the \$13 million provided for centers of excellence to this fund. Of the funding provided, \$1 million is for eminent researcher recruitment grants and \$4 million for grants related to limited deployment-cooperative airspace projects (\$2.7 million to the University of North Dakota and \$1.3 million to North Dakota State University).

Sections are added to provide an income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

A section is added authorizing unexpended amounts from the 2009-11 biennium appropriation of \$100,000 for the USS *North Dakota* to continue into the 2011-13 biennium.

A section is added to provide for a Legislative Management study of the impact of future population growth on state and local government revenues.

A section is added to provide for a Legislative Management study of gas flaring issues.

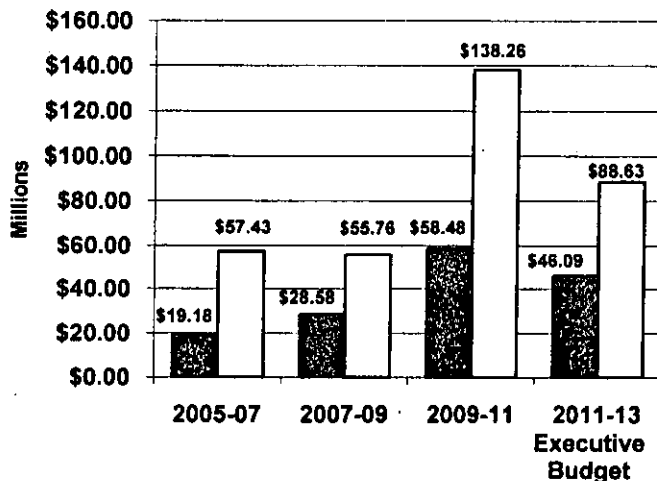
2011 TESTIMONY

HB 1018

Department 601 - Department of Commerce
House Bill No. 1018

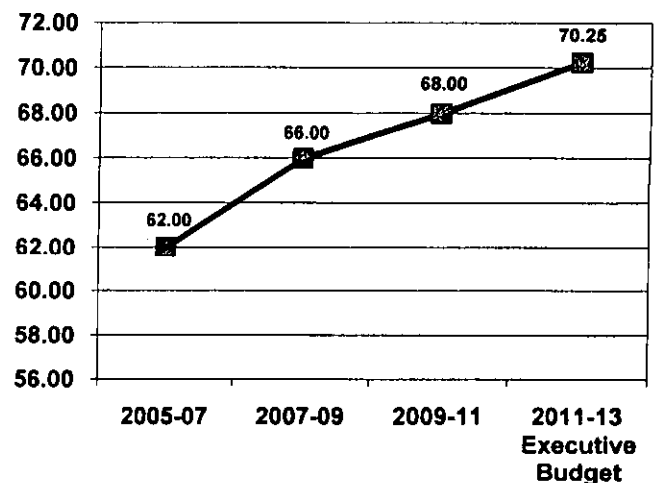
	FTE Positions	General Fund	Other Funds	Total
2011-13 Executive Budget	70.25	\$46,089,494	\$88,634,937	\$134,724,431
2009-11 Legislative Appropriations	68.00	58,476,303	138,261,105	196,737,408
Increase (Decrease)	2.25	(\$12,386,809)	(\$49,626,168)	(\$62,012,977)

Agency Funding



■ General Fund □ Other Funds

FTE Positions



Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2011-13 Executive Budget	\$29,794,156	\$16,295,338	\$46,089,494
2009-11 Legislative Appropriations	30,056,303	28,420,000	58,476,303
Increase (Decrease)	(\$262,147)	(\$12,124,662)	(\$12,386,809)

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Removes one-time funding provided in the 2009-11 biennium relating to the workforce excellence fund (\$1 million), biofuel blender pumps (\$1 million), promotion and marketing of the USS <i>North Dakota</i> (\$100,000), child care grants and loans (\$1.82 million), centers of excellence (\$19.45 million), the Great Plains Applied Energy Research Center (\$5 million), and the equine processing study (\$50,000)	(\$28,420,000)		(\$28,420,000)
2. Removes one-time federal fiscal stimulus funding provided in the 2009-11 biennium relating to the community development block grant program (\$1.3 million), community services block grant (\$4.85 million), state energy program (\$24.6 million), energy efficiency and conservation block grants (\$10 million), weatherization assistance program (\$25.3 million), and emergency shelter grants (\$2.6 million)		(\$68,594,635)	(\$68,594,635)
3. Adds one-time funding for statewide marketing effort of the WorkKeys program	\$125,000		\$125,000
4. Adds one-time funding for child care development grants	\$150,000		\$150,000
5. Adds one-time funding for child care facility grants and loans	\$920,338		\$920,338
6. Adds one-time funding for the American Indian Business Office	\$100,000		\$100,000

7. Adds one-time federal funding for carryover of American Recovery and Reinvestment Act of 2009 grant awards that are still available in the 2011-13 biennium. Affected programs include the United States Department of Energy low-income weatherization assistance program (\$9.1 million), state energy program (\$9 million), energy efficiency (\$4.9 million), homeless prevention and rapid rehousing program (\$1.25 million), and community development block grant (\$200,000).		\$24,496,750	\$24,496,750
8. Adds one-time funding for centers of excellence	\$15,000,000		\$15,000,000
9. Provides for the continuation of the 2009-11 biennium \$5 million general fund appropriation provided to the Department of Commerce for a grant to the Great Plains Applied Energy Research Center to the 2011-13 biennium. Any unexpended funds are to be transferred to the centers of excellence fund for centers of entrepreneurship excellence grants.			
10. Adds funding for four Jobs for America's Graduates programs, which received federal funding in the 2009-11 biennium	\$100,000		\$100,000
11. Removes 2009-11 biennium grant funding for the Lewis and Clark Foundation (\$150,000) and Theodore Roosevelt Medora Foundation (\$500,000)	(\$2,000,000)		(\$2,000,000)
12. Removes funding for changes in operating expenses	\$2,556	(\$6,137,248)	(\$6,134,692)
13. Adds funding to create a Division of Energy, including an energy director position (\$243,549), program manager position (\$125,216), and operating expenses (\$250,925)	\$619,690		\$619,690

Other Sections in Bill

Section 3 extends the expiration of financing to early childhood facilities from the Development Fund from July 31, 2011, to July 31, 2013.

Sections 4 through 8 extend the expiration of the centers of excellence program from July 31, 2011, to July 31, 2021.

Section 8 amends North Dakota Century Code Section 15-69-05 to provide an alternative review methodology other than requiring an annual audit on centers of excellence programs and to remove the limit on the amount available for administrative expenses from the centers of excellence fund.

Section 9 changes the purpose of the centers of excellence fund to include implementing and administering the centers of excellence, centers of research excellence, and centers of entrepreneurship excellence programs.

Sections 10 and 33 reestablish the biofuel blender pump incentive program that expired on November 30, 2010. The program is to be administered by the Department of Commerce to provide cost-share grants up to \$5,000 per pump to motor fuel retailers for the installation of biofuel blender pumps and associated equipment at retail locations. Section 33 of House Bill No. 1018 establishes an expiration date of July 31, 2013, for Section 10.

Section 11 creates a new chapter to Title 54 to establish a centers of research excellence grant program and eminent researcher recruitment grant program.

Section 12 amends Section 54-44.5-09 to establish the office of renewable energy and efficiency within the Department of Commerce rather than in the Division of Community Services.

Section 13 creates a new section to Chapter 54-60 to create an internship fund and provide a continuing appropriation.

Section 14 creates a new section to Chapter 54-60 to create a centers of entrepreneurship excellence grants program.

Sections 15 through 17 amend Section 54-60-21 to reestablish the Workforce Enhancement Council as the Centers of Workforce Excellence Council.

Sections 18, 19, and 22 through 24 allow unexpended amounts from the following 2009-11 biennium appropriations to continue into the 2011-13 biennium:

Agricultural Products Utilization Commission (2009 S.L., ch. 46, §1)

Discretionary funds (line item 2009 S.L., ch. 46, §1)

Technology-based entrepreneurship grant program (grants line item 2009 S.L., ch. 46, §1)

Early childhood facility grants (2009 S.L., ch. 108, §6)

Biofuel blender pump incentive program (2009 S.L., ch. 46, §§1 and 2)

Sections 20 and 21 allow unexpended amounts from the following 2009-11 biennium appropriations to continue into the 2011-13 biennium and be transferred into the listed fund:

Internships (operating expenses line item 2009 S.L., ch. 46, §1) transfers to the internship fund at the end of the 2011-13 biennium.

Great Plains Applied Energy Research Center (2009 S.L., ch. 46, §1) transfers remaining \$5 million to the centers of excellence fund on June 30, 2011, for the purpose of providing funding for centers of research excellence and centers of entrepreneurship excellence (up to \$5 million) awarded projects.

Sections 2 through 28 provide for the following transfers:

Centers of workforce excellence line item in Section 1 of House Bill No. 1018 to the centers of workforce excellence fund.

Centers of excellence line item in Section 1 of House Bill No. 1018 to the centers of excellence fund for the purpose of implementing and administering the centers of research excellence grants (up to \$2 million for eminent researcher recruitment grants) and centers of research excellence infrastructure grants.

Workforce enhancement fund to the centers of workforce excellence fund.

Unexpended funds from the workforce enhancement fund to the centers of workforce excellence fund at the end of the 2009-11 biennium.

North Dakota Development Fund line item (\$400,000) in Section 1 of House Bill No. 1018 to the North Dakota Development Fund for the purpose of providing financing to early childhood facilities.

Section 29 provides that the Department of Commerce may spend 70 percent of funding appropriated to the North Dakota Trade Office (\$2,553,000) without requiring matching funds from the Trade Office. Additional amounts may be spent only to the extent that the Trade Office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department for the 2011-13 biennium.

Section 30 allows the department to use up to \$3 million from the centers of excellence fund for centers of research excellence infrastructure grants in the 2011-13 biennium.

Section 31 provides \$150,000 for providing grants to individuals seeking a child development associate credential (up to \$1,200) in the 2011-13 biennium.

Section 32 provides grants to early childhood facilities (\$920,338) of up to \$5,000 for infrastructure and \$10,000 for technical assistance or a business plan and requires \$1 match for every \$3 grant funds.

Section 34 declares funding of \$900,000 in the operating expenses line item in Section 1 relating to the Operation Intern program and Sections 10, 13, and 21 are declared to be an emergency.

Continuing Appropriations

Ethanol production incentive fund - North Dakota Century Code Section 17-02-05 - This continuing appropriation allows for payments of ethanol production incentives to North Dakota ethanol plants.

Beginning Again North Dakota pilot program - Section 54-60-20 - Funds received from public and private sources for the Beginning Again North Dakota pilot program are appropriated on a continuing basis to the Department of Commerce for the program. The program and the continuing appropriation are effective through June 30, 2009.

Workforce enhancement fund - Section 54-60-23 - All funds in the workforce enhancement fund are appropriated to the Department of Commerce on a continuing basis for implementing and administering the Workforce Enhancement Council and workforce enhancement grants to higher education institutions assigned primary responsibility for workforce training.

Community development loan fund - Section 54-44.5-05 - This continuing appropriation allows for the expenditures of community development block grant revolving loan funds.

Significant Audit Findings

None.

Major Related Legislation

House Bill No. 1057 - Angel fund investment tax credit - Amends and reenacts Section 57-38-01.26 relating to the angel fund investment tax credit, provides a report to the Legislative Management, and provides an effective date and expiration date.

House Bill No. 1058 - Innovation 2020 award - Creates a new section to Chapter 54-60 relating to a Department of Commerce Innovation 2020 grant program for university entrepreneurs and provides an appropriation of \$500,000 from the general fund.

House Bill No. 1059 - Technology award grant program - Creates a new section to Chapter 10-30.5 relating to the North Dakota Development Fund, Inc., providing matching grants for technology startup businesses and provides an appropriation of \$500,000 from the general fund.

House Bill No. 1060 - Reporting requirements of a centers of excellence - Amends and reenacts Section 15-69-05(2) relating to the reporting requirements of a center of excellence.

Senate Bill No. 2057 - Centers of workforce excellence, centers of entrepreneurship excellence, centers of research excellence, and Experimental Program to Stimulate Competitive Research (EPSCoR) - Provides funding for the centers of workforce excellence (CWE) (\$2 million), centers of entrepreneurship excellence (CEE) (\$5 million), and centers of research excellence (CRE) (\$10 million for the CRE grants, \$4 million for infrastructure grants, and \$2 million for the eminent researcher recruitment challenge grant program); and funding for the EPSCoR program (\$10 million to the University System).

Senate Bill No. 2059 - Technology impact zones - Creates a new section to Chapter 54-60 relating to the creation of a technology impact zone program; provides a continuing appropriation; and an expiration date of July 31, 2023.

HB 1018
Attachment # 1
1/13/11
Move

FOR HOUSE APPROPRIATIONS COMMITTEE MINUTES

~~It was moved by _____, seconded by _____, and carried that the information, including summaries, minutes, and testimony received during the community services block grant hearing, be provided to the legislative leadership and members of the House Appropriations Committee and upon request to other interested persons to help them analyze the portion of the Department of Commerce's budget request involving the community services block grant revenues and that copies of such information be kept in the House Appropriations Committee files for future reference.~~

FOR HOUSE JOURNAL

Mr. Speaker: On Thursday, January 13, 2011, the House Appropriations Committee - Education and Environment Division held a hearing on the community services block grant moneys anticipated by the Department of Commerce during the period beginning October 1, 2011, and ending September 30, 2013. If any member of the Legislative Assembly desires copies of the minutes and testimony presented to the House Appropriations Committee during the block grant hearing, the House Appropriations Committee clerk will make copies available to you. I inform you about the availability of the information at this time, since your approval or disapproval of the appropriation for the Department of Commerce includes the legislative action regarding the use of the federal block grant funds.

*HB 1018- Dept. of
Attachment 1 Commerce
appendix 1
1/13/11*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 20, after line 30 insert:

"SECTION 25. EXEMPTION. The amount appropriated for the promotion and marketing of the U.S.S. North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013."

Page 21, after line 20 insert:

"SECTION 29. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriation in the operating expenses line item in section 1 to the internship fund."

Renumber accordingly



Community Services Economic Development & Finance Tourism Workforce Development

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

JANUARY 13, 2010, 9:00 A.M.

HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION

SAKAKAWEA ROOM

REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

1. 9:00 am – Paul Govig, Interim Commissioner
 - Overview of the Department of Commerce
2. 9:10 am – Jim Boyd, Interim Director, the Division of Community Services
 - Discussion of Community Services Programs and Budget followed by questions
3. 9:20 am – Sara Otte Coleman, Director, the Division of Tourism
 - Discussion of Tourism Programs and Budget followed by questions
4. 9:30 am – Beth Zander, Director, the Division of Workforce Development
 - Discussion of Workforce Development Programs and Budget followed by questions
5. 9:40 am – Paul Lucy, Director, the Division of Economic Development & Finance
 - Discussion of Economic Development Programs and Budget followed by questions
6. 9:50 am – Tracy Finneman, Marketing Manager
 - Discussion of Marketing Programs and Budget followed by questions
7. 10:00 am – Justin Dever, Manager, Office of Innovation and Entrepreneurship
 - Discussion of Innovation and Entrepreneurship Programs and Budget followed by questions
8. 10:05 am – Mark Nisbet, Centers of Excellence Commission
 - Discussion of Centers of Excellence followed by questions
9. 10:15 am – Dean Gorder, North Dakota Trade Office
10. 10:25 am – Overview of Partner Programs including:
 - Rural Development Council / Center for Technology & Business
 - American Indian Business Development Office
 - Small Business Development Centers
 - Dakota Manufacturing Extension Partnership
11. 10:30 am – Discussion of Proposed Division of Energy
12. 10:40 am – Partner & Public Testimony
13. 11:30 am – Conclusion

"We lead North Dakota's efforts to attract, retain and expand wealth."

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HB 1018
Dept. of Commerce
1/13/11
attachment #2

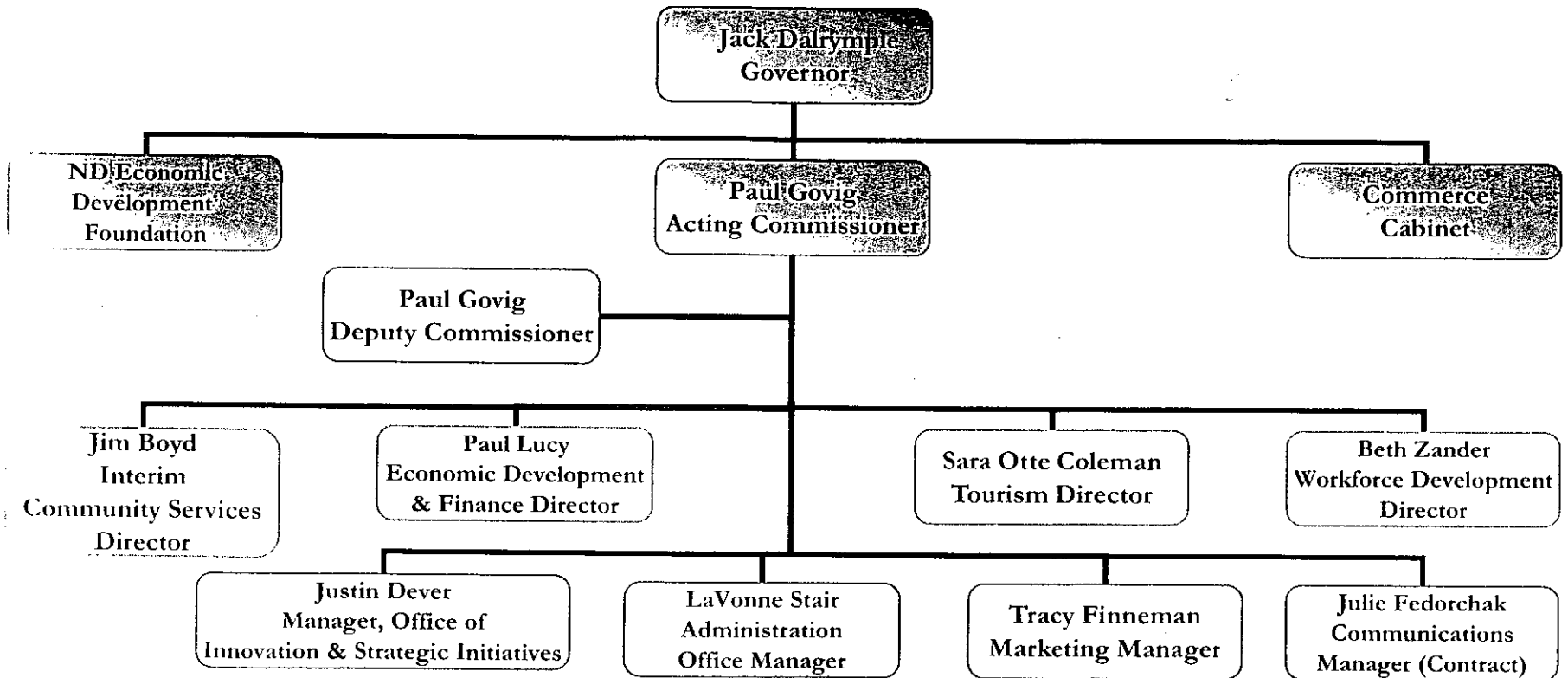


Commerce Overview

IN THIS SECTION:

- Paul Govig's Testimony
- Budget Spreadsheets
- Organizational Charts
- Marketing Testimony
- Innovation & Entrepreneurship Testimony
- Centers of Excellence Testimony
- Centers of Excellence Report

Department of Commerce Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

PAUL GOVIG – ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, good afternoon. I am Paul Govig, Acting Commissioner of the North Dakota Department of Commerce, and I am here before you today in support of HB 1018, the 2011-13 budget for the Department of Commerce.

The Department of Commerce was created in 2001 by combining three agencies – Economic Development & Finance, Tourism, and the Division of Community Services – and creating a Division of Workforce Development.

The Vision of the Department of Commerce is to improve the quality of life for the people of North Dakota. Of course, many other state agencies share that same vision. What makes the Department of Commerce unique is our mission. We lead the state's efforts to attract, expand, and retain wealth. And by the term "wealth" I mean not only business wealth, but also wealth found in the take-home pay of our workers and their families, wealth found in our state and community infrastructure, wealth found in the education level and skills of our workforce, and wealth found in our vast natural and cultural resources that, coupled with our unique amenities, serves to attract both visitors and workers to this state.

Requested Information

You have specifically requested information concerning:

- Review of any financial audit findings included in the most recent audit or our department and action taken to address each finding
- Budget-specific information relating to:
 - 2009-11 appropriation
 - Estimated 2009-11 spending
 - 2011-13 budget needs
 - 2011-13 one-time spending needs
 - Major variances

Financial Audit Findings

We had one finding from our most recent fiscal audit and that involved a software purchase for the Weatherization program. Federal funds were available for the purchase but we lacked the spending authority. We have taken corrective action and implemented additional safeguards to prevent this from occurring again.

Budget Specific Information

We created a spreadsheet to directly address the requested budget-specific information. Let me walk you through this information.

The first column in this spreadsheet highlights the 2009-11 appropriation by divisions or program area, and one-time funding items. The second column lists what we estimate will be our actual expenditures for the current biennium.

One-time funding items included in our 2009-11 appropriation included:

Workforce Enhancement Grants	\$1,000,000
Biofuel Blender Pumps	\$1,000,000
Promotion and Marketing of U.S.S. North Dakota	\$100,000
Lewis and Clark Foundation grant	\$1,500,000
Theodore Roosevelt Medora Foundation grant	\$500,000
Child care facilities grants and loans	\$1,820,000
Centers of Excellence	\$19,500,000
Great Plains Applied Energy Research Center	\$5,000,000
Equine Processing Study	\$50,000
Federal fiscal stimulus	\$68,594,635

2011-13 Budget Needs and Variances

The next column lists the 2011-13 recommendation. The fourth column on the spreadsheet includes a listing of the major variances between the 2009-11 appropriation and the 2011-13 recommendation. Commerce Administration is recommended to receive an additional \$425,805. The budget removes carryover authority of \$535,200. The budget recommendation includes an additional \$489,000 for the Trade Office and \$100,000 to the North Dakota American Indian Business Development Office. Dean Gorder, director of the North Dakota Trade Office will provide testimony a little later to describe this request. There are also additional funds for salary equity adjustments.

The Office of Innovation & Entrepreneurship shows a decrease of nearly \$7 million. This is because the general fund appropriation for Centers of Excellence is decreased from \$20 million in the current biennium to \$13 million in this budget recommendation. This decrease is partially made up by the carry-over of \$5 million from the funding for the Great Plains Applied Energy Research Center.

The Tourism Division has a decrease of nearly \$2 million. This includes the removal of \$100,000 in funding for the U.S.S. North Dakota promotion; \$1,500,000 for the Lewis & Clark Foundation; and \$500,000 for the Theodore Roosevelt Medora Foundation. There are included funds for salary adjustments.

The Workforce Development Division has an increase of \$1,681,144 including an increase of \$1,000,000 for Centers of Workforce Excellence (formerly called Workforce Enhancement Grants), which will bring the total program to \$2 million. This \$2 million appropriation level

was also recommended by the interim Workforce Committee as included in SB 2057. Other increases in the Workforce Development Division include \$100,000 for the Jobs for America's Graduates (JAG) program; \$125,000 work WorkKeys; \$150,000 for grants to obtain child development credentials; and funding for salary increases.

The Economic Development & Finance Division budget has a net decrease of \$1,444,341. This includes the removal of \$459,038 in carryover authority; a decrease of \$899,700 in funds for child care loans administered by the ND Development Fund; and \$50,000 for the equine processing study. Funding for salary increases is included.

The Division of Community Services has a net decrease of \$56,716,901 – mostly comprised of decreased ARRA funds. The changes include the removal of \$1,000,000 for the alternative energy program; \$5,000,000 for the Great Plains Applied Energy Research Center; a decreased federal fund request of \$5,750,000; and a decrease of ARRA funds of \$44,971,743. Funding for salary increases is included.

The proposed Energy Division budget is \$619,691. This includes a request for two additional FTEs with salaries of \$368,765 and \$250,926 for operating costs. More information about this proposed division will be discussed at a later time in our testimony.

One-time Spending Needs

We also have one-time funding items included in our budget recommendation for the 2011-13 biennium. These include the following:

- \$2.0 million for the Centers of Workforce Excellence Fund. These are match dollars to the state's four 2-year institutions to enable them to expand programs and recruit students to meet critical workforce training needs.
- \$125,000 for WorkKeys
- \$150,000 for child care credential grants
- \$100,000 for the American Indian Business Development Office
- \$920,338 for childcare grants and loans
- \$13.0 million for Centers of Excellence
- \$24,496,750 spending authority for federal fiscal stimulus

Requested Carry-over Authority

HB 1018 includes requests for carry-over authority. In most cases the requests are for programs that may commit funds in the current biennium, but in order to provide adequate accountability we would like to provide the funds on a reimbursement basis in the next biennium. The requests that fall into this category include:

- Agricultural Products Utilization Commission grants (Section 18)
- Discretionary Funds line item (Section 19)
- Technology-based Entrepreneurship Grants (Section 21)
- Child care grants (Section 22)

We are also requesting the creation of an internship fund for the Operation Intern program. This fund is created in section 13 and any remaining funds from the 2009-11 biennium are transferred into this fund in section 20. The most opportune time for students to participate in internships is during the summer, which in odd number years will span two bienniums. A continuing appropriation fund will make it easier for us to deal with these situations.

Another carry-over authority request is for the biofuel blender pump program, contained in section 24. This program was authorized by the legislature in 2009 and had a sunset date of November 30, 2010. We are requesting that this program be extended into the next biennium with the remaining funds that were not expended prior to the sunset date.

A final carry-over authority request is for the \$5 million originally appropriated for the Great Plains Applied Energy Research Center during the 2009-11 biennium. The project was not pursued and the funds weren't spent. The budget recommendation requests that these funds be carried over to the 2011-13 biennium and used for Centers of Excellence.

Commerce Department Highlights

Behind each of the tabs we have written testimony from the four division directors and our partners that we fund in order to broadly cover the scope of Commerce activities, and in particular provide you details concerning our results and our budget requests. The written testimony also includes organizational charts for each of the divisions and offices within the Department of Commerce. Each of the Divisions' organizational charts is on the back side of their tab and the offices' charts are located in the Commerce Overview section.

That concludes my overview of the Department of Commerce. I would welcome any questions you may have at this time.

Department of Commerce
December 15, 2010

	2009-2011 Appropriation	2009-2011 Estimated Expenditures	2011-2013 Recommendation	Major Variances
Commerce Administration	\$ 10,205,420	\$ 10,055,420	\$ 10,631,225	\$ 425,805
One-time: American Indian Business Development Office			\$ 100,000	
Innovation & Strategic Initiatives	\$ 21,976,641	\$ 21,521,641	\$ 15,088,614	\$ (6,888,027)
One-time: Centers of Excellence	\$ 20,000,000		\$ 13,000,000	
Tourism	\$ 11,569,674	\$ 11,356,674	\$ 9,572,946	\$ (1,996,728)
One-time: Promotion and marketing of the U.S.S. North Dakota	\$ 100,000		\$ -	
One-time: Lewis and Clark Foundation grant	\$ 1,500,000		\$ -	
One-time: Theodore Roosevelt Medora Foundation grant	\$ 500,000		\$ -	
Workforce Development	\$ 3,768,852	\$ 3,383,852	\$ 5,449,996	\$ 1,681,144
One-time: Workforce Excellence fund	\$ 1,000,000		\$ 2,000,000	
One-time: WorkKeys	\$ -		\$ 125,000	
One-time: Child care provider credential grants	\$ -		\$ 150,000	
Economic Development & Finance	\$ 8,374,714	\$ 7,199,175	\$ 6,930,373	\$ (1,444,341)
One-time: ND Development Fund - Child care loans	\$ 1,250,000		\$ 400,000	
One-time: Equine processing facility study	\$ 50,000		\$ -	
Community Services	\$ 143,148,487	\$ 95,710,626	\$ 86,431,586	\$ (56,716,901)
One-time: Biofuel Blender Pumps	\$ 1,000,000			
One-time: Child care grants	\$ 500,000		\$ 520,338	
One-time: Great Plains Applied Energy Research Center	\$ 5,000,000		\$ -	
One-time: Federal fiscal stimulus	\$ 68,594,635		\$ 24,496,750	
Energy Division			\$ 619,690	\$ 619,690
Total	\$ 298,538,423	\$ 149,227,388	\$ 175,516,518	\$ (64,319,358)
General Funds	\$ 59,470,541	\$ 54,320,541	\$ 46,089,494	\$ (13,381,047)
Federal Funds	\$ 130,258,489	\$ 91,180,943	\$ 79,868,602	\$ (50,389,887)
Special Funds	\$ 9,314,758	\$ 3,725,903	\$ 8,766,335	\$ (548,423)
Total	\$ 199,043,788	\$ 149,227,387	\$ 134,724,431	\$ (64,319,358)

P.5

Variances

Commerce

removes carryover authority of \$535,200
adds \$489,000 to the Trade Office
adds \$100,000 to the Native American Program
adds funding for salary increases

Innovate

removes COE funding of 20,000,000
adds COE funding of 13,000,000
adds funding for salary increases

Tourism

removes USS Bismarck funding of \$100,000
removes Lewis & Clark Foundation funding of \$1,500,000
removes Theodore Roosevelt Medora Foundation funding of \$500,000
adds funding for salary increases

WFD

removes funding for Workforce Enhancement Fund of \$1,000,000
adds \$100,000 to the JAG program
adds \$2,000,000 to the Workforce Enhancement Fund
adds \$125,000 for work keys
adds \$150,000 for grants to obtain child development credentials
adds funding for salary increases

ED&F

removes carryover authority of \$459,038
removes development fund childcare loans \$1,299,700
removes equine study \$50,000
adds \$400,000 for childcare loans to the development fund
adds funding for salary increases

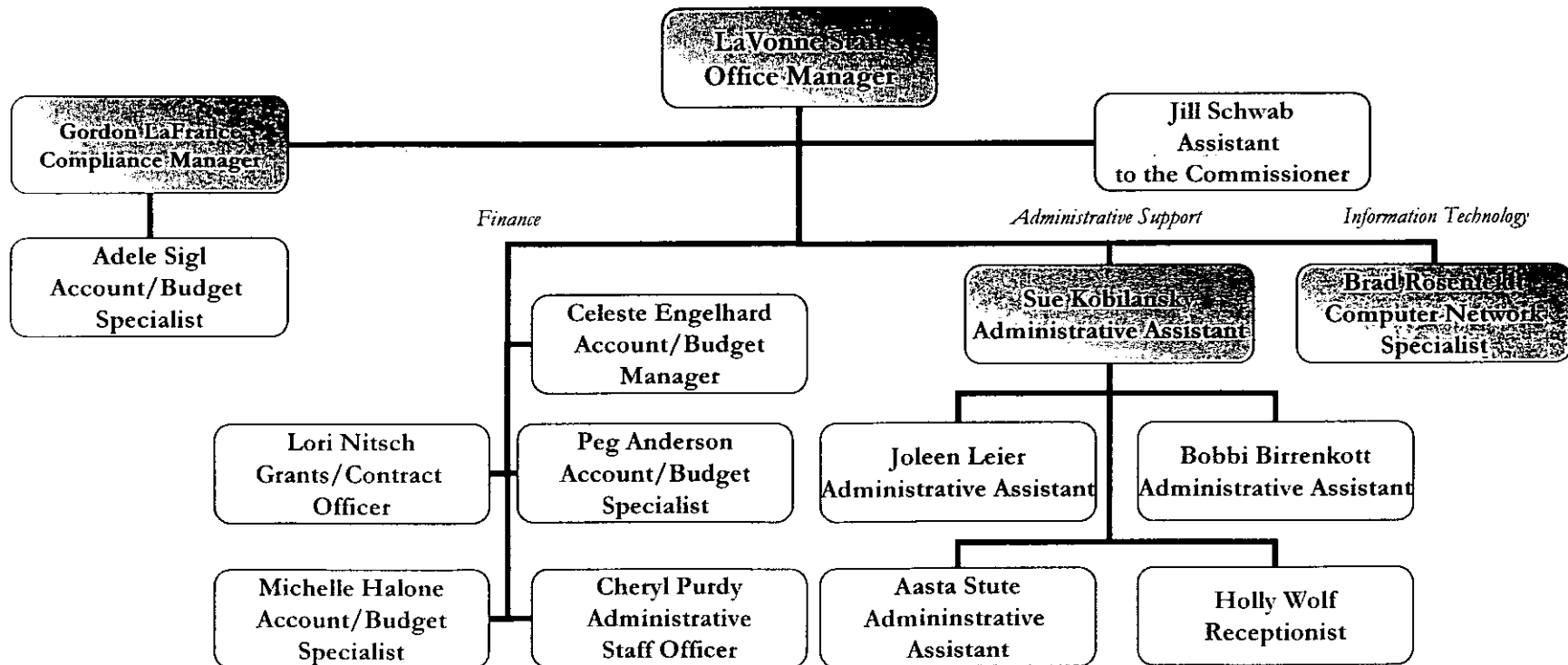
DCS

removes \$1,000,000 for alternative energy program
removes \$520,300, for childcare grants
removes \$5,000,000 for great plains research center
removes \$69,468,493 for ARRA funds
decreased federal fund request by \$5,750,000
adds \$520,338 for childcare grants
adds \$24,496,750 for ARRA funds
's funding for salary increases

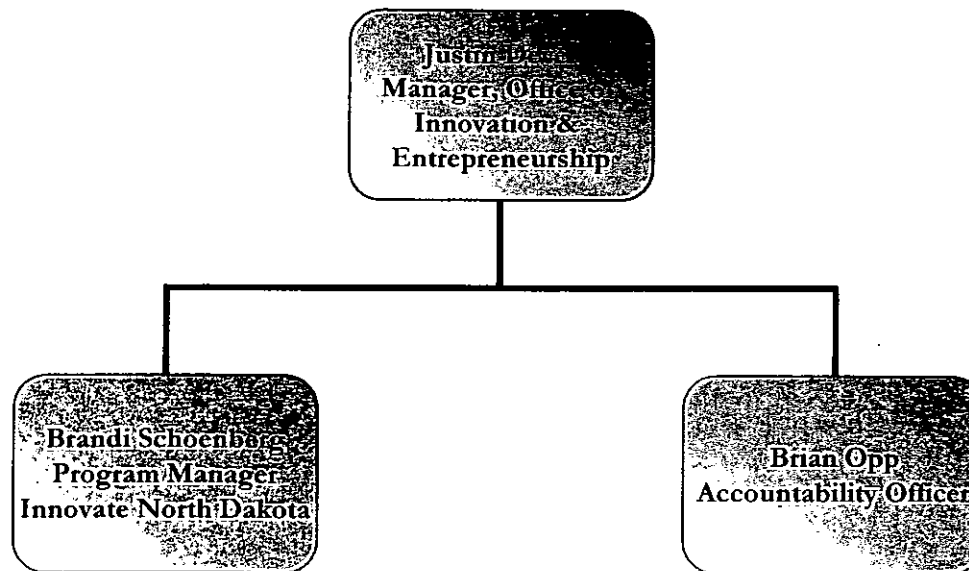
Energy

adds \$368,765 for salaries
adds \$250,926 for operating

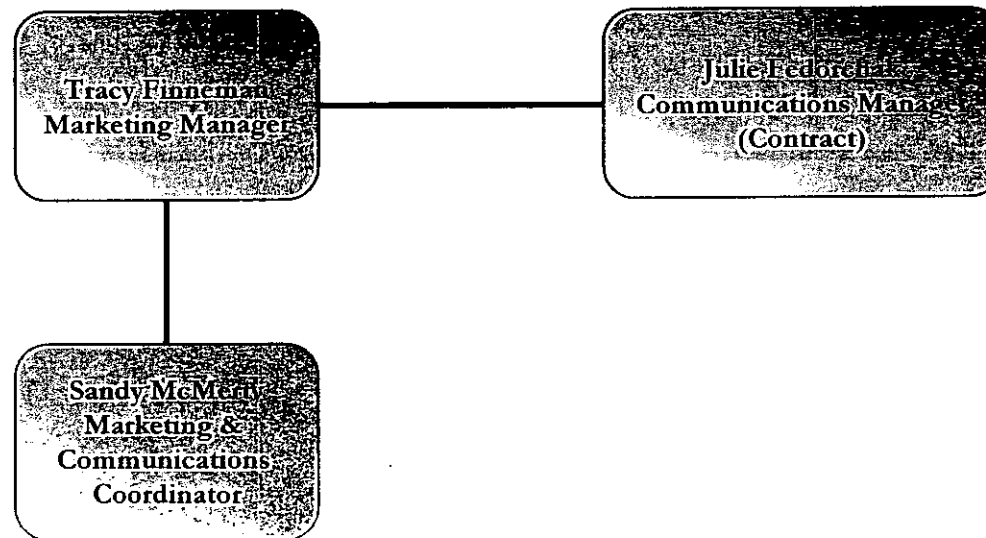
Administration Organizational Chart



Office of Innovation & Entrepreneurship Organizational Chart



Office of Marketing & Communications Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

TRACY FINNEMAN – MARKETING MANAGER

Chairman Skarphol, members of the Committee, my name is Tracy Finneman. I am the Marketing Manager at the North Dakota Department of Commerce, and I'm here today to testify in support of the Commerce appropriations bill HB1018. Specifically, my role is to provide information and results regarding our marketing and communications efforts at Commerce.

The Commerce marketing and communications program serves three primary functions: public information, accountability and promotion.

1. First, we inform our partners in economic and community development organizations, and in the general public about Commerce programs and services and how they can access them.
2. Second, we hold ourselves accountable by distributing results about our activities to help policy makers and North Dakota citizens see how public tax dollars are being used.
3. Third, we enhance North Dakota's image through promotion and marketing efforts that focus on North Dakota as a great place to live, work, play and be in business.

We use a variety of tools in each of these areas. A few important strategies you may have seen in action include:

- News releases, newsletters, news conferences: In 2009, Commerce distributed 125 news releases. We write and distribute five different electronic newsletters on varying cycles, and we coordinate news conferences with partners whenever a program or service rises to that level of importance.
- Media response and media outreach: On average, we respond to media inquiries three out of five business days a week; that's nearly 200 media contacts a year! Our earned media placement program – pitching stories to top-tier national and international media – has garnered page 1 or top billing in the Wall Street Journal, New York Times, BBC Radio, Bloomberg, NBC Nightly News, ABC Nightly News and Fox Business, just to name a few.
- Digital Communications and Social Media: The public today is real-time and tech-savvy. We continuously research and survey our partners so we provide information in a format that works best for them. Through social media, we can provide real-time information to the public as well as forward good news about North Dakota farther and faster than we ever could before. For example: The testimony I read today could have been posted on our website; I could have tweeted it to Twitter before taking the podium; and if I took 30

seconds, I could snap your picture and upload it to our Facebook page and reach many of our influencers in moments. We're incorporating this integrated media approach with many of our marketing and communication efforts.

- **Influencers:** We all know a personal referral is the best marketing tool. At Commerce we currently leverage 6,500+ North Dakota Ambassadors – influencers if you will – and their subsequent connections through our social networks to extend the reach of our key messages.

That takes us to results. All of these efforts are clearly important, but what makes them vital is the results they generate. Here are three quick high points:

1. The number of media inquiries we receive at Commerce has grown by 10 percent each of the last five years.
2. We've tracked over 150 POSITIVE earned media placements in 2009 and the first half of 2010 – all in top tier media outlets. (In case you're interested, the value of this one marketing strategy is more than double our entire program budget.)
3. We were contacted this past summer by the editors of Delta Sky magazine. They were interested in doing a piece on North Dakota. That piece became a 30-page feature in the October issue and stayed in every plane, in front of more than 5 million readers for 31 days. American Airlines followed suit with a feature article appearing in their December in-flight magazine.

One final area managed through the Commerce Marketing and Communications team is the Partners in Marketing grant program, which makes available \$250,000 for local economic development organizations to effectively market their communities and regions for primary sector business and workforce recruitment. In our current biennium, we've already committed nearly 90 percent of the funds to 31 city and county economic development organizations statewide.

In summary, the Commerce marketing and communications program serves three primary functions: inform our partners, hold ourselves accountable and enhance North Dakota's image.

I'd be happy to answer any questions you have.

Thank you.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SÁKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

JUSTIN DEVER – MANAGER OF OFFICE OF INNOVATION AND ENTREPRENEURSHIP, ND
DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, good afternoon. I am Justin Dever, Manager of the Office of Innovation and Entrepreneurship for the North Dakota Department of Commerce, and I am here before you today to provide information on the innovation and entrepreneurship initiatives included within HB 1018.

The Office of Innovation and Entrepreneurship was formed in May, 2007, to manage the Centers of Excellence and Innovate North Dakota programs. During the 2009 session, the department was given a new technology-based entrepreneurship grant program, which is also managed by this office. This office includes 3 staff members: myself as manager, a program manager for the Innovate ND program, and an accountability officer for the Centers of Excellence program.

Innovate North Dakota

Innovate ND was launched in the fall of 2006 in to provide a pathway for new and existing entrepreneurs, with ideas for product or service innovations. Coaching, training, and incentives are provided that help them develop their concepts and ready them for a pitch to the investment and financial communities. In the current biennium, Innovate ND has had 202 business ideas submitted with a total of 387 people participating in the program. There are currently 100 new businesses in operation or development in the state that have participated in Innovate ND program. Since its inception, we've helped 350 teams with a total of 700 participants.

The state funds for Innovate ND are used for educational content, technical assistance provided to participants by our partners, and program administration. The prize money awarded to the Idea Champions is provided by the sponsors of the program.

Centers of Excellence

This office also carries out critical functions for the Centers of Excellence program. We manage the application, review and award process, as well as monitor the Centers for their results in meeting the objectives of the award. The current competitive grant program was launched in 2005 and has received approximately \$60 million in legislative appropriations over the past three bienniums. To date, 20 Centers of Excellence have been approved and six Centers of Excellence Enhancement grants have been awarded. As of June 30, 2010, the centers have spent \$26.2 million in state funds. These state funds have leveraged a total of \$152.9 million in private sector and other funds. According to a recent study conducted by NDSU, the Centers of Excellence program has had a total economic impact of over \$406 million. The program has lead to a direct job creation of 1,017 people with an annual payroll of over \$53 million – an average of \$52,467 per job.

Mark Nisbet, chairman of the Centers of Excellence Commission, is also here and will provide more in depth information about Centers of Excellence including the proposed revisions to the program.

Technology-based Entrepreneurship Grant Program

In 2009, the legislature approved \$1 million in funding for a "technology-based entrepreneurship grant program to be developed by the Department of Commerce." In developing this new program, Commerce worked with the entrepreneurial centers across North Dakota including the UND Center for Innovation, the NDSU Research & Technology Park, the I.D.E.A. Center in Bismarck, the DSU Strom Center for Entrepreneurship and Innovation, and the Southern Valley Innovation Center in Wahpeton. We conducted a survey of entrepreneurs to determine the top issues they needed assistance to further their growth. The results showed the top three issues as being: 1) access to capital, 2) marketing assistance, and 3) entrepreneur infrastructure. We also held a focus group with entrepreneurs and further roundtable discussions concerning the next steps for moving forward with the grant program and laying out the vision and goals of the program.

The vision and goal of the technology-based entrepreneurship grant program is to grow technology based entrepreneurship in North Dakota through providing grants in four main areas:

- 1) Access to capital
- 2) Marketing Assistance
- 3) Entrepreneur Infrastructure
- 4) Entrepreneurial Talent

Certified entrepreneurial centers are eligible to apply for these grants, either for specific projects with entrepreneurs or to develop programs that will assist entrepreneurs in the four main areas.

To date, we have held two grant rounds and have awarded \$458,000 to entrepreneurial centers. We will be holding two additional grant rounds prior to the end of the biennium and anticipate that all of the remaining funds will be obligated. We have requested carryover authority for this program to allow us disburse a portion of the funds at the end of the projects instead of distributing all of the grant funds up front.

Mr. Chairman and members of the committee, that concludes my testimony and I am happy to entertain any questions.

Centers of Excellence Testimony for House Bill 1018

Mark Nisbet, Chairman, Centers of Excellence Commission

January 13, 2010

Mr. Chairman and members of the committee. My name is Mark Nisbet and I serve as the chairman of the Centers of Excellence Commission, which I have done so since the program was launched in 2005.

Today I will be providing information concerning the results of the program, the monitoring of the current centers, and the proposed modification of the program.

Results

We have provided you with copies of the 2010 Centers of Excellence Annual Report. This report contains details about the overall results of the program, as well as individual results from each of the centers. As of June 30, 2010, the centers have spent \$26.2 million of the awarded funds and have leveraged over \$150 million from the private sector and other sources.

We commissioned NDSU Professor Larry Leistrich to conduct an economic impact study of the Centers of Excellence program. This study demonstrated that the program has had an overall economic impact of \$406.5 million.

The program has lead to the creation of 1,017 direct jobs with an estimated annual payroll of \$53.4 million. Eighteen new or expanded businesses have resulted from the Centers of Excellence program.

Examples of key benefits from the centers include:

- Intelligent Insites is involved in the healthcare asset tracking market. It has partnered with the NDSU Center for Integrated Electronic Systems to enhance current product and assist with design and development of its new product releases. Intelligent Insites has also recently graduated from the NDSU Technology Incubator, one of the original Centers of Excellence. Intelligent Insites has grown to about 50 employees.
- The UND Unmanned Aircraft Systems Center of Excellence is working on solutions to the "sense and avoid" issue that is a critical barrier to opening national airspace to unmanned aircraft systems.
- The WSC Petroleum Safety & Technology Center provides training for 171 companies in the oil and gas industry. Over 4,000 individuals were trained in fiscal year 2010 alone.

Monitoring

The Centers of Excellence Commission, with assistance provided by the Department of Commerce, has responsibility to monitor each center for a period of six to ten years. Information is gathered by the Department of Commerce from each of the centers on a quarterly basis and then presented to the Commission. The Department of Commerce gather the information in three ways: 1) through a

functional review that is completed annually by each center, 2) by conducting a site visit of each center at least annually, and 3) by a quarterly updated provided by each center during the quarters that they are not completing the functional review or site visit.

The Commission reviews each center that has completed at least three full fiscal years and make a determination on whether or not it is on track to meet its desired economic impact. The Commission reviewed the nine centers in June, 2010, that had been in existence for three full fiscal years. Of these nine, the Commission had determined that seven were on track to meet their desired economic impact and that two needed improvements. The two centers that needed improvements included the NDSU Center for Surface Protection and the VCSU Enterprise University. Both centers have been impacted by the national economy. The VCSU Enterprise University was successful in helping launch Eagle Creek Software Services in Valley City, but has not been able to develop additional partnerships. The Department of Commerce has met with VCSU personnel, as well as local economic developers, in an effort to help them find additional partners to attract to Valley City. The Commission will be reviewing the centers again in the upcoming months to make another determination based upon the most recent data collected.

Centers of Excellence Proposal

The Centers of Excellence Commission is in support of the proposed changes to Centers of Excellence. The changes included in House Bill 1018 closely resemble the changes recommended by the interim Workforce Committee which are included in Senate Bill 2057. Both proposals create three separate Centers of Excellence: Centers of Research Excellence, Centers of Workforce Excellence, and Centers of Entrepreneurship Excellence.

HB 1018 extends the sunset for the current Centers of Excellence statute until 2021 (sections four through eight). The reasons for this extension includes a need for the Commission to distribute funds to awarded projects and for the continued monitoring and oversight of the centers designated under this chapter of statute. The reason for the July 31, 2021, sunset is that there is a six to ten year monitoring time period for each center of excellence and in 2021 all of the current centers will have reached the ten year mark.

In addition to the sunset provision, there are a couple of other changes made to the existing statute. Both are included in section 8 of the bill and the first amends the center's annual audit requirement. This change is a result of a State Auditor's Office recommendation that we either require fiscal audits of the centers or request a legislative change. The language included in this section is the same language approved by the interim Workforce Committee and included in HB 1060. This is a compromise that would require a fiscal audit at two points: at the halfway point of the monitoring period and at the end. Other years the Commission could instead require an agreed upon procedures engagement, which is what we have currently been using.

The second change is included in subsection 6 of this section. This change would remove the limitation that only two and one-half percent of the funds appropriated to the program would be available for administrative expenses. There would be no additional funds appropriated to the existing program

under N.D.C.C. Chapter 15-69 in the future, so this limitation would actually prevent any funds from being used for administrative expenses. There are expenses associated with the ongoing monitoring of the centers and we would like the ability to use the interest earned to pay for these expenses.

Centers of Research Excellence

Section 11 creates a new chapter for the creation of a Centers of Research Excellence program. This section includes eminent researcher recruitment grants as part of the Centers of Research Excellence program. This section roughly mirrors legislation approved by the interim Workforce Committee with the following changes:

- The center annual audit requirement is changed to reflect the language approved by the interim Workforce Committee for existing centers.
- The eminent researcher recruitment grants is a matching grant for recruitment and startup costs associated with eminent researchers. The interim Workforce Committee legislation created matching grants to endow eminent researcher chairs.

The two research institutions would be eligible to apply for funding under the Centers of Research Excellence program. This program would be administered by the Centers of Excellence Commission and would have criteria similar to the current Centers of Excellence program, including a two-to-one matching require.

The total budget for Centers of Research Excellence is \$13 million and is broken down for the following components:

- Up to \$2 million for eminent researcher recruitment grants.
- Up to \$3 million for Centers of Research Excellence Infrastructure grants.
- At least \$8 million for the general Centers of Research Excellence grants.

Centers of Entrepreneurship Excellence Grants

Section 14 establishes the Center of Entrepreneurship Excellence program. This program would be administered by the Centers of Excellence Commission and would provide funding to certified entrepreneurial centers in order to assist entrepreneurs in four key areas:

- 1) Access to capital
- 2) Marketing assistance
- 3) Entrepreneur infrastructure
- 4) Entrepreneur talent

Current entrepreneurial centers certified by the Department of Commerce include the UND Center for Innovation, the NDSU Research & Technology Park, the I.D.E.A. Center in Bismarck, the DSU Strom Center for Entrepreneurship & Innovation, the Southern Valley Innovation Center in Wahpeton, the MiSU Severson Entrepreneurship Academy, and the Standing Rock Entrepreneurial Center. Each of these centers would be eligible to apply for funding for either specific projects associated with an identified entrepreneur or to develop programs to assist entrepreneurs in the four key areas.

The total budget for Centers of Entrepreneurship Excellence grants is up to \$5 million of the funds transferred to the Centers of Excellence fund.

Centers of Workforce Excellence

Sections 15 through 17 amend the workforce enhancement grant statute to rename it to Centers of Workforce Excellence. Under this program, grant awards would be recommended by a Centers of Workforce Excellence Council, with the final determination made by the Commissioner of Commerce. The two year colleges would be eligible to apply for these funds and would need to secure at least one dollar of private industry matching funds for each dollar of state funds.

There is \$2 million in funding provided for Centers of Workforce Excellence.

I would encourage your support for Centers of Research, Entrepreneurship, and Workforce Excellence included in HB 1018. I would be happy to answer any questions you may have.



Community Services Economic Development & Finance Tourism Workforce Development

December 30, 2010

Dear Legislator:

Enclosed you will find the 2010 Centers of Excellence Report. Gov. Jack Dalrymple says it well in his opening comments: **"North Dakota's Centers of Excellence program is a great success story."** As of June 30, 2010, the program has leveraged \$26.2 million spent in state funding into an economic impact of \$406.5 million.

There's more: 190 company partnerships have leveraged \$152.9 million of matching and leveraged funds, an amount far exceeding the \$26.2 million of state funds spent by the Centers. In addition, the Centers of Excellence program has helped create a total of 1,017 direct jobs at an estimated annual payroll of \$53.4 million.

Accountability and transparency are two values we hold high at the Department of Commerce. To this end, the Centers of Excellence Commission reviewed the results of the nine most mature Centers. At its June 16, 2010 meeting, the Centers of Excellence Commission determined seven of these nine Centers were on track to meet their desired economic impact. These seven included the National Energy Center of Excellence; the Center for Advanced Electronics Design and Manufacturing; the National Center for Hydrogen Technology; the Dakota Center for Technology Optimized Agriculture; the Center of Excellence for Agbiotechnology; the Unmanned Aircraft Systems Center of Excellence; and the Petroleum Safety and Technology Center.

The Commission determined that the Center for Surface Protection and Enterprise University both need improvement in order to achieve their desired economic impact. These two Centers have private sector partners significantly impacted by the global recession. Also, while Enterprise University had initial success with its original private sector partner, it has had difficulty in attracting additional partners. Commerce staff is working closely with this Center in identifying potential private sector partners to help it achieve its desired economic impact.

We hope you find this report and the evaluations helpful in your review of the program and Center activities. We have worked hard to establish a vigorous oversight and monitoring system.

Please direct any questions regarding the 2010 Centers of Excellence Report or the program itself to Paul Govig at pgovig@nd.gov or 701-328-5312. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Shane Goettle".

Shane Goettle
Commerce Commissioner

A handwritten signature in black ink, appearing to read "Paul Govig".

Paul Govig
Deputy Commerce Commissioner

"We lead North Dakota's efforts to attract, retain and expand wealth."

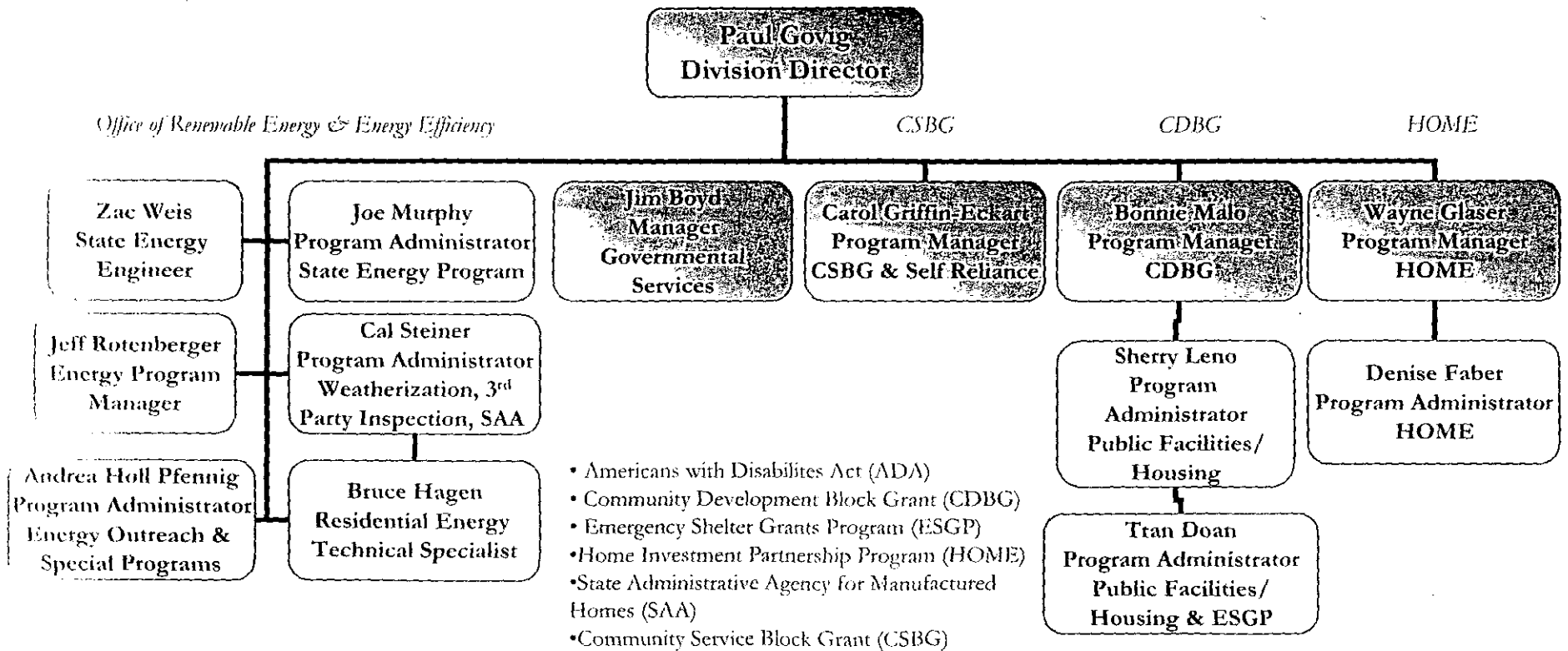


Community Services

IN THIS SECTION:

- Jim Boyd's Testimony
- Division Budget Charts
 - Funding Source
 - Line Item
 - Program Area

Division of Community Services Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS – EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

JIM BOYD – INTERIM DIRECTOR OF THE DIVISION OF COMMUNITY SERVICES

Good morning Mr. Chairman and members of the committee. I'm Jim Boyd, Interim Director of the Division of Community Services.

The total appropriation request for the biennium for the Division is just over \$86.4 million. Of that amount, just under 3% of the budget is proposed to come from the General Fund.

I'd like to refer you to the pie charts included in your handouts. The first chart is the "Funding Request by Funding Source". You will note that approximately 97% of the division budget consists of federal or special funds.

It's important to note that the federal funds amount in your budget packet includes slightly over \$24.4 million in Recovery Act funding authority necessary to complete the community development and energy efficiency initiatives begun during the current biennium.

The \$2.4 million General Fund request represents nearly a \$5.6 million decrease from the current biennium's budget. While the general fund budget contains \$530,338 from the executive recommendation to continue the child care program grants, the majority of reductions come from the elimination of the Great Plains Applied Energy Research Grant as well as the State Blender Pump initiative.

The second chart, "Funding Request by Line Item", shows where the dollars will be spent.

- Over 95% of the funds we receive is used to provide grants local organizations throughout the state (city/county governments, Community Action Agencies, etc.);
- almost 3% will be used for salaries and wages; and
- about 1.3% will be used for operating expenses.

The third pie chart is the "Funding Request by Program Area" which describes what we will do with the money in the next biennium. The Division of Community Services consists of four different program areas:

- 1) Community Development
- 2) Office of Renewable Energy and Energy Efficiency
- 3) Self-Sufficiency
- 4) Technical Assistance

The Community Development program normally invests from \$15 to \$25 million in development projects during a biennium. From July 1, 2009 to January 1, 2011, 188 community

projects were approved for a total of just over \$17.2 million. The following are a few examples of the diverse type of community projects we get involved with all across the state:

- Provided \$155,638 to Langdon to replace sanitary sewer mains.
- Provided \$162,500 to the City of Walhalla for a loan to Sweet Pro Feeds to expansion.
- Provided \$590,190 to Richland County for a loan/grant to Giant Snacks, Inc.
- Awarded \$110,000 to the City of Wahpeton for a loan to Heartland Precision, LLC (this project replaced some of the jobs lost from the 3M Plant).
- Provided \$585,000 for a 17 unit affordable housing development project which rehabilitated the former hospital building in Stanley.
- Awarded \$ 2.8 million in assistance to sub-recipients for housing rehabilitation and homebuyer acquisition activities statewide including projects in communities ranging in size from Rock Lake to that of Bismarck and Fargo.
- Funded the redevelopment of 124 affordable housing units in Fargo with over \$2.3 million.
- Provided over \$2.2 million in funding to the City of Bismarck for the redevelopment of 33 units of affordable housing units.
- We provided close to \$746,000 to 24 homeless shelters; including shelters in Bismarck, Dickinson, Fargo, Grand Forks, and Williston. On any given night, these shelters serve approximately 1,100 homeless people in North Dakota.

On to the Office of Renewable Energy and Energy Efficiency and some recent examples of activities.

- 1,765 homes occupied by low income families received weatherization assistance with 719 home furnaces repaired or replaced last year.
- Awarded approximately \$ 5.2 million to implement energy efficiency projects in 10 state owned institutions.
- Awarded \$2 million to Minot State University for a heating system retrofit project utilizing Geothermal Energy.
- In our efforts to work with small cities and counties we have awarded over \$8.1 million in assistance to 104 units of local government for energy efficiency projects to reduce their energy costs.

As far as the Self Sufficiency program area is concerned, we will provide an estimated \$6.9 million of Community Services Block Grant dollars to fund numerous programs and services in the next biennium. Most of these dollars go to the Community Action Agencies to help them work with some of our most vulnerable people. This current biennium approximately \$4.5 million of ARRA funds were available to supplement the ongoing program funds.

The programs and services include Head Start, surplus commodity food distribution, self sufficiency assistance, employment education, income management, health services and emergency housing needs.

These federal funds are provided by the U.S. Dept. of Health & Human Service's Office of Children & Family Services. One of the requirements of the program is to hold a public hearing in conjunction with each legislative session. Traditionally time is set aside during our budget hearing today to receive comments and meet this federal requirement.

Our final program area is best described as technical assistance.

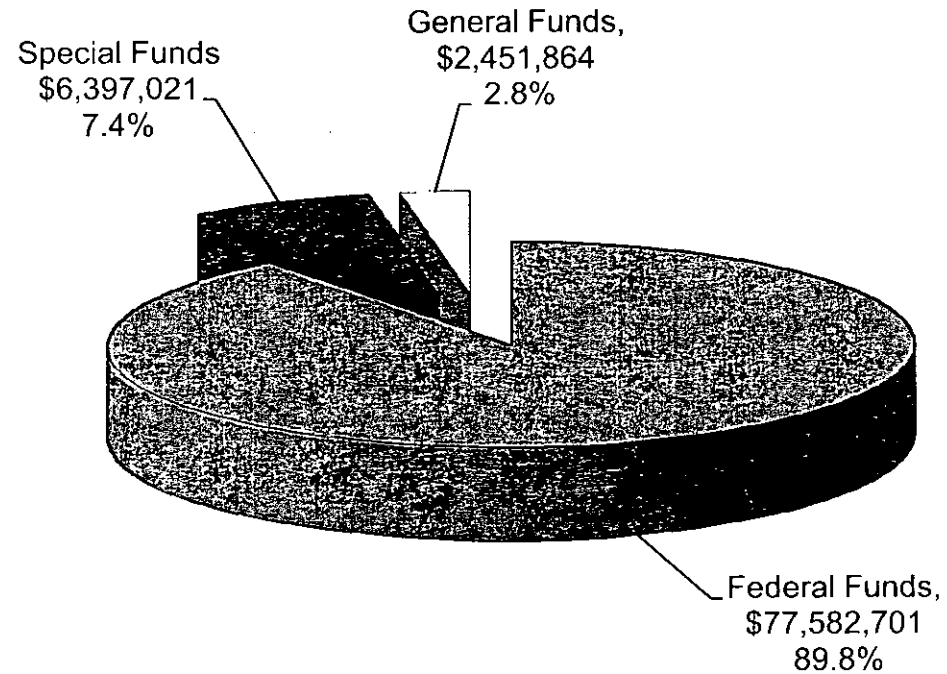
- This includes the Renaissance Zone program which we manage. We now have 49 cities, including Bismarck, Crosby, Fargo, Hankinson, Langdon, Munich and Wahpeton with designated Renaissance Zones. To date we have approved 949 Renaissance Zone projects statewide.
- This program area also includes the manufactured home installation program. The program was implemented in 2006. The purpose of the program is to ensure the proper installation of manufactured homes; thereby, reducing problems with the new homes.

In closing I'd just like to acknowledge the help and collaboration we get from the 8 Regional Councils and the 7 Community Action Agencies in the delivery of some of our programs.

All the Division of Community Services programs are geared to improving the quality of life for the people of North Dakota; thereby, supporting the efforts of the Department of Commerce to attract, retain and expand wealth here in North Dakota.

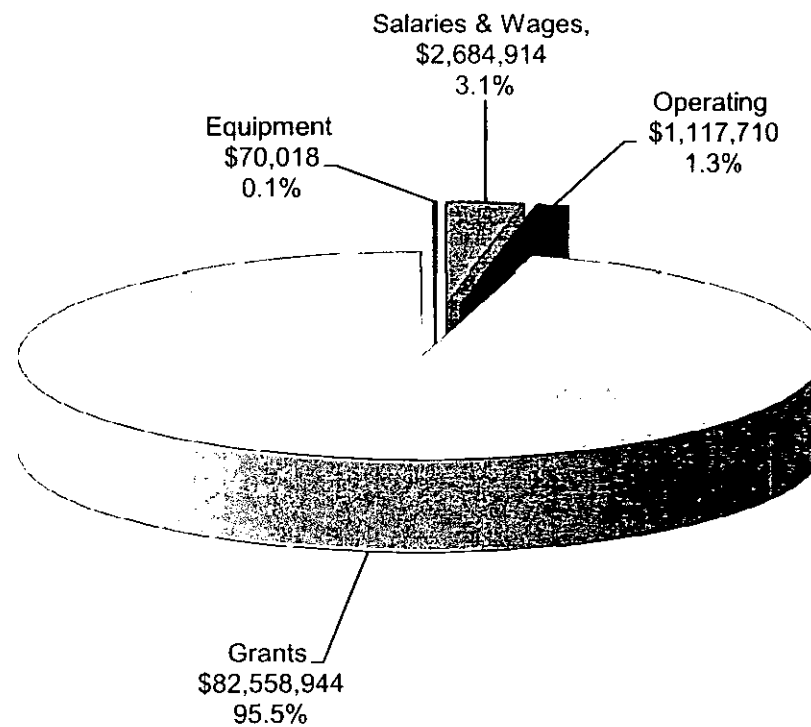
Division of Community Services 2011 - 2013

Funding Request by Funding Source



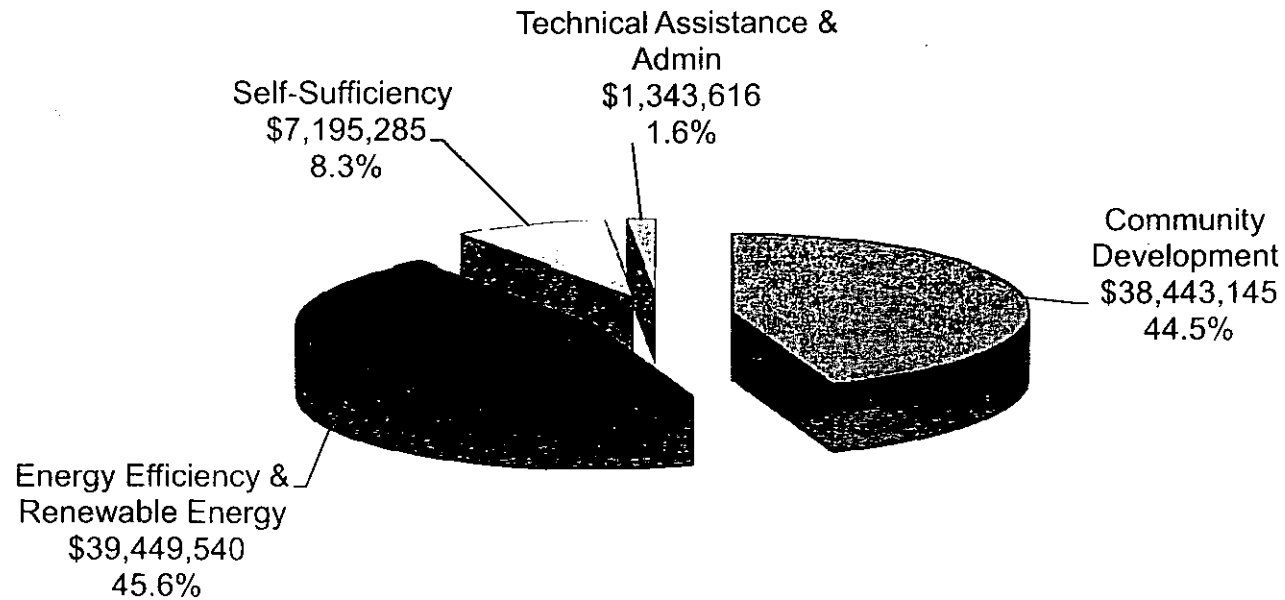
Division of Community Services 2011 - 2013

Funding Request by Line Item



Division of Community Services 2011 - 2013

Funding Request by Program Area





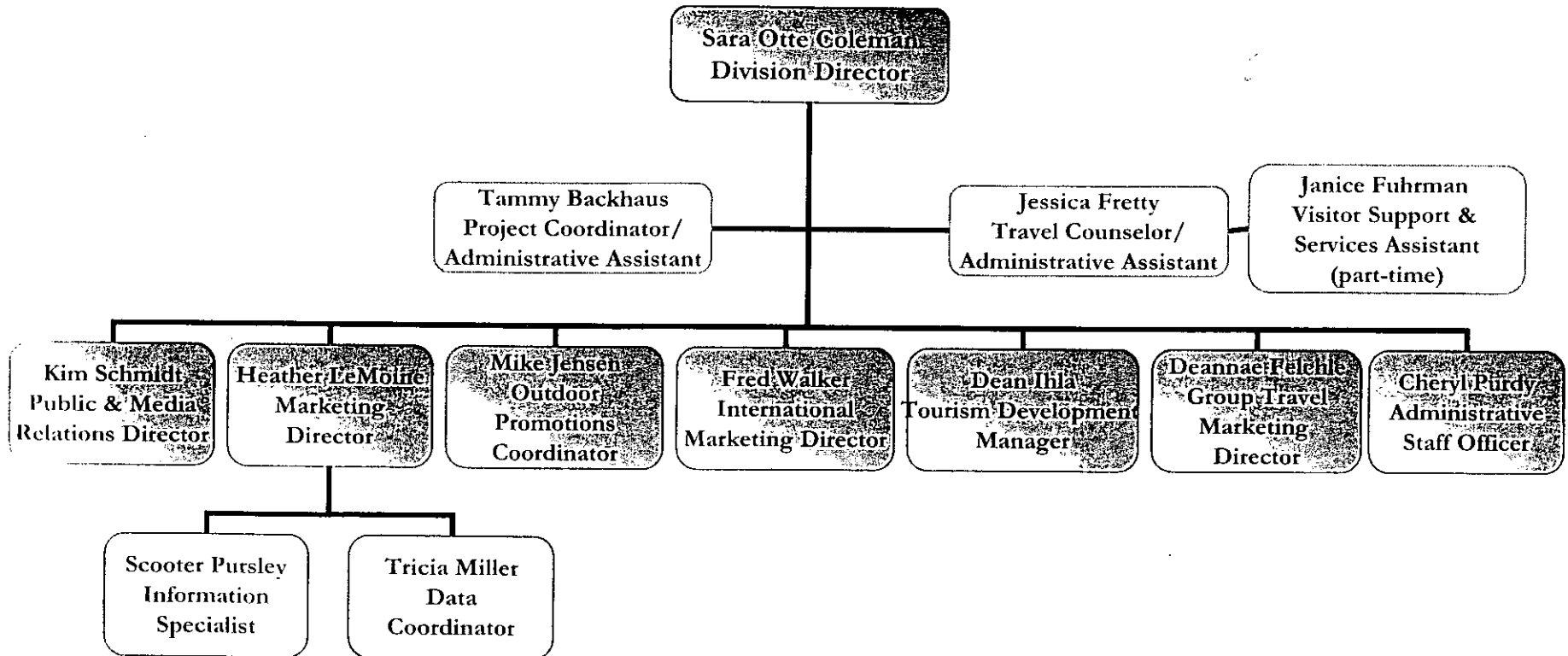
Tourism

Tourism

IN THIS SECTION:

- Sara Otte Coleman's Testimony
- Tourism At-A-Glance
- Presentation Slides

Division of Tourism Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE SKARPHOL, CHAIRMAN

SARA OTTE COLEMAN – DIRECTOR, TOURISM DIVISION

Chairman Skarphol and members of the committee, I am Sara Otte Coleman, Director of the Tourism Division of the Department of Commerce.

As mentioned, our mission at the Department of Commerce is to lead North Dakota's efforts to attract, retain and expand wealth. In the tourism division we primarily work to invest in marketing programs that attract new dollars from out-of-state visitors and retain our residents' travel dollars by encouraging them to travel in-state.

Today I will show you how your investment in marketing North Dakota has paid back directly through state and local taxes paid by visitors and through increased visits, traffic and profits. I will also show you some examples of indirect benefits derived from tourism marketing like an improved image for our state. I will update you on our progress in tourism development and highlight a couple of ways we collaborate with local tourism marketers to provide more impact. I will list some other results and then briefly touch on the opportunities we have to use tourism to further North Dakota's economy.

Tourism Investment Pays Back:

Impact: Direct Benefits to the State

United States Travel Association's (USTA) - reports that ND led the Nation in Growth: North Dakota continues to be the shining star in the nation's tourism industry. According to USTA's 2010 research, Impact of Travel on States Economies 2010, North Dakota leads the nation in all four categories of the report. The 2010 report covers the impact of travel on state economies in 2008 and the U.S. national economy for 2009.

According to the USTA, North Dakota led the nation in growth of travel expenditures, which was up by 10.8. In fact, North Dakota was the only state with double digit growth in this area.

For travel-generated payroll, North Dakota led the nation at 11.1%, and once again was the only state with double digit growth.

In the travel-generated taxes category, North Dakota experienced a 9.1% growth to **345.8 million dollars**. North Dakota also led the nation in travel-generated employment at 5.1%.

North Dakota State University research shows Tourism continues as a leader in North Dakota's economy:

NDSU research ranks tourism as North Dakota's third largest industry with \$4.13 billion spent by non-residents. This information is useful in comparing tourism to other industries in-state and shows that tourism along with agriculture and oil are fueling our economic growth.

IHS/Global Insight shows ND Tourism growing faster than the nation.

Global Insight's tourism satellite account (TSA) project analyzed 2008 tax receipts as a follow-up to the 2006 study. The study reports North Dakota's core tourism grew by 10.7% from calendar year 2006 to calendar year 2008, compared to national growth of 8.1% during the same timeframe. Core tourism includes the primary industries of accommodations, entertainment, retail, dining and transportation.

\$370 Million were paid in taxes by visitors

Approximately \$760 million in wages and salaries were generated by travel and tourism in 2008

31,208 jobs were created by travel and tourism economic activity, accounting for 8.5 percent of total employment in the state

67 percent of travelers are non-residents

ND visitation grew by 2.5%

Tourism expenditures grew by 5.1%

If tourism did not exist their research says every ND household would pay an additional \$646 per year in taxes. Each visitor generates \$157 in expenses of which \$74 goes to businesses that don't touch the visitor. **Tourism contributes disproportionately to state revenue. While the total impact of tourism is responsible for 4.1 percent of gross state product, it contributes 6.8 percent of state government revenue in 2008.** The analysis is all based on tax data and is not subjective. TSAs are the most reputed method for gathering economic data on the industry. This also gave us insight at the county level and showed that tourism benefits all counties in ND. While all counties grew, forty-six counties posted double-digit growth between 2006 and 2008.

Advertising Effectiveness Shows Payback:

The research shows that despite decreased buying power due to increased media, printing, and postage costs, the North Dakota Legendary ad campaign is delivering a strong ROI. The research done by Longwoods International showed that money invested in tourism advertising is an excellent investment and that in-fact tourism is self-sustaining.

- \$1.66 million in media advertising resulted in \$203.9 million in increased visitor spending.
 - a \$123 return on investment for every dollar spent on advertising.
- \$1.66 million in media advertising resulted in \$12.7 million in state taxes paid.
 - a \$7.65 return for every state dollar invested.

The efficiency of the ad campaign was also improved by 24% over 2005, costing the state only \$1.35 to generate a trip to ND, far below the \$2.00 benchmark used for rural states. A study on the 2010 campaign is currently underway with results expected in February.

Indirect Payoffs:

Improved Image: Research shows that the image of the state improves among those who have seen tourism advertising - even if they have not visited the state.

Dakota Pride: Tourism public relations efforts have garnered \$16.4 million dollars worth of exposure for North Dakota since 2008. \$1.85 million of this is specific to international media. This coverage is not limited to attracting new visitors, it also highlights our quality of place and helps attract new residents and needed workers. The activities that attract visitors also provide recreation for our new and native residents. Children are tuned into the world and see a new light shed on North Dakota. The recent Delta Sky piece is a perfect example of a success in this area. We have been pitching stories to Delta's publishers consistently over the past eight years- which obviously paid back huge with the October- 30 page feature.

Tourism Development:

Tourism is one of the few industries that impact the entire state. There are tourism businesses in every county in North Dakota.

North Dakota was the only state with a positive RevPAR (revenue per available room) in 2009, up 5.8% according to Smith Travel Research. Through November the increase for 2010 is 12.9%. This strong growth in demand for accommodations has resulted in 22 known hotel properties currently in development or newly opened. Our new tourism development manager is working to facilitate the development and expansion of new tourism operations especially in gap areas such as rural and Agritourism. Our new efforts in this area are focused on facilitating tourism infrastructure development in an area not covered by other economic development programs and are staffed within our existing structure and budget without an additional request from the legislature. This gap was a key finding of the tourism caucus meetings held across the state in 2007.

Recent expansions in Medora and Minot have resulted in a substantial growth and record attendance numbers in 2010 and the demand for our infrastructure grants far outnumbers our available funds.

Partner Collaboration

Tourism roundtables held in five communities across the state last winter helped provided a mechanism for partners to understand and use the resources the tourism staff provides to assist them in marketing their tourism experiences. The marketing resources available to partners continues to grow and includes: news releases, media pitches, cooperative advertising, free listings and postings, unlimited access to update on-line information, free photos, social media assistance and posts, research and continuing education. In 2010 we customized e-mail, direct mail and radio spots to help partners draw in more visitor dollars.

Other Travel Results

Digital Strategy- has become a priority that is reviewed and tweaked monthly. Currently Travel ND or Legendary Travel have a monthly digital audience exceeding 100,000. This includes: Facebook, Twitter, Flickr, YouTube, email subscribers, blogs, the RU Legendary website and NDTourism.com. This has resulted in huge increases in our Klout ranking of 56 up from 18 just two months ago. The goal is to arm influencers with good information to help spread our marketing messages virally.

In Group Travel more than 600 new tour companies were contacted and provided with itinerary information. This resulted in an average of 18 bus tour groups per month- plus numerous reunion, RV and motorcycle rallies.

International demand continues to grow in our target markets: Australian visits to the US were up 26% through August with Germany up 5% and Sweden up 14%.

Outdoor marketing held promotions at nine sport shows along with our tourism partners, hosted numerous other outdoor media and sponsored ND's own outdoor celebrity Jason Mitchell. Outdoor travel ranked first in type of travel to ND in our 2008 visitor profile study.

Local lodging taxes collected in ND are up 12%.

Airline boarding's are up 11%.

Major attraction attendance across the US was down but currently ND is up 9%

Canadian border crossings continue to increase with ND crossings through November are up 20% and requests for information from Canadians are up 400%.

While business travel is down nationally, business travel and business/leisure travel are both up in North Dakota- with Business/Leisure travel registering as the second most popular reason to travel to ND in 2008. Business/Leisure travel now accounts for 19% of our overnight trips.

Opportunity

Due to the world economy, travelers are shopping for value. They are researching on-line and they are looking for destinations close to home. To position ND as the place to vacation, ND Tourism is using the AAA's "most affordable destination" in our call-to-action and throughout our promotional efforts. We also will continue working our database to do more one-to-one marketing, more lower cost on-line marketing and social networking. As you have seen, these strategies have paid off- helping North Dakota lead the Nation.

As many states struggle with deficit budgets, the media is reporting much disparity in how states are looking at tourism. Some states expect budget cuts while others project increases to give fuel to their plummeting economies. With media, production, printing and postage continuing to increase and more options than ever available for marketing, the challenge is to keep make an impact with our messaging. I hope you can see the importance in maintaining our marketing programs so we can continue to grow North Dakota's third largest industry.



North Dakota
LEGENDARY

Tourism industry at-a-glance.

As an industry best practice, North Dakota Tourism uses an array of studies and methodologies to measure our state's tourism health. The key is that every one of North Dakota's numbers points to continued growth in our state's tourism industry, and our strong contribution to the state's positive economic climate.

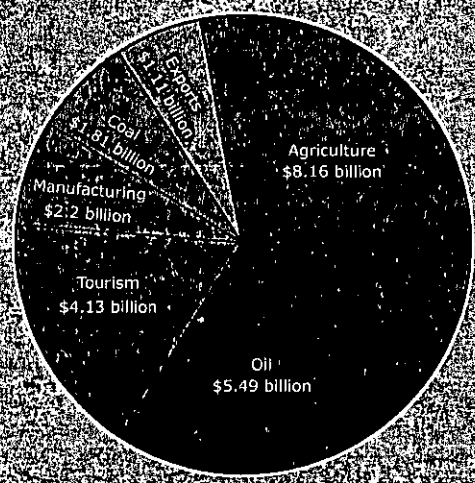
I AM LEGENDARY! *RU?*

Our investment in tourism pays back:

- Advertising North Dakota is a 1.9 return to the state's tax base. (Longwoods, 2007)
- \$974 million were paid in taxes by visitors. (IHS Global Insight, 2008)
- If tourism didn't exist, each North Dakota household would pay an additional \$646 in taxes. (IHS Global Insight, 2008)
- Each visitor adds \$83 to the gross state product. (IHS Global Insight, 2008)
- One out of every 12 workers owes their job to tourism in North Dakota. (IHS Global Insight, 2008)
- \$760 million in wages and salaries are generated through North Dakota tourism. (IHS Global Insight, 2008)
- All North Dakota counties recorded strong tourism growth. (IHS Global Insight, 2008)

Direct benefits:

- Travel and tourism is a \$4.13 billion industry in North Dakota, the third largest industry after agriculture and oil. (NDSU, 2008)
- North Dakota's tourism industry has a strong Return on Investment (ROI). (Longwoods, 2007)
 - A \$1.66 million media advertising investment resulted in \$203.9 million in visitor spending.
 - A \$123 return on investment for every dollar spent on advertising. The cost-per-trip of the campaign was \$1.35, well below the \$2 benchmark for rural states.



How North Dakota's tourism industry ranks nationally:

- North Dakota Tourism is leading the way, experiencing growth upon growth at a time when most states are just starting to recover from decreases in their tourism industry due to the national economy.
- North Dakota led the nation in growth of travel expenditures, which was up 10.8%. In fact, North Dakota was the only state with double digit growth in this area. (USTA, 2010)
- North Dakota also led the nation in growth of travel-generated employment at 5.1%, payroll at 11.1%, and travel-generated taxes at 9.1%. (USTA, 2010)
- North Dakota is outpacing the nation in core tourism growth, growing 10.7% from calendar year 2006 to calendar year 2008, versus 8.1% growth nationally. (IHS Global Insight, 2008)
- North Dakota was the only state with a positive RevPAR (revenue per available room) in 2009, up 5.8%. In 2010, RevPAR increased to 12.9% through November. (Smith Travel Research)

North Dakota's Economic Base
North Dakota State University Study, 2008

North Dakota's tourism industry does more than attract visitors. Promoting North Dakota also:

- Helps build a positive image of our state to our target audience and visitors. Public relations efforts have garnered \$16.4 million worth of exposure since 2008.
- Instills a sense of pride in our residents.
- Delta Sky's October 2010 issue had current and former residents buzzing about the 30-page coverage devoted to North Dakota.
- Is vital to workforce attraction. The combination of a positive image and proud residents creates an attractive place to live, work and play.

North Dakota's tourism industry is growing – and so are our infrastructure and offerings:

- The increased demand for hotel rooms has resulted in the opening or development of 22 hotel properties.
- North Dakota's agritourism infrastructure is an identified gap and focus for future growth.

North Dakota Tourism offers many partner collaboration opportunities:

- Cooperative advertising plan – provides media research and opportunities for the industry's advertising dollars to work together to create greater presence and impact of messages.
- Media and public relations – North Dakota Tourism distributes partner press releases and shares them through www.NDtourism.com.
- Digital strategy – provides partner opportunities via website, blog, e-blasts, social media.
- Publications – partner content and advertising opportunities in the Travel Guide and Hunting & Fishing Guide.
- Grants – North Dakota Tourism provides three annual match-grant programs.
- Group Tour Marketing – expos, familiarization tours and marketing sales missions allow partners to represent their products.
- Sports shows – partners can increase their visibility by providing brochures or staff at shows.
- International marketing – partners can strengthen presence through international trade shows.
- Brochure distribution – provides brochure distribution at 13 interstate and highway rest areas as well as the ability to order brochures online.
- Legendary merchandise – available for sales and promotion.
- Video/photo access.
- Research – reports available online.
- Hospitality Training Program – this training course is available online and on DVD.

North Dakota LEGENDARY



Downtown Fargo



Lewis and Clark Riverboat, Missouri River



Earthlodge Village, New Town



Medora Musical



Presented by: Sara Otte Coleman, Tourism Director



North Dakota

A Snapshot of Domestic and International Travel in the U.S.

USTA Research

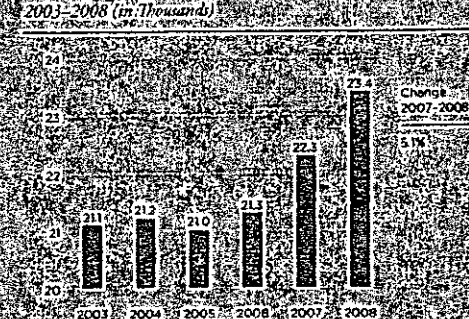
TRAVEL-GENERATED EMPLOYMENT & PAYROLL

2008

Travel-Generated Employment	23,400
Total Non-Farm Employment	367,300
Percent of Total	6.4%
Travel-Generated Payroll	\$344.8M

employment

TRAVEL-GENERATED EMPLOYMENT

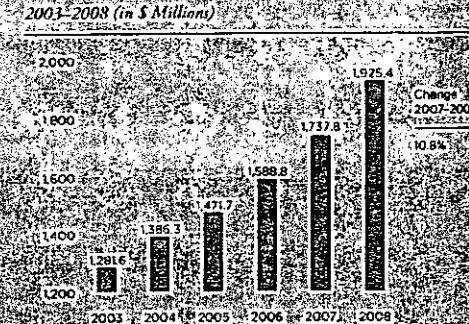


TRAVEL EXPENDITURES & GENERATED TAXES

2008 (in \$ Millions)

Expenditures	1,925.4
National Rank	48 (total), 48 (domestic)
Tax Revenue	
1. Federal	107.1
2. State	92.6
3. Local	146.0
Total	345.8

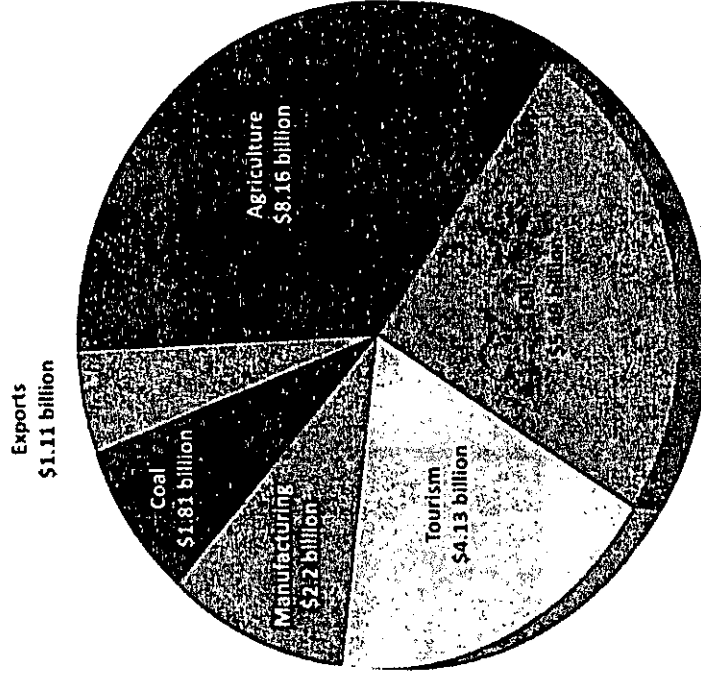
TRAVEL EXPENDITURES



expenditures

ND's Economic Base

North Dakota's Economic Base



North Dakota State University study

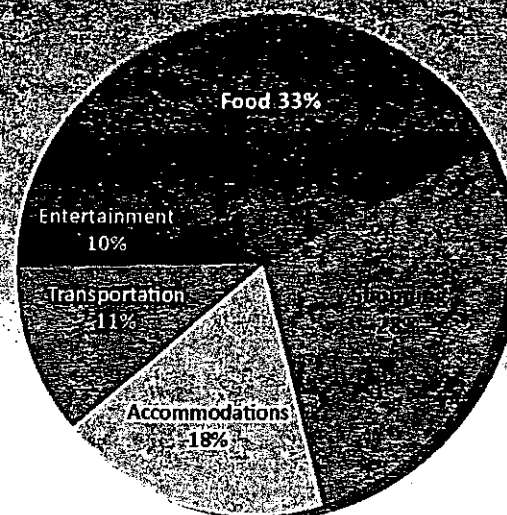
Visitor Spending

Category Distribution of Visitor Spending

Food accounts for the largest share of consumer expenditures, followed by accommodations and shopping; these components represent nearly 79% of visitor expenditures.

IHS Global Insight

	2008 (Million)	2006 (Million)	2008 Share of Total
Entertainment	\$222	\$199	10%
Accommodations	\$407	\$359	18%
Transportation	\$246	\$233	11%
Food	\$778	\$674	33%
Shopping	\$644	\$594	28%
Total*	\$2,297	\$2,060	100%



* Visitor Expenditures (w/o construction and investment)

Taxes Paid



**GLOBAL
INSIGHT**

State and Local Government Revenue

North Dakota Tourism	2008 Million \$	2006 Million \$	'08 - '06 Growth
Federal Government			
Corporate Profits Tax	\$30.9	\$30.8	0.4%
Indirect Business Tax	\$21.0	\$20.8	0.7%
Personal Tax	\$43.9	\$45.5	-3.5%
Social Insurance Tax	\$97.8	\$100.9	-3.1%
Subtotal	\$193.5	\$198.0	-2.2%
State/Local Government			
Corporate Profits Tax	\$3.7	\$3.7	0.4%
Dividends	\$6.3	\$6.3	0.4%
State, County and Municipal Occupancy Tax	\$4.0	\$4.3	-6.6%
Indirect Business Tax	\$129.1	\$128.1	0.7%
Personal Tax	\$30.9	\$31.4	-1.4%
Social Insurance Tax	\$2.0	\$2.1	-2.9%
Subtotal	\$176.0	\$175.8	0.1%
Grand Total	\$369.5	\$373.8	-1.1%

Drop in
Occupancy
Tax collection
due entirely to
removal of 1%
lodging tax in
'06

Source: IHS Global Insight, ND Dept. of Commerce

Return on Investment

- ROI study showed 2007 advertising campaign results
 - \$1.66 million invested in media advertising
 - = 1.2 million visits
 - = \$203.9 million in visitor spending
- \$1 spent in advertising = \$123 returned
- 2010 study currently underway



United State TV Ad

<http://www.ndtourism.com/about/advertisements/north-dakota-legendary/>

Canadian TV Ad

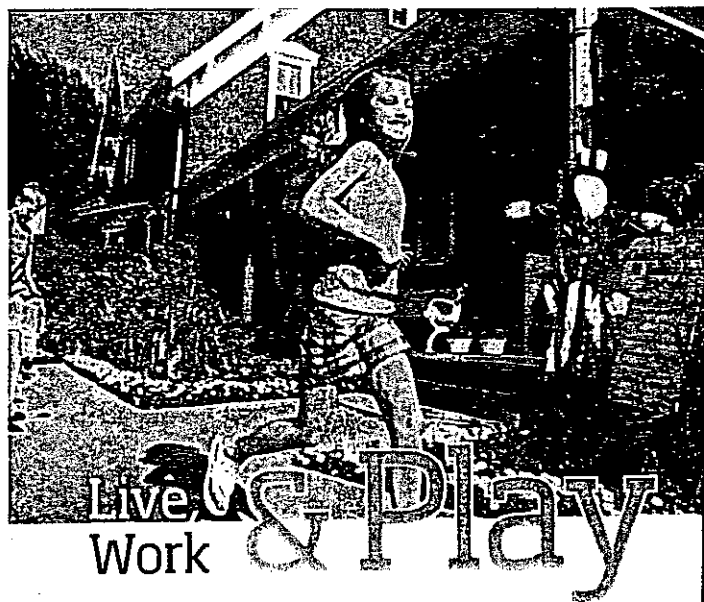


North Dakota
DEPARTMENT OF COMMERCE

Print Ad



Delta Sky Magazine



Move to North Dakota for the thriving economic environment.
stay for the quality of life.

Teddy Roosevelt once said "I never would have been president if it had not been for my experience in North Dakota." His words from a man of words cannot be far from soundings, but if you spend a few days here, it's not difficult to understand why the leader who coined the phrase "speak softly and carry a big stick" had a big soft spot for the state.

Clear air, ample recreational opportunities and affordable housing are just some of the amenities that make it easy to convince businesses both large and small to move to the state. "One thing we stress from an employer perspective is the exceptional high quality of life that exists here, which you simply can't find anywhere else in the nation," says Shane Goettle, commissioner

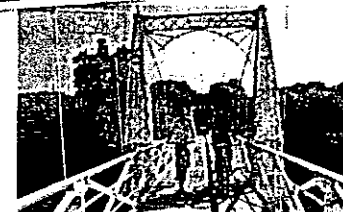
of North Dakota's Division of Commerce. "Between the safe neighborhoods, short commutes and top-notch education—all of which enrich the experience of being an employee here—it's easy for employees to strike a balance between work and play."

The average commute time in North Dakota is roughly 15 minutes nationally, 6:57 minutes, which makes the working atmosphere within businesses in the state less stressful and far more productive. That relaxed vibe may account for why North Dakotans also never seem to miss a day of work. "Most of the companies don't bother to track absenteeism because we have a dependable and reliable work force that's highly productive and exceptionally innovative," says Goettle. Take a long, deep breath or drink a tall glass of water, and you'll be treating your body to a pollutant-free purity that's rare in America. North Dakota is one of only a handful of states that meets every single national ambient air quality standard set by the Environmental Protection Agency. Its water is also among the purest in the nation, which should explain why the state leads the world in agriculture, as well as why it's been ranked in the past as one of the top 10 Healthiest States by U.S. News.

As for the weather, you can thank Mother Nature, the Great Outdoors and a little music called Fargo if you're under the impression that it's always frigid there. "Unfortunately, the only time most people pay attention to our weather is during these few moments they hear about a blizzard on the Weather Channel, but that doesn't happen very often," says Jane Coleman, director of the Tourism Division of the North Dakota Department of Commerce. "It usually comes as a



It comes as a surprise to many that North Dakota has a long temperate season, with more than 200 sunny days per year.



History of NORTH DAKOTA

• 1881
North Dakota becomes the 39th state.

• 1883
The first oil well is drilled in the state.

• 1892
The first oil well is drilled in the state.

• 1893
The first oil well is drilled in the state.

• 1908
The first oil well is drilled in the state.

• 1919
The first oil well is drilled in the state.

• 1933
The first oil well is drilled in the state.

• 1947
The first oil well is drilled in the state.

• 1971
The first oil well is drilled in the state.

• 1977
The first oil well is drilled in the state.



North Dakota
DEPARTMENT OF COMMERCE

Direct Mail

Anthony,
Here are two great ways to golf Medora, North Dakota's legendary Bully Pulpit, acclaimed in national publications like Golfweek and Golf Digest.

1. Register by July 21 to WIN A FREE golf vacation package!
www.golfmedora.com
Your access code: AALB23864

2. Medora golf packages start at just: \$128
Includes green fees, golf car, dining and lodging. Replay 18 holes the same or following day for only \$39.50.

For more information about historic Medora, call 1-800-MEDORA-1 (1-800-633-6721) or visit Medora.com. For one of North Dakota's best courses, visit NDtourism.com.

Theodore Roosevelt
Medora Foundation
PO Box 198
Medora, ND 58445

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I AM LEGENDARY! RU?

Find world-class hunting around Dickinson, North Dakota - and get \$20 worth of FREE gas when you visit!

How legendary would you be out hunting on the Western Edge? That's Dickinson, in the heart of southwest North Dakota. Around here, there's plenty of big and small game out in the field and 850+ comfortable lodging rooms back in town. Go online to VisitDickinson.com for your free hunting packet! Gas coupon offer, valid through April 1, 2011; bring postcard into the Dickinson CVB to redeem.

North Dakota
LEGENDARY
VisitDickinson.com
NDtourism.com

Partnerships

FAMILY & FUN
I AM COMMITTED

ENTERTAINMENT
I AM HAVING A BLAST

DINING
I AM APPETIZING

GOLF
I AM NOT GOING HOME

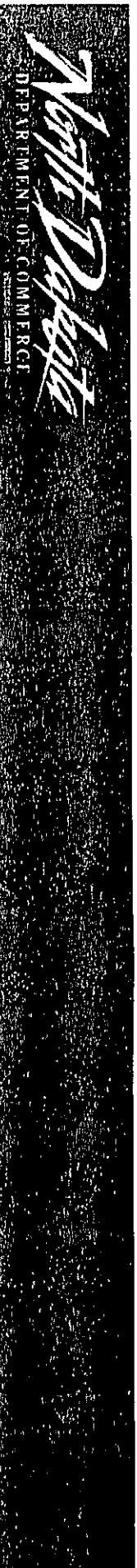
NIGHTLIFE
I AM JUST GETTING STARTED

EXPLORE WESTERN ELEGANCE
Dickinson, the regional center for authentic North Dakota. Call us at 800-279-7891 or go to www.dickinson.com for all the things to see and do.

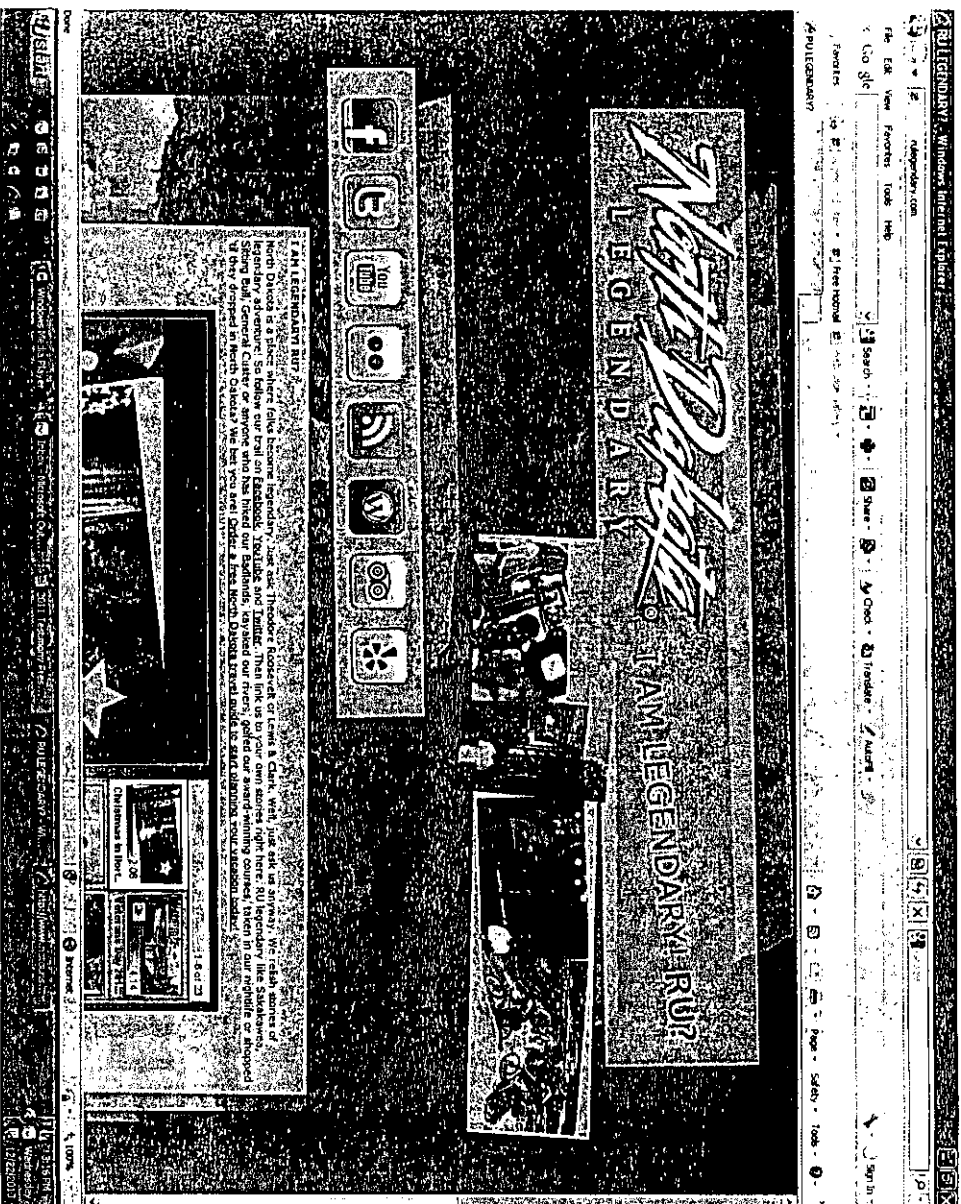
DICKINSON
REGIONAL CENTER
OPERATING & MAINTENANCE
800-279-7891
www.dickinson.com

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RU Legendary



<http://rulelegendary.com/>

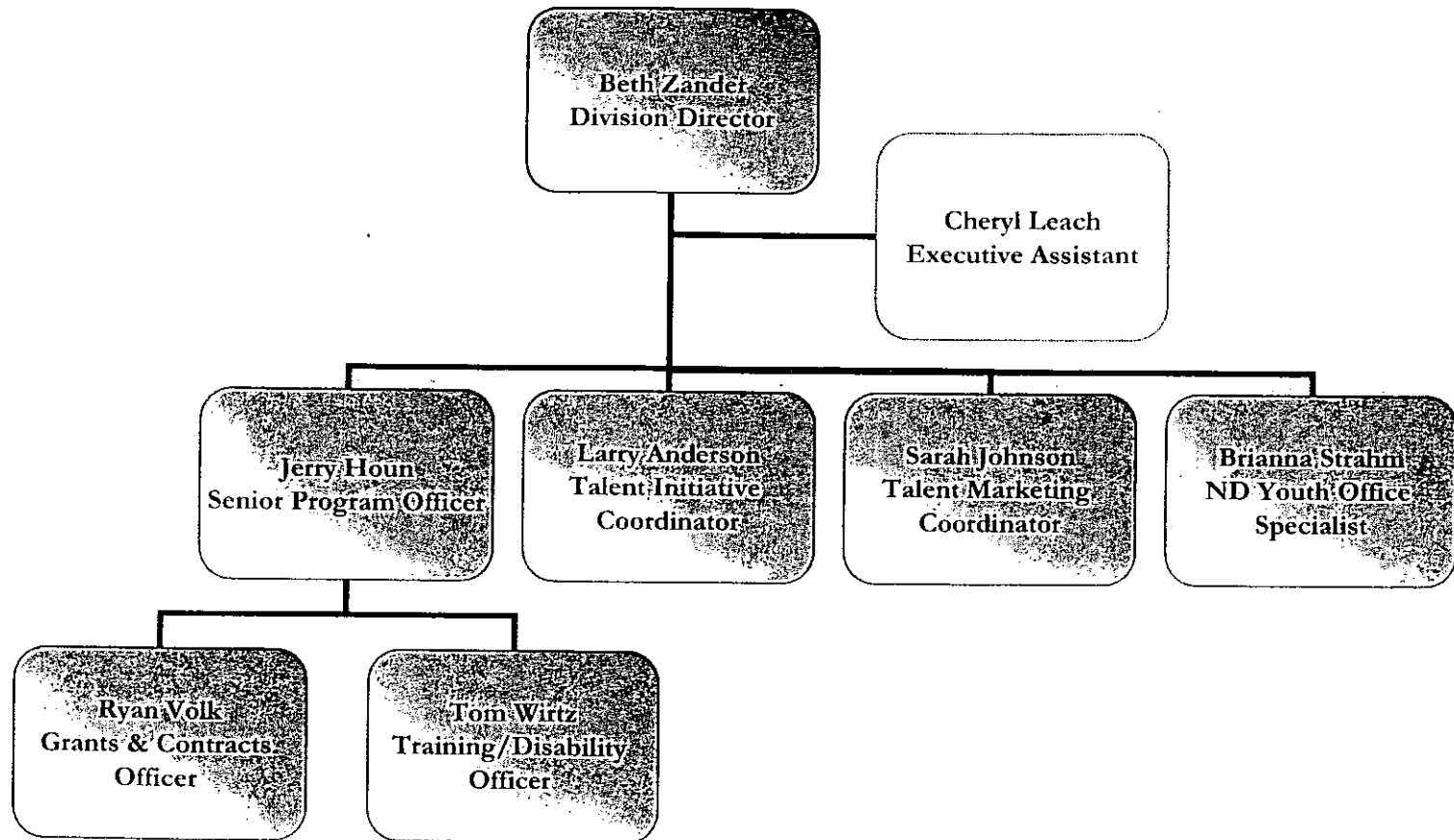


Workforce Development

IN THIS SECTION:

- Beth Zander's Testimony

Division of Workforce Development Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

BETH ZANDER – DIRECTOR, WORKFORCE DEVELOPMENT DIVISION

Chairman Skarphol and members of the committee, I am Beth Zander, Director of the Workforce Development Division of the Department of Commerce.

While I've been a member of the Workforce Development Division for a short time, I've been connected with the activities of the division as a partner for a number of years. I've seen great strides in collaboration among partners and I see great opportunity for continued joint, deliberate work to address North Dakota's current and future workforce needs. The image I've formed over recent years is this: the workforce development system in North Dakota involves a number of partners working at the direct service level and collaboratively at the strategic level, to identify and meet workforce needs. I'm excited to have the opportunity to be a driving force within this system.

The Workforce Development Division delivers direct services designed to attract and retain, and skill up our current and future workforce. These programs fill some gaps in our partnership network of services.

Our current direct program delivery includes:

- AmeriCorps and Learn and Serve programs, which utilize volunteerism to fill unmet community needs while keeping individuals connected to their communities and providing them with educational opportunities.
- Jobs for America's Graduates, or JAG Pilot Programs designed to retain youth at risk of dropping out of school
- Operation Intern, a program enacted by the legislature in 2007 to expand the number of new internship, work experience and apprenticeship positions with North Dakota employers.
- The Relocation Program, which gives those interested in moving to, or back to North Dakota a key contact to help them with their job search and keep them actively engaged in their relocation efforts.
- Workforce Enhancement Grants, enacted by the legislature in 2007 to increase training responsiveness to employer needs through grants to the four designated training community colleges.
- Community Labor Availability Studies that provide local communities with current labor availability and skill information to support business retention, expansion and recruitment.
- Workforce studies, such as the Oil and Natural Gas Workforce and Skills Needs study recently completed, which help training and education providers, career guidance professionals, workers and employers see the projected demand for oil field workers over the next five years.

Our strategic work in the division involves guiding a strong system of partners who share expertise, eliminate duplication and expand access, develop a current and future state plan for workforce, and achieve that future state through coordinated effort.

The Governor-appointed **Councils and Commissions** to which the division provides administrative support include:

- North Dakota Workforce Development Council
- North Dakota Youth Development Council
- North Dakota State Commission on National and Community Service
- Office of Faith-Based and Community Initiatives

By engaging these groups and key workforce partners in **statewide biennial strategic planning**, we coordinate development and implementation of a strategic direction for addressing state workforce needs.

In the fall of 2009, the Department of Commerce announced the creation of the **North Dakota Youth Office** designed to invite young people to stay in North Dakota and to incorporate existing youth-related programs under one office. The Youth Office is part of a broader movement called Youth Forward designed to encourage young people to build their future in North Dakota.

There are some changes to our budget from the last biennium, which I'll briefly explain.

Recommendation #5 from the Early Childhood Education section of the report from the North Dakota Commission on Education Improvement reads as follows:

*The Commission recommends funding for 125 scholarship grants to individuals working in the childcare industry who wish to obtain a **Child Development Associate** credential. At a cost of \$1200 per person the total cost is \$150,000. The Workforce Division of the Department of Commerce should be authorized to work with an organization capable of distributing and administering these grants.*

Our budget request of \$150,000 for the Child Development Associate Certification, or CDA, matches that recommendation. The \$1200 per person cost cited in the recommendation will be applied to the cost of training, testing and certification. The CDA National Credentialing Program is a system designed to improve the quality of early childhood education programs by improving the professional competence of the childcare providers. Forty-nine states plus the District of Columbia, including North Dakota, now incorporate the CDA credential into their child care center licensing regulations.

The CDA Credential is a key rung in the early childhood care and education profession ladder. Earning CDA certification can motivate caregivers to continuing into early childhood and education programs of study.

WorkKeys is a job skill assessment system developed by ACT, the nationally known non-profit research and assessment organization. In 2009, the legislature enacted a scholarship program for all North Dakota students, which included a Work Keys option. Expanding the use of Work Keys to adult job seekers and incumbent workers through this project will clarify the skill needs of employers and give them a proven tool for measuring skill levels. It will also help job seekers identify and address their skill gaps.

Our project will involve educating employers and job seekers on:

- Use of ACT-provided job profile information in writing better job descriptions
- The profiling process and the database of profiled jobs
- Use of Work Keys test scores to assist in employee selection
- Use of test scores to understand worker training needs

The project budget of \$125,000 covers program education, promotion and test administration costs. We see benefit in collaborating with TrainND for test administration. TrainND can maximize geographic availability and mobility, and create a source of qualified test administrators for employers.

Jobs for America's Graduates, or JAG, is a nationally recognized, nationally administered program designed to serve youth at risk of dropping out of school. The JAG model provides course curriculum and mentoring to encourage students to complete school, secure quality employment leading to a career, or pursue postsecondary education.

The Workforce Development Division took the lead in implementing JAG in North Dakota by offering seed funding to schools interested in developing and maintaining JAG programs. The startup model provided for two years of declining assistance with the expectation that schools would sustain the program by the third year. We currently have high school-level programs in Williston and New Town. Early College Success Programs at Williston State College and United Tribes Technical College apply the JAG model at the post-secondary level.

Funding for the four JAG programs currently comes from Workforce Investment Act and Vocational Rehabilitation programs, and is available through this biennium. State support is necessary to extend the sustainability transition for these four programs.

We are requesting \$100,000, which will be applied at a rate of \$12,500 per year to each program for the next two years. We will continue to support the effort with existing staff and will increase our efforts to assist the programs in growing enrollment levels and developing sustainability plans.

We are requesting an increase to the **Workforce Enhancement Grant** program, which will become **Workforce Centers of Excellence** under the combined Centers of Excellence concept. This program was funded at \$2 million for the 2007-09 biennium and at \$1 million for the current biennium. The current biennium funds are nearly fully obligated, with a small amount available due to turn back. This remainder will be committed shortly. We're seeing the demand for flexibility in programming to keep workers current with employer need. Employer commitment is apparent through the dollar-for-dollar match being provided. And therefore, we are requesting \$2 million for the 2011-13 biennium.

Operation Intern puts priority on higher education internships in target industries. Matching funds equal to 50% of the compensation paid to interns are available to businesses creating new or expanded internship, apprenticeship and work experience opportunities in North Dakota. Students enrolled in a North Dakota college or university, a registered apprenticeship program, or high school juniors and seniors are eligible. Since program inception in 2007, over 180 businesses have participated in the program and 320 new internship, apprenticeship and work experience opportunities have been created.

The current biennium appropriation of \$900,000 has been fully obligated. Our budget request maintains this funding level. We are also asking for an emergency clause on the appropriation. Continuing appropriation would allow the program to more easily subsidize internship opportunities that span multiple biennia, particularly the summers between biennia.

Mr. Chairman, members of the committee, this concludes my testimony. I would be happy to answer your questions.

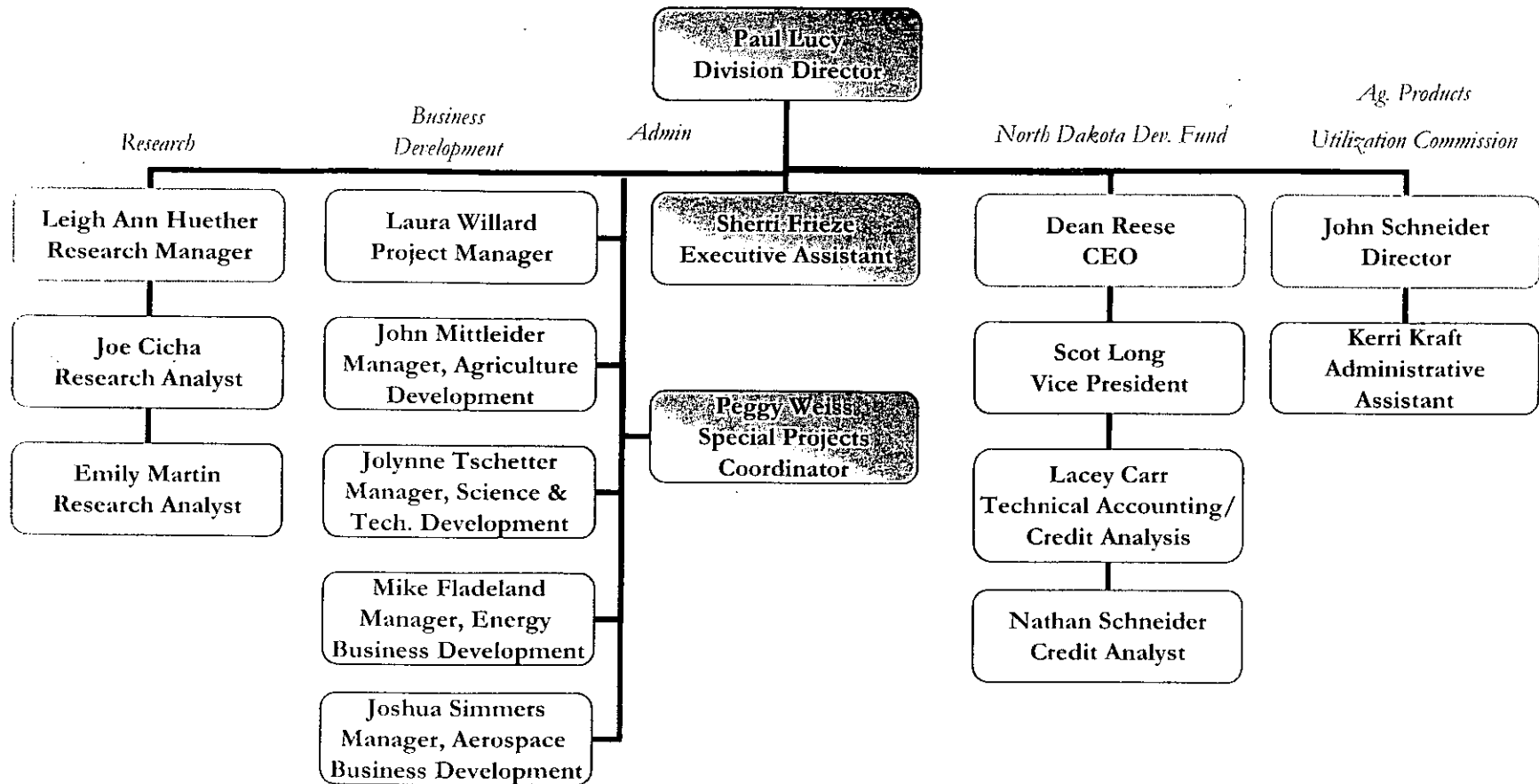


Economic Development & Finance

IN THIS SECTION:

- Paul Lucy's Testimony
- ND Development Fund Economic Impact
- APUC Report

Division of Economic Development & Finance Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

PAUL LUCY – DIRECTOR, THE DIVISION OF ECONOMIC DEVELOPMENT & FINANCE

Mr. Chairman, members of the committee. My name is Paul Lucy. I am the Director of the Economic Development and Finance Division (ED&F) of the North Dakota Department of Commerce.

The ED&F Division has a primary responsibility to promote our State's business environment and to provide the necessary assistance to those individuals, organizations and companies that considering providing employment opportunities and generating new wealth for our State.

ED&F has four primary program areas that support fulfilling this responsibility. Those program areas are:

- ED&F business development group
- ED&F research group
- North Dakota Agricultural Products Utilization Commission
- North Dakota Development Fund

North Dakota Development Fund

The North Dakota Development Fund (Development Fund) is a gap financing economic development fund that provides financial assistance to support primary sector businesses. During the 2009 legislative session, the Development Fund was appropriated \$1,250,000 and directed to invest that money into childcare services development. This legislative directive has expanded the Development Fund's funding criteria to now include non-primary sector business. Considering the Development Fund's primary directive is to support primary sector development in the State, the Childcare program funding has been segregated from the other Development Fund dollars so as to retain that funds identity. Therefore, for purposes of explanation in this testimony, the Development Fund's traditional primary sector business financing activity will be reported separately from the Development Fund's childcare loan program activity.

The new childcare loan program began on July 1, 2009. As of December 31, 2010 there have been \$588,985 committed to childcare based loans to support 10 childcare operations. Based upon present usage, as well as active loan requests being processed and considered, an estimated balance within the Childcare Loan Program Funds that would be available for the new biennium beginning July 1, 2011, if no new funding requests were received from December 8, 2010 to June 30, 2011 would be \$661,015. This has been a program that is seeing steady demand with increased demand expected as the program continues to be marketed. The Development Fund is requesting an appropriation of \$400,000 to continue with the childcare loan program throughout the 2011-2013 biennium. If the Development Fund receives the \$400,000 in new appropriations that will be requested during the 2011 Legislative Session, there should be sufficient funds available to meet future childcare loan requests.

Except for the \$1,250,000 appropriated for the 2009-2011 biennium for the childcare loan program, the Development Fund's last general fund appropriation was received for the 2007-2009 biennium in the amount of \$3,000,000. Along with the appropriation, the Development Fund was also approved to access a reserve of \$1,000,000 through the Bank of North Dakota, if the funds were needed prior to the end of the 2007-2009 biennium. The \$1,000,000 reserve was not accessed. Other than the \$400,000 requested for continuation of the childcare loan program, the ED&F budget is not requesting any additional appropriation for the Development Fund proper.

The Development Fund has funded 33 new projects for a total of \$6,056,869 from July 1, 2009 to November 30, 2010.

On June 30, 2011, the Development fund is projecting to have a cash balance of approximately \$7,407,881.61. The Development Fund has averaged approximately \$5.2 million in new loans/investments per year over the past 3 years, and averaged approximately \$2.8 million per year of loan/investment collections. The Development Fund covers all operating expenses, averaging \$361,758 per year, from its loan/investment returns. If the Development Fund continues at its present pace in making loans/investments, realizing loan/investment collections, and covering operating expenses, an estimated cash availability of \$1.8 million is projected for the fund on June 30, 2013. If the Development Fund maintains the collections average of \$2.8 million per year in the 2011-2012 year, and operating expenses of \$361,758 for that year, it is estimated there will be approximately \$4.6 million available to make loans/investments in the final year of the biennium as collections are received.

The Development Fund is one of North Dakota's primary economic development finance tools and has been well managed. Since its creation in 1991, the Development Fund has received a total of \$30 million in legislated general fund appropriations. In turn, the Development Fund has invested \$82.2 million in 499 projects involving 467 different primary sector businesses across North Dakota. The Development Fund has truly become a revolving loan fund, as exemplified by the fact that it has invested 2.74 times more dollars than it has received in general fund appropriations. It is also a program which is having a very positive overall economic impact in the state. A private consulting firm conducted an assessment of the Development Fund's impact in 2007. The report assessed the Development Fund's activities for an eight year period from 2000 to 2007. The impact analysis indicates that the Development Fund realized a 230% return on net investment back to the state. That return is relative to the year 2007 only. It does not reflect a projection of on-going returns expected in future years.

The North Dakota Development Funds has averaged 25 projects a year since its inception and an average total funding per year of \$4.3 million. The average outstanding portfolio of the Fund from 1999 to 2010 has been \$19,220,482 (loans & equity). The Fund has averaged \$1,112,036 per year in average income and has had an average administrative expense of \$257,573. The average annual net income to the Fund after expenses has been \$854,446. The appropriation of \$3,000,000 for the 2007-2009 biennium allowed the Development Fund to continue to do "business as usual" in assisting primary sector businesses in the State over these two years. During the 2009-2011 biennium, the Development Fund has been able to meet their funding demand and is projecting to meet its future demand to provide gap finance assistance to companies during the coming biennium.

Additional details relative to the North Dakota Development Fund's history and statistical review can be found in Appendix A.

Agricultural Products Utilization Commission

The Agricultural Products Utilization Commission (APUC), since being established in 1979, has consistently been a very popular program across North Dakota fulfilling its mission of creating new wealth and jobs through the development of new and expanded uses for all North Dakota agricultural products. To achieve this mission the Commission administers seven grant programs and special sponsorships. The grant programs encompass; basic and applied research, farm diversification, marketing and utilization, prototype development, technology, technical assistance, and nature based agri-tourism.

To date for the 2009-2011 biennium, APUC has awarded \$885,100 to 28 projects (including sponsorships). The breakdown into the various program areas are as follows:

- Basic and applied research = \$206,814
- Farm Diversification = \$0
- Marketing and Utilization = \$533,286
- Prototype Development = \$83,000
- Technology = \$25,000
- Technical Assistance = \$5,250
- Nature Based Agri-Tourism = \$1,000
- Sponsorships = \$30,750

APUC continues to be a popular funding source for value added businesses in North Dakota. APUC is currently one of the last state granting sources for companies looking to fund intangible costs that are necessary to move projects forward but have difficulty in accessing capital to fund. This would include such costs as preparing business plans, feasibility studies, marketing plans, conducting prototype development, etc. Many of the project operators supported by APUC have stated that APUC's investment in the early stages of their project was crucial to their overall success.

A few examples of APUC completed projects during this biennium include:

- FK Corporation – ND Beef Packing – The goal of this project is to build and operate a beef packing/processing plant at a suitable location in ND. APUC assistance supported the projects need to conduct an in-depth feasibility study and develop a detailed business plan. The project operators are now to the point of evaluating ND location options.
- Flax USA – Flax Marketing & Utilization – APUC supported this fifth-generation family farm business in their efforts diversify their business by developing new flax products and entering new markets. Flax USA is quickly becoming the leading retail flax product company in the nation.
- Growing Native Assets through Nature & Heritage – In the Fall of 2010 APUC contracted with Marketplace of Ideas to conduct seminars on four Native American reservations across ND. The purpose of the programming was to promote the use of natural resources and the preservation of culture through gardening, farmers markets, and other agri-business to grow the economy within North Dakota's Native American reservations. 311 individuals participated in the four seminars.

The APUC funding request for the 2011-2013 biennium is \$1,701,483. This amount reflects a slight increase to staff salaries and wages.

It is also worth noting that a portion of APUC's budget comes from dollars received from the agricultural fuel tax refund. These funds have been declining over the years. For example in the 2003-2005 biennium; APUC received approximately \$500,000 from the fuel tax refund. So far for the 2009-2011 biennium, APUC has received approximately \$105,513. During the 2009 legislative session the legislature approved the transfer of 5% of the state mill and elevator's profits to the agricultural fuel tax fund to support APUC project funding. The 2009 transfer from the ND Mill and Elevator profits was \$658,995.50

The most recent APUC Grant Report (2008-2010) can be found in Appendix B.

Business Development & Research

The ED&F Division, particularly through its business development and research group, fulfills a variety of functions targeted towards in-state constituents and out-of-state target markets. ED&F's efforts focus on fulfilling the needs of, and supporting local community partners and stakeholders across the state. These partners and stakeholders include, but are not limited to; local development professionals, city staff, community development volunteers, business owners and operators, entrepreneurs, universities, industry associations, etc.

ED&F's business development team brings target industry competencies into the business development process, creating enhanced expertise, customer service, and results. This team brings background and knowledge to the following target industries.

- Value-Added Ag
- Technology Based Business/Science & Technology
- Energy
- IT/Backoffice/Business Services
- Manufacturing/Aerospace

The business development staff also includes expertise in the area of business retention and expansion.

The business development & research team's efforts are very broad reaching. The group's primary areas of service include, but are not limited to, the following:

- Support existing in-state companies and start-up entrepreneurial development
 - **EXAMPLE:** A large value-added ag processor in North Dakota was considering expanding their production capacity as well as making very broad upgrades to their existing facilities ranging from material handling, technology improvement, and alternative energy utilization. ED&F staff assisted company officials to identify state and local finance and tax incentive programs as well as providing liaison services to connect the company with key players in other state agencies. The company is moving forward with the expansion and upgrades.
- Targeted marketing & recruitment
 - Marketed at 24 out-of-state target industry events/activities.
 - Marketed at 6 out-of-state events/activities focused at site selection consultants and corporate real estate executives.
 - **EXAMPLE:** In 2010 ED&F exhibited at the AUVSI Unmanned Systems annual conference. As a result of meeting a company executive at previous events and furthering conversations at the AUVSI 2010 event, a foreign company involved in

the unmanned aerial systems simulator development business has recently announced they will be establishing their U.S. base of operations in North Dakota and will create high paying product development positions in Grand Forks.

- Assisting out-of-state companies moving operations into North Dakota
 - **EXAMPLE:** A small company based in Louisiana identified a small rural ND community, Hazzelton, as the ideal community in which to locate business operations and serve as the new home for the principals of the company. ED&F staff worked with the company and community to identify business finance and incentive offerings, and facilitate connections with appropriate government officials as well as private sector service and product suppliers to support the company's needs.
- Linking existing in-state businesses to new business opportunities
 - **EXAMPLE:** ED&F staff worked with a company, considered to be one of the leading companies in the aerospace industry, to organize a supplier symposium to expose North Dakota companies to potential supplier opportunities with this large OEM and their tier 1 suppliers. 23 North Dakota companies participated in the event, which provided them direct one-on-one exposure with the host companies. A number of companies in attendance have been offered opportunities to bid on contracts with the OEM and its Tier 1 suppliers.
- Community & Company Capacity Marketing
 - **EXAMPLE:** The ED&F Research staff has developed an online system to assist communities to market their available buildings and properties as well as list all relevant community data to support on-line enquiries. The website also hosts a searchable database of North Dakota manufacturers, which lists the companies' manufacturing capabilities and their desire to provide contract production services or whether they are interested in identifying available contract manufacturers. The system is designed to help companies identify North Dakota contract manufacturers/suppliers.
- Reviewed and processed certification applications for companies wanting to access state programs
 - 68 companies certified or recertified for Primary Sector status
 - 13 companies certified for Seed Capital Investment Tax Credit status
 - 4 companies certified for Agricultural Business Investment Tax Credit status
 - 2 companies certified to assign, trade or sell R&D tax credits
 - 7 Entrepreneurial Centers certified
 - 8 Angel Funds certified to be eligible for the Angel Fund Tax Credit
- Community & stakeholder support services
- Liaison services between the private sector and State government and other public sector
- Centers of Excellence promotion, partner development, and due diligence
- Research services for partners and stakeholders
- Serving on advisory boards and providing support services to State Commissions and other boards

As a result of these efforts and others over the past years, the business development staff has played a significant role in the new location and/or expansion of 17 companies in North Dakota. An economic impact analysis was conducted on these projects using the assessment model developed by "Regional Economic Models, Inc." The economic impact assessment projected the following outcomes for the State of North Dakota by the year 2015 as a result of the location and expansion of these projects in the state.

- 1,500+ jobs (direct and indirect)
- \$460+ million dollars of personal income
- \$ 90+ million dollars of state tax revenues

These 17 companies are strictly those companies that have resulted in a new location into the state or a significant facility expansion. This is by no means a complete list of companies or projects that have been positively impacted by the efforts of the ED&F staff.

ED&F's business development marketing and referral programs have resulted in significant project development activity that has been generated the following new project activity over the past two years .

- 80 newly initiated level 1 & 2 projects.
 - Level 1 project – A company with a defined project and is considering ND
 - Level 2 project – A company with a defined project but uncertain of its level of interest in ND
- 30 company site visits to North Dakota.
- 18 Requests for Proposals (RFPs) on different projects disseminated to local developers.

These numbers are not fully representative of the total number of new prospective leads generated, but rather are only those that have evolved to a level where a defined project is showing an interest in North Dakota as a location for their business.

ED&F's business development efforts place an emphasis on working closely with local community developers and leaders. Business development staff travel across the state to conduct community and company visits. These outreach visits better familiarize the ED&F staff with the assets and capabilities ND communities and businesses have to offer, while at the same time providing community and business stakeholders an opportunity to address their needs to state officials. Over the past two years the ED&F staff and other Commerce staff have:

- 35 Communities visited
- 35+ Primary Sector companies visited

The information gathered from these efforts helps to assure ED&F performs in a manner that is compatible with the communities and companies throughout North Dakota.

The business development & research groups within ED&F are well positioned to continue to provide an aggressive and productive program delivery as we are presently structured.

Regarding ED&F staffing and budgets for the upcoming biennium:

- ED&F is not proposing to add any new FTE's.
- The ED&F business development and research groups are not requesting any budget enhancements other than proposed salary increases.

Conclusion

The Economic Development & Finance Division of the Department of Commerce houses programs and components that reach out to supporting development across multiple industry and demographic sectors in communities throughout North Dakota. The ED&F Division has submitted a budget that will allow for the continued delivery of such programs and efforts.

North Dakota Development Fund Economic Impact for the State of North Dakota
Dated: December 8, 2010

Year July 1, 1990 to June 30, 1991

-Invested: 2 "Primary Sector" projects including 2 different businesses of which 1 was located in a rural community.

-Total Invested: \$125,000

-Of the \$125,000 invested, the NDDF has charged off \$125,000 (100%)

Year July 1, 1991 to June 30, 1992

-Invested: 10 "Primary Sector" projects including 9 different businesses of which 3 were located in a rural community.

-Total Invested: \$1,891,000

-Of the \$1,891,000 invested, the NDDF has charged off \$821,031 (43%)

Year July 1, 1992 to June 30, 1993

-Invested: 22 "Primary Sector" projects including 22 different businesses of which 14 were located in a rural community.

-Total Invested: \$4,261,000

-Of the \$4,261,000 invested, the NDDF has charged off \$1,574,058 (37%)

Year July 1, 1993 to June 30, 1994

-Invested: 24 "Primary Sector" projects including 24 different businesses of which 17 were located in a rural community.

-Total Invested: \$2,166,700

-Of the \$2,166,700 invested, the NDDF has charged off \$1,537,402 (71%)

Year July 1, 1994 to June 30, 1995

-Invested: 28 "Primary Sector" projects including 28 different businesses of which 14 were located in a rural community.

-Total Invested: \$3,501,894

-Of the \$3,501,894 invested, the NDDF has charged off \$1,911,833 (55%)

Year July 1, 1995 to June 30, 1996

-Invested: 21 "Primary Sector" projects including 18 different businesses of which 10 were located in a rural community.

-Total Invested: \$3,757,600

-Of the \$3,757,600 invested, the NDDF has charged off \$759,321 (20%)

Year July 1, 1996 to June 30, 1997

- Invested: 22 "Primary Sector" projects including 20 different businesses of which 10 were located in a rural community.
- Total Invested: \$3,501,894
- Of the \$3,501,894 invested, the NDDF has charged off \$707,864 (20%)

Year July 1, 1997 to June 30, 1998

- Invested: 28 "Primary Sector" projects including 28 different businesses of which 14 were located in a rural community.
- Total Invested: \$4,768,235
- Of the \$4,768,235 invested, the NDDF has charged off \$1,195,532 (25%)

Year July 1, 1998 to June 30, 1999

- Invested: 27 "Primary Sector" projects including 25 different businesses of which 13 were located in a rural community.
- Total Invested: \$4,021,708
- Of the \$4,021,708 invested, the NDDF has charged off \$392,823 (10%)

Summary: July 1, 1990 To June 30, 1999:

Total Projects Funded:	184
Total Businesses Funded:	176
Average Projects Per Year:	20
Total Businesses Still Operating:	68 (39%)
Total Invested:	\$ 27,995,031
Average Funded Per Year:	\$ 3,110,559
Average Project Funded:	\$ 152,147
Total Charged-Off:	\$ 10,383,749
Average Charge-Off Per Year:	\$ 1,153,749
Average Charged-Off Per Business (108 Charged-Off):	\$ 96,145

Year July 1, 1999 to June 30, 2000

- Invested: 30 "Primary Sector" projects including 27 different businesses of which 19 were located in a rural community.
- Total Invested: \$4,818,307
- Development Fund contributed to the start-up of 10 businesses, which 8 were located in rural communities. 8 of the 10 (80%) continue to operate today.
- 7 of the projects were ag. processing facilities.
- Of the \$4,818,307 invested, the NDDF has charged off \$920,597 (19.1%)

Year July 1, 2000 to June 30, 2001

- Invested: 40 "Primary Sector" projects including 36 different businesses, of which 17 were located in rural communities.
- Total invested: \$7,242,849
- The Development Fund dollars invested leveraged \$40,000,000 from other funding sources resulting in a \$4.77 to 1 ratio-for every Development Fund dollar invested, \$4.77 was invested from other sources.
- 3 of the projects were ag. processing facilities.
- Investments contributed to the projected creation of 594 jobs
- Development Fund contributed to the start-up of 10 businesses, which 2 were located in rural communities. 8 of the 10 (80%) continue to operate today.
- Of the \$7,242,849 invested, the NDDF has charged off \$279,080 (4.0%)

Year July 1, 2001 to June 30, 2002

- Invested: 23 "Primary Sector" projects including 23 different businesses, of which 14 were located in rural communities.
- Total invested: \$2,537,800
- The Development Fund dollars invested leveraged \$17,645,575 from other funding sources resulting in a \$7.00 to 1 ratio-for every Development Fund dollar invested, \$7.00 was invested from other sources.
- 2 of the projects were ag. processing facilities.
- Investments contributed to the projected creation of 730 jobs
- Development Fund contributed to the start-up of 13 businesses, which 10 were located in rural communities. 4 of the 13 (31%) continue to operate today.
- Of the \$2,537,800 invested, the NDDF has charged off \$675,980 (26.4%)

Year July 1, 2002 to June 30, 2003

- Invested: 26 "Primary Sector" projects including 26 different businesses, of which, 16 were located in rural communities.
- Total investment: \$3,447,032
- Of the 26 "Primary Sector" businesses funded, 19 (73%) continue to operate today.
- 7 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments contributed to the projected creation of 302 jobs.
- Development Fund contributed to the start-up of 13 businesses, which 8 were located in rural communities. 8 of the 13 (62%) continue to operate today.
- The Development Fund dollars invested leveraged \$20,509,840 from other funding sources resulting in a \$5.95 to 1 ratio-for every Development Fund dollar invested, \$5.95 was invested from other sources.
- Of the \$3,447,032 invested, the NDDF has charged off \$214,376 (6.2%)

Year July 1, 2003 to June 30, 2004

- Invested: 22 "Primary Sector" projects including 22 different "Primary Sector" businesses, of which, 14 were located in rural communities.
- Total investment: \$2,199,267
- Of the 22 businesses funded, 19 (86%) continue to operate today.
- 8 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments contributed to the projected creation of 128 jobs.
- Development Fund contributed to the start-up of 10 businesses, which 8 were located in rural communities. 8 of the 10 (80%) continue to operate today.
- The Development Fund dollars invested leveraged \$17,572,903 from other funding sources resulting in a \$7.18 to 1 ratio-for every Development Fund dollar invested, \$7.18 was invested from other sources.
- The Development Fund paid \$500,000 to help fund the Centers of Excellence at the University of North Dakota and North Dakota State University.
- The Development Fund paid all expenses incurred by the Fund in 2004 in the amount of \$319,159.
- Of the \$2,199,267 invested, the NDDF has charged off \$604,333 (27.4%)

Year July 1, 2004 to June 30, 2005

- Invested: 50 "Primary Sector" projects including 42 different "Primary Sector" businesses, of which, 30 of the projects were located in rural communities.
- Total investment: \$5,125,384
- Of the 42 businesses funded, 27 (64%) continue to operate today
- 13 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments made contributed to the projected creation of 462 jobs.
- Development Fund contributed to the start-up of 20 businesses, which 12 were located in rural communities. 10 of the 20 (50%) continue to operate today.
- The Development Fund dollars invested leveraged \$20,111,493 from other funding sources resulting in a \$3.53 to 1 ratio-for every Development Fund dollar invested, \$3.53 was invested from other sources.
- Of the \$5,125,384 invested, the NDDF has charged off \$653,572 (11.4%)
- The Development Fund has invested \$55 million in 356 "Primary Sector" businesses since inception. The Fund has received \$27 million from legislative appropriations since start-up. Of the \$55 million invested, \$20.5 million has been invested in rural communities. The Fund has become a revolving loan fund.
- The Development Fund continues to be self-funding. The Fund paid all expenses incurred during 2005, which totaled \$300,495. The Fund has not received an appropriation from the legislature, since 2001.
- Of the \$5,125,384 invested, the NDDF has charged off \$653,572 (11.4%)

Year July 1, 2005 to June 30, 2006

- Invested: 32 "Primary Sector" projects, which include 27 different "Primary Sector" businesses, of which, 12 were located in rural communities.
- Total investment: \$6,632,726
- Of the 27 "Primary Sector" businesses funded, 22 (81%) continue to operate today.
- 5 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments made contributed to the projected creation of 497 jobs.
- Development Fund contributed to the start-up of 12 businesses, of which, 7 were located in rural communities. 8 (62%) of the 13 businesses continue to operate today.
- The Development Fund dollars invested leveraged \$106,327,372 from other funding sources resulting in a \$16.03 to 1 ratio-for every Development Fund dollar invested, \$16.03 was invested from other sources.
- The Development Fund paid \$500,000 to the North Dakota Trade Office to cover its operating expenses.
- The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2006, totaling \$335,593.
- Of the \$6,632,726 invested, the NDDF has charged off \$86,890 (1.0%)

Year July 1, 2006 to June 30, 2007

- Invested: 23 "Primary Sector" projects, which include 22 different "Primary Sector" businesses, of which, 12 were located in rural communities.
- Total investment: \$5,102,600
- Of the 22 "Primary Sector" businesses funded, 20 (91%) continue to operate today.
- 3 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Development Fund contributed to the start-up of 6 businesses, of which, 2 were located in rural communities. 5 (83%) of the 6 businesses continue to operate today.
- Investments made contributed to the projected creation of 250 jobs.
- The Development Fund dollars invested leveraged \$34,601,396 from other funding sources resulting in a \$6.78 to 1 ratio-for every Development Fund dollar invested, \$6.78 was invested from other sources.
- The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2007, totaling \$342,036.
- Of the \$5,102,600 invested, the NDDF has charged off \$48,297 (.94%)

Year July 1, 2007 to June 30, 2008

- Invested: 21 "Primary Sector" projects, which include 21 different "Primary Sector" businesses, of which, 12 were located in rural communities.
- Total investment: \$5,370,926
- Of the 21 "Primary Sector" businesses funded, 20 (95%) continue to operate today.
- 7 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Development Fund contributed to the start-up of 8 businesses, of which, 4 were located in rural communities. 4 (100%) of the 4 businesses continue to operate today.
- The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2007, totaling \$321,453.
- Of the \$5,370,926 invested, the NDDF has charged off \$0.00 (0%)
- The NDDF received an appropriation from the Legislative Session in the amount of \$3,000,000.00 to be used to help fund future investments.

Year July 1, 2008 to June 30, 2009

- Invested: 18 "Primary Sector" projects, which include 18 different "Primary Sector" businesses, of which, 7 were located in rural communities.
- Total investment: \$7,390,632
- Of the 18 "Primary Sector" businesses funded, 17 (94%) continue to operate today.
- The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2008, totaled \$377,204.
- Of the \$7,390,632 invested, the NDDF has charged off \$0.00 (0%)

Year July 1, 2009 to June 30, 2010

- Invested: 22 "Primary Sector" projects, which include 19 different "Primary Sector" businesses, of which, 6 were located in rural communities.
- Total investment: \$2,859,128
- Of the 19 "Primary Sector" businesses funded, 19 (100%) continue to operate today.
- The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2009, totaled \$386,615.
- Of the \$2,859,128 invested, the NDDF has charged off \$0.00 (0%)

July 1, 2010 to November 30, 2010

- The Development Fund has made 8 investments totaling \$1,406,985.
Of the 8 projects, 3 projects were located in a rural community.
- All 8 projects continue to operate today.
 - Of the \$1,406,985 invested, the NDDF has charged off \$0.00 (0%)

Summary: July 1, 1999 To December 8, 2010:

Total Projects Funded:	315
Total Businesses Funded:	291
Average Project:	28
Total Businesses Still Operating:	228 (78%)
Total Invested:	\$54,133,363
Average Funded Per Year:	\$ 5,413,363
Average Project Funded:	\$ 171,852
Total Charged-Off:	\$ 3,917,099
Average Charge-Off Per Year:	\$ 391,709
Average Charged-Off Per Business (63 Charged-Off):	\$ 62,176

Summary:

July 1, 1990 To December 8, 2010:

- Invested: 499 projects (25/year) in 467 (23/year) different "Primary Sector" businesses.
- Total Investments: \$82,128,667 (\$4,322,561/year)
- Legislative Appropriation Received: \$30,000,000 (\$1,500,000/Year)/ NDDF paid back to the General Fund as listed below \$2 million for use in the Center of Excellence Program and the North Dakota Trade Office. The Net appropriated funds to the NDDF would be \$28 million.
- NDDF has invested 2.74 times more than the amount of the Legislative Appropriations received
- The NDDF averaged \$1,500,000/Year from Legislative Appropriations and Invested an Average of \$4,322,561/Year (Revolving Fund).
- Average Project Funded: \$ 164,586
- Average Funded Per Year: \$ 4,322,561
- Average Projects Per Year: 25
- Average Businesses Per Year: 23
- Total Charged Off: \$14,300,848
- Average Charge-Off Per Year: \$ 715,042
- Loss Rate: 17.41%
- Invested in Start-up businesses July 1, 1999 to December 8, 2010:118 (11/year):
68 of the start-up businesses were located in rural communities
Currently operating: 77/118 (66%)
- Total Businesses Still Operating: 287 of 467: 62%
- Ag. related projects (July 1, 1999 to December 8, 2010): 63
- Development Fund paid \$1,000,000 back to the General Fund for the Centers of Excellence at the University of North Dakota, North Dakota State University of \$500,000 and payment to the North Dakota Trade Office of \$500,000.
- Development Fund became self-funding in 2003.

North Dakota

DEPARTMENT OF COMMERCE

1875 N. DAKOTA AVE



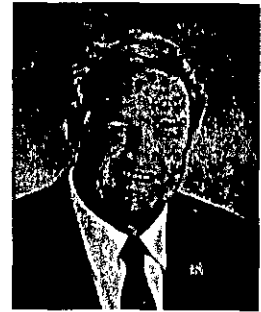
CENTERS OF EXCELLENCE annual report | 2010

LETTER FROM THE GOVERNOR



— State of —
North Dakota
Office of the Governor

Jack Dalrymple
Governor



North Dakota's Centers of Excellence program is a real success story. The Centers program is built on the concept of partnering the research capacities found in our public colleges and universities with private-sector companies to generate jobs and new business opportunities.

Much like our nation's transportation system was the economic infrastructure for the 20th Century, the North Dakota Centers of Excellence program is building the economic infrastructure of the 21st Century that is based on research, technology and intellectual capacity.

The program, now in its fifth year, is having a significant impact in our state. According to a fall 2010 study by North Dakota State University Professor Larry Leistritz, the North Dakota Centers of Excellence program has leveraged \$26.2 million in state funding into an economic impact of \$406.5 million through June 30, 2010.

The Centers program is built on the concept of partnerships. Our colleges and universities are filled with intellectual resources, high-tech equipment and training capacity that are valuable for private-sector companies. As a testament to this, 190 companies have formed partnerships with North Dakota Centers of Excellence. These partnerships have leveraged \$152.9 million of matching funds, an amount far exceeding the \$33.9 million of state funds disbursed to the Centers.

These partnerships are generating results. The Centers of Excellence program has helped create a total of 1,017 direct jobs at an estimated annual payroll of \$53.4 million, with direct employment increasing more than 240 percent since 2007.

By aggressively pursuing research in all of our state's targeted industries, the Centers of Excellence program is nurturing the pioneers of our future. Initiatives like this will help our private-sector businesses uncover the promising new opportunities that will continue to build a strong future for North Dakota.

Sincerely,

A handwritten signature of Jack Dalrymple in cursive script.
Jack Dalrymple
Governor

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SUMMARY

The Centers of Excellence are hubs of research and development on the campuses of North Dakota's colleges and universities, partnering with private companies to commercialize new products and services. The Centers explore research in the fields of energy, agriculture, life sciences, electronics, aerospace and manufacturing.

North Dakota legislators authorized funding for several pilot Centers of Excellence projects in the 2003 session before authorizing the full program. These include the UND Center for Innovation in Grand Forks, the NDSU Technology Incubator and the NDSU Beef Systems Center of Excellence in Fargo.

In 2005, the Legislature expanded this concept into the current competitive grant program. Since then, the Legislature has approved a total of \$60 million for the program. Of these funds, the Centers of Excellence Commission has awarded \$54.1 million, launching 20 new Centers of Excellence. In 2009, the Legislature established Centers of Excellence Enhancement Grants. The Enhancement Grants have been allotted \$10 million of the program funds, which are available to the state's research universities, UND and NDSU, during the 2009-11 biennium.

So far, \$26.2 million of the awarded funds have been spent by the Centers which have leveraged over \$150 million from the private sector and other sources. Due to careful due diligence and project requirements on the part of the program and the university system, projects are funded and dollars spent only when the required match is available and the project is ready to move forward. With only one-third of the total available program dollars spent as of June 30, 2010, the Centers of Excellence program had the following economic benefits:

\$406.5 MILLION ECONOMIC IMPACT

The Centers of Excellence program has had \$406.5 million in estimated total economic impact to North Dakota's economy. This includes a direct impact of \$141.2 million generated by the centers and their partners.

190 PRIVATE SECTOR PARTNERS

The Centers have formed partnerships with 190 companies. These include companies in target industries such as advanced manufacturing, energy, technology, and value-added agriculture, as well as emerging industries such as life sciences and unmanned aircraft systems.

CENTER STATUS

These Centers are still in the early stages of development. Each competitively awarded Center of Excellence has its progress monitored for six to ten years. During this time period, it is anticipated that each center will produce the results proposed at the outset of its project.

No Center has yet reached its maturity. Three Centers have yet to be launched. Twenty Centers are currently in operation:

- 7 Centers have been in operation for 2 fiscal years or less
- 3 Centers have been in operation for 3 fiscal years
- 9 Centers have been in operation for 4 fiscal years
- 1 Center has been in operation for 5 fiscal years

1,017 NEW DIRECT JOBS

The Centers of Excellence program has lead to the creation of 1,017 direct jobs at an estimated annual payroll of \$53.4 million created by the centers themselves or by partnering companies. Direct employment resulting from the Centers increased more than 240 percent since 2007. Over the same period, hundreds of secondary jobs were also supported by the Centers.

18 NEW OR EXPANDED BUSINESSES

Eighteen new or expanded businesses have resulted from the Centers of Excellence program. This includes seven new spinoff companies, six companies that expanded to North Dakota, and five companies that have expanded within the state.

STATUS OF CENTERS OF EXCELLENCE INVESTMENT June 30, 2010	
Spent	\$26.2 million
Disbursed to Centers (not yet spent)	\$7.70 million
Approved (waiting disbursement)	\$23.1 million
Available for awards	\$5.30 million
Total	\$62.3 million

EXAMPLES OF OTHER KEY BENEFIT

- The NDSU Center for Surface Protection is investigating coatings and polymers technologies that may have applications in North Dakota's energy industry, including increasing the efficiency of electrical generation from coal.
- Intelligent InSites is involved in the healthcare asset and people tracking market. The NDSU Center for Integrated Electronic Systems has partnered with Intelligent InSites to enhance its current product and assists with design and development of its new product releases.
- A new Center, the NDSU Center for Advanced Technology Development and Commercialization, will partner with Triton Systems, Inc. to develop product applications based upon proprietary and patented liquid silicon technology developed at NDSU.
- The UND Unmanned Aircraft Systems Center of Excellence is working to resolve the "sense and avoid" issue which is a critical barrier to opening national airspace to unmanned aircraft systems. The Center is developing the Automatic Dependent Surveillance-Broadcast (ADS-B) transceiver, a communication device for small UAS vehicles.
- The UND Energy and Environmental Research Center's National Center for Hydrogen Technology is teaming with industry and government to demonstrate advanced clean coal gasification to produce hydrogen-rich gas from a variety of coals, with a special emphasis on North Dakota lignite. These projects are bringing together numerous players in the North Dakota energy industry.
- The BSC National Energy Center of Excellence has seen enrollment in its energy programs increase by 27 percent since the fall 2008 semester.
- The WSC Petroleum Safety and Training Center provides training for 171 companies in the oil and gas industry. Over 4,000 individuals were trained in fiscal year 2010 alone.
- The UNDRF Center of Excellence for Passive Therapeutics and partner Avianax are performing pre-clinical trials to advance therapeutic antibody products. The first product targeted is an antibody to the West Nile Virus.
- NDSU Technology Incubator graduate Appareo Systems was named the 2010 Outstanding Incubator Graduate - Technology Category by the National Business Incubation Association.



CENTER FOR ADVANCED ELECTRONICS DESIGN & MANUFACTURING North Dakota State University

1805 NDSU Research Park Drive North • Fargo, ND 58102 • 701.231.8956
www.ndsu.edu/caedm



The Center for Advanced Electronics Design and Manufacturing (CAEDM) performs research and development for private sector partners and collaborators specializing in areas including wireless sensors, electronic systems, miniaturized electronics and prototype development. The Center's efforts help partners and collaborators meet product and technology needs while enabling and promoting commercialization opportunities of new products and technologies.

STATE FUNDS

Launch Date: February 2006
Award: \$3,000,000
Disbursed to the Center: \$3,000,000
Spent by the Center: \$1,744,255

MATCHING & LEVERAGED FUNDS

Received: \$13,022,112

PRIVATE SECTOR PARTNERS

Deceleration Technologies, Pacific Northwest National Laboratories, Pedigree Technologies, Phoenix International, PPG Industries, Reitz Consulting, Starkey Labs, Tessara

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the CAEDM and its partners have created six new jobs.
- PPG Industries and the CAEDM collaborated to improve adhesion processes for an electronics substrate product line and are jointly working to identify commercialization opportunities for the technology.
- The CAEDM provided support to Starkey Labs in testing and evaluating new hearing aid products.
- The CAEDM has worked with North Dakota companies such as Aldevron on a unique robotic manufacturing product prototype, Phoenix International on engineering activities regarding wave soldering, and Deceleration Technologies on testing their brake illumination product.

PRODUCTS GIVE NEW MEANING TO THE WORDS "REMOTE CONTROL"

In any economy, businesses that respond to customers' needs quickly gain an edge over their competitors. A home-grown North Dakota company, Pedigree Technologies, is partnering with North Dakota State University's Center for Advanced Electronics Design and Manufacturing to do just that, using the Center's electronics expertise to grow its business as well as the businesses of its customers.

Pedigree Technologies specializes in wireless technologies that monitor, track and control companies' assets with what is known as machine-to-machine solutions or smart technology.

"Fuel tanks call you up and let you know it's time to be refilled. Your vehicles report in and say, 'I just made it to my customer location,'" said Alex Warner, president and founder of Pedigree Technologies. "It's really about making your equipment talk, making your machines help deliver your service and manage your operations more efficiently."

Through the CAEDM, NDSU researchers provide expertise on electronics and manufacturing projects. Pedigree Technologies contracted with the CAEDM to work on some of Pedigree's own projects.

Alex Warner, president and founder
of Pedigree Technologies



"The CAEDM provided assistance in new embedded hardware, subsystem development and integration capabilities that were important for a new product rollout,"

Warner said. "The CAEDM was able to provide us with expertise and resources in areas that would have been difficult and expensive to find elsewhere and most likely would have had to be found out-of-state."

Philip Boudjouk, vice president for research, creative activities and technology transfer at NDSU, said the Center's research capabilities are a huge resource for businesses.

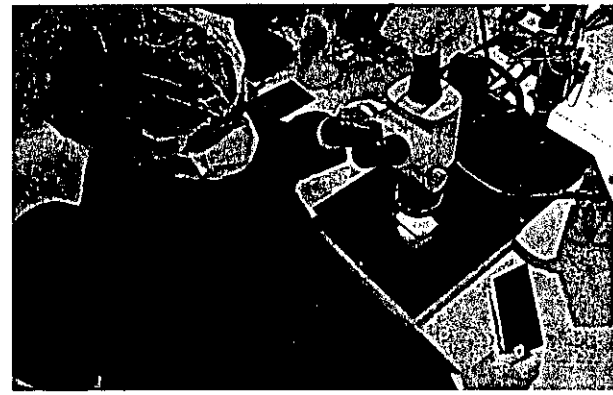
"NDSU's CAEDM plays a unique role in helping companies achieve success," Boudjouk said. "Coupled with NDSU's wide range of research expertise, the Center provides companies such as Pedigree Technologies additional advantages as they compete in the marketplace."

CENTER FOR INTEGRATED ELECTRONIC SYSTEMS

North Dakota State University

1735 NDSU Research Park Drive North • P.O. Box 6050 – Dept. 4000
 Fargo, ND 58108-6050 • 701.231.6542
www.ndsu.edu/cies/

The Center for Integrated Electronic Systems (CIES) will perform research and development projects to integrate electronic hardware and software systems. Such projects will enable private sector partners to create and manufacture new products, improve existing products, increase profitability and become more competitive in the global marketplace.



STATE FUNDS

Launch Date: June 2009
 Award: \$2,050,000
 Disbursed to the Center: \$1,366,171
 Spent by the Center: \$370,550

MATCHING & LEVERAGED FUNDS

Received: \$700,372
 Total Anticipated: \$4,100,000

PRIVATE SECTOR PARTNERS

Datacom International Inc.
 Intelligent InSites
 Pedigree Technologies

PROJECT NOTES AND HIGHLIGHTS

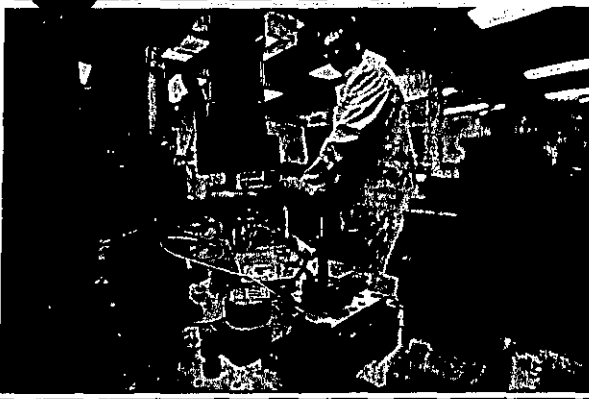
- As of June 30, 2010, the CIES and its partners have created 11 new jobs.
- Datacom International Inc. is an enterprise resource planning software company which specializes in the sign industry market. The CIES worked with Datacom on major enhancements to its current product's user interface, making it faster, easier to use and more feature-rich. The Center also helped Datacom develop a prototype of a new product for estimating and quoting work for sign companies.
- Intelligent InSites is involved in the healthcare asset and people tracking market. The CIES has partnered with Intelligent InSites to enhance its current product as well as design and development of new products.
- The CIES has teamed with Pedigree Technologies, a software design and development company, to enhance its user interface and management of its server software.

"Datacom plans to continue to build its employment in North Dakota as its business grows, and key to that growth is the continued enhancement of its products and the advancement of its technologies, both of which are being directly aided by its technology partnership with the Center for Integrated Electronic Systems. Some of the work done by the Center was included in our latest dataSIGN product release, and it was very well received by our customers."

-Don Roepke, CEO of Datacom International!

CENTER FOR SURFACE PROTECTION
North Dakota State University

1735 NDSU Research Park Drive North • Fargo, ND 58102 • 701.231.6219

www.ndsu.edu/csp

The Center for Surface Protection (CSP), in collaboration with private sector partners, performs research, development and testing of surface protecting coatings and application methods.

The Center and its partners work to improve product durability; to reduce corrosion, erosion, and wear properties; and to develop new and improved products and processes.

STATE FUNDS

Launch Date: May 2006
Award: \$4,000,000
Disbursed to the Center: \$2,776,661
Spent by the Center: \$1,919,798

MATCHING & LEVERAGED FUNDS

Received: \$5,281,301
Total Anticipated: \$8,000,000

PRIVATE SECTOR PARTNERS

Akzo Nobel Aerospace Coatings; Arkema, Inc.; Elinor Specialty Coatings; IntegenX; Invista; PPG Industries; SpaceAge Synthetics; Technology Applications Group

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the CSP has created seven new jobs.
- A new spin-off company, Elinor Specialty Coatings, has been established in North Dakota. The company focuses on developing advanced, environmentally friendly technologies in the polymers and coatings field.
- The Center is investigating coatings and polymer technologies that may have applications in North Dakota's energy industry, including increasing the efficiency of electrical generation from coal.
- The CSP is working with Arkema, Inc. and SpaceAge Synthetics to develop durable surface materials and improve the reliability of wind turbine blades.
- The Center, in conjunction with the U.S. Automotive Partnership, is studying the use of magnesium alloys to reduce car body weight and potentially increase fuel efficiencies.
- The center is working with IntegenX to develop coatings used in components for advanced rapid DNA identification.

EXTREME TESTING PROVIDES IMPORTANT AND QUICK RESULTS TO GRAND FORKS COMPANY

If you're in a business dependent upon key metal parts, you want to ensure that they don't wear out too soon or lead to catastrophic failure—particularly when it comes to airplane or helicopter parts.

Technology Applications Group, Inc. (TAG) of Grand Forks developed and markets Tagnite, a coating used on metal equipment and parts that must withstand demanding and extreme environments. TAG developed Tagnite for a simple reason: existing magnesium coatings were inadequate for the demanding environments in which the metal was being used.

"Coatings such as these are often used in aerospace and power tool industries, including parts such as gearboxes, transmission cases and covers, and sump and oil pump housings," said Bill Elmquist, president of TAG.

North Dakota State University's Center for Surface Protection (CSP), a North Dakota Economic Development Center of Excellence, provided the expertise TAG sought to independently test the performance of

its products. Specialized equipment at the Center allows weathering to occur in a compressed amount of time for accelerated, corrosive atmosphere testing.

"Having a well-respected independent organization such as the CSP analyze and validate our coating's performance allows us to approach new customers with hard data that backs up our claims of Tagnite being the best anodized coating for magnesium metal," Elmquist said.

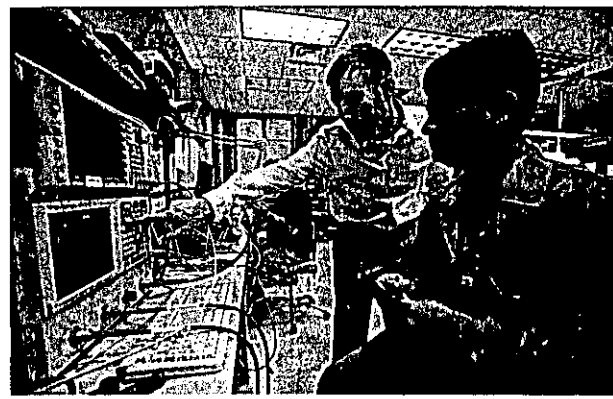
Sikorsky Aircraft, Boeing Helicopter, Orenda Aerospace and Pratt & Whitney are among the many global companies that have chosen TAG's Tagnite coating for their magnesium castings.

Philip Boudjouk, vice president for research, creative activities and technology transfer at NDSU, said the Center for Surface Protection and TAG represents a winning partnership. "Using the research and technical expertise of NDSU to help a North Dakota company succeed with international clients is just one beneficial outcome of this program," Boudjouk said.

**CENTER FOR ADVANCED TECHNOLOGY DEVELOPMENT
& COMMERCIALIZATION** North Dakota State University

1735 NDSU Research Park Drive North • P.O. Box 6050 – Dept. 4000
Fargo, ND 58108-6050 • 701.231.6660

The Center for Advanced Technology Development and Commercialization (CATCOM) will help private sector partners in commercializing new inventions, technologies and other intellectual property discovered or created by NDSU faculty, staff, students and/or private sector partners. The CATCOM will help private sector partners in a number of ways including conversion of inventions and technologies into commercial products and making product enhancements leading to better market penetration and market share.

**STATE FUNDS**

Launch Date: N/A
Award: \$3,900,000
Disbursed to the Center: \$0
Spent by the Center: \$0

MATCHING & LEVERAGED FUNDS

Received: \$0
Total Anticipated: \$7,800,000

PRIVATE SECTOR PARTNERS

Triton Systems, Inc.

PROJECT NOTES AND HIGHLIGHTS

- This Center was approved by the Budget Section on June 22, 2010. As of June 30, 2010, the Center had not yet requested its initial disbursement of state funds.
- The CATCOM's initial project will be a partnership with Triton Systems, Inc. to develop product applications in solar energy, printable/flexible electronics and energy storage based upon NDSU's proprietary and patented liquid silicon technology.

ADVANCED MANUFACTURING

CENTER FOR SENSORS, COMMUNICATIONS, AND CONTROL North Dakota State University

1735 NDSU Research Park Drive North • P.O. Box 6050 – Dept. 4000
Fargo, ND 58108-6050 • 701.231.8956



The Center for Sensors, Communications and Control (CSCC) will provide much-needed expertise in core areas of JAVA programming, sensor integration and systems engineering that its partners are lacking. These areas of expertise are needed not only by the current partners, but also by other businesses in the region. The CSCC will be a product development partner with goals of stimulating job growth and economic development.

STATE FUNDS

Launch Date: N/A
Award: \$2,800,000
Disbursed to the Center: \$0
Spent by the Center: \$0

MATCHING & LEVERAGED FUNDS

Received: \$0
Total Anticipated: \$5,600,000

PRIVATE SECTOR PARTNERS

Intelligent InSites
Pedigree Technologies
PureChoice Inc.
SNAPS Holding Company

PROJECT NOTES AND HIGHLIGHTS

- This Center was approved by the Budget Section on June 22, 2010. As of June 30, 2010, the center had not yet requested its initial disbursement of state funds.
- CSCC and Intelligent InSites will partner on a number of projects including development of software to support an "applications store" where current InSites customers can view, purchase and download the available certified applications into their implementations.
- The Center will work with Pedigree Technologies to integrate sensors into the company's OneView commercial software platform, which is a tracking and monitoring solution.
- The CSCC will partner with PureChoice, Inc. to develop an updated version of its Nose hardware, an indoor air quality monitoring device, and to continue development of PureTrac, a building performance software application.
- The Center will work with SNAPS Holding Company on a project that includes developing a suite of software solutions for transportation, financial, insurance, public safety and contact center businesses. This software will be customized for rapid deployment in the fastest developing economies of the world.

UNMANNED AIRCRAFT SYSTEMS CENTER OF EXCELLENCE

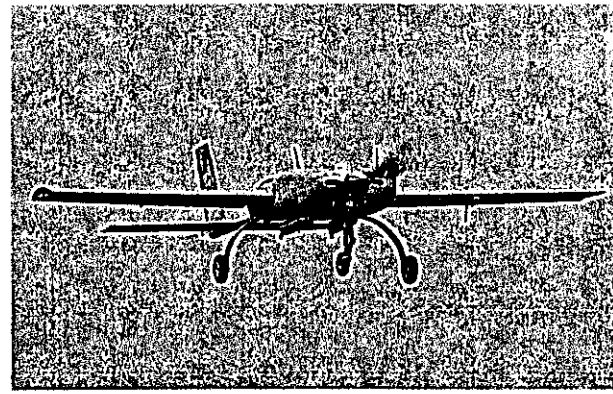
University of North Dakota

John D. Odegard School of Aerospace Sciences

3980 Campus Road, Stop 9007 • Grand Forks, ND 58202-9007 • 701.777.2615

www.uasresearch.org

The Unmanned Aircraft Systems Center of Excellence (UAS COE) performs research and development on UAS technologies, applications and UAS human factors issues. The UAS COE encourages commercialization of new UAS-related products and services and also focuses on education and training for UAS integration into national airspace.



STATE FUNDS

Launch Date: May 2006

Award: \$2,500,000

Disbursed to the Center: \$2,500,000

Spent by the Center: \$2,158,668

MATCHING & LEVERAGED FUNDS

Received: \$11,520,144

PRIVATE SECTOR PARTNERS

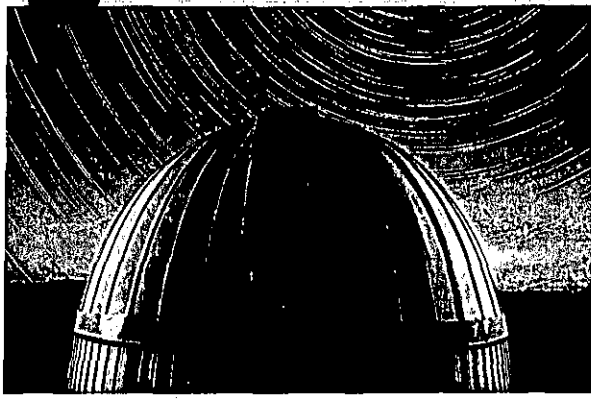
AAI Corporation, Aerovironment Inc., American Crystal Sugar Company, Appareo Systems, Boeing, BoldMethod, Cirrus Design Corporation, Composite Engineering Inc., Diamond Aircraft, Draganfly Innovations Inc., Evergreen International Aviation Inc., General Atomics, General Dynamics, Goodrich, Ideal Aerosmith, Killdeer Mountain Manufacturing, L3 Communications, Laserlith Corporation, Lockheed Martin, Machine Visionaries LLC, Mayo Clinic, Northrop Grumman, Science Applications International Corporation, SEO Precision, Statistical Methodology & Research Design Consultants

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the UAS COE and its partners have created 34 new jobs.
- The UAS COE provides cold weather testing ground for unmanned aircraft systems. Research in these cold weather climates must take place before UAS can be operated for civilian applications in the northern U.S. airspace.
- The Center is working to resolve the "sense and avoid" issue which is a critical barrier to opening national airspace to unmanned aircraft systems. The Center is developing the Automatic Dependent Surveillance-Broadcast (ADS-B) transceiver, a communication device for small UAS vehicles.
- UND is currently the only university in the world offering an undergraduate UAS degree. The program was initiated in fall 2009 and enrollment is growing rapidly as 68 students are enrolled in the program for fall 2010.
- The Center has developed the Air Drop payload for use in search and rescue operations which drops a half pound object at a target within a radius of 100 feet.
- Another product under development by the Center is the Laser Communications payload, a small UAS payload capable of laser communications with a ground-based receiver. Video captured by the payload will be transmitted to the ground via laser, which is very difficult to electronically jam in the battlefield.
- In addition to payload development, the Center is also researching the effects of human factors on UAS flight performance. Research focuses on how factors such as fatigue impact the performance of UAS pilots and sensor operators. This area is largely unexplored.

CENTER OF EXCELLENCE IN SPACE TECHNOLOGY AND OPERATIONS University of North Dakota

UND Center for People and the Environment
4149 University Avenue, Stop 9011 • Grand Forks, ND 58202-9011 • 701.777.3543



The Center of Excellence in Space Technology and Operations will conduct research using a network of satellites that take atmospheric measurements simultaneously in hundreds of places around the world on a continuous basis. This technique is new, yet well demonstrated, and will dramatically improve weather forecasts and provide valuable information to the military and other users of long-range radio communications.

STATE FUNDS

Launch Date: June 2009
Award: \$1,000,000
Disbursed to the Center: \$115,510
Spent by the Center: \$42,507

MATCHING & LEVERAGED FUNDS

Received: \$120,000
Total Anticipated: \$3,220,001

PRIVATE SECTOR PARTNERS

Broad Reach Engineering Inc.
GeoOptics LLC

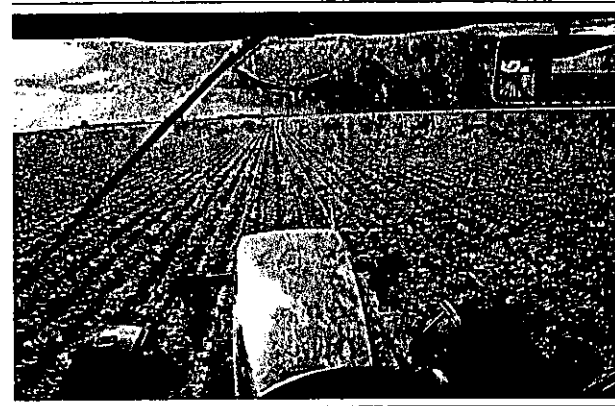
PROJECT NOTES AND HIGHLIGHTS

- A fleet of spacecraft known as CICERO is under development by Broad Reach Engineering and GeoOptics. CICERO will use radio occultation (RO), a remote sensing technique, to observe radio signals from Global Positioning System (GPS) satellites as they pass through the Earth's atmosphere. The resulting data will be used by the Center and other researchers to improve the accuracy of weather forecasts.
- A full-scale prototype of the CICERO spacecraft structure and related systems is anticipated to be completed in fiscal year 2011.
- The Center's initial efforts have focused on performing a comparative analysis between GPS-RO derived weather data and data obtained from standard radiosondes. The purpose of the comparison was to determine whether the quality of GPS-RO data from an existing prototype system was accurate and could be used in the Center's research activities. The GPS-RO data was found to be sufficient and will be integral for future research aimed at improving medium-range forecasts for the continental region and the upper Midwest.
- The Center also operates the International Space Station Agricultural Camera (ISSAC) aboard the International Space Station. Students perform ground operations control tasks, including interacting with NASA, that will develop the skills necessary to operate CICERO. During the last year, ISSAC experienced a sensor malfunction which halted its operations. However, a new ISSAC sensor is expected to be launched to the International Space Station in January 2011 allowing full operations to resume.
- Once fully operational, CICERO will generate data products that may be sold on a worldwide market with customers such as the U.S. government, international government agencies and private sector entities. Additionally, a CICERO mission operations and analysis center will be established in Grand Forks creating new, high-tech jobs.

DAKOTA CENTER FOR TECHNOLOGY-OPTIMIZED AGRICULTURE Lake Region State College

1801 College Drive North • Devils Lake, ND 58301-1598 • 701.662.1600
www.lrsc.edu/programs/default.asp?id=655

The Dakota Center for Technology-Optimized Agriculture (DCTOA) focuses on technological applications in agriculture and their effectiveness on the plains of North Dakota. Products generated by this Center are designed to help North Dakota farmers and ranchers lower input costs and increase profitability while having a positive impact on the environment.



STATE FUNDS

Launch Date: February 2006
Award: \$850,000
Disbursed to the Center: \$652,730
Spent by the Center: \$450,000

MATCHING & LEVERAGED FUNDS

Received: \$1,293,080
Total Anticipated: \$1,900,028

PRIVATE SECTOR PARTNERS

Agri ImaGIS Technologies Inc., AGVISE
Laboratories, Farmers Edge Precision
Consulting Inc., Twete Inc., Verdi-Plus

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the DCTOA and its partners have created 11 new jobs.
- The DCTOA has completed four years of trials on variable rate application of synthetic fertilizer at area "answer farms." Earlier results indicated farmers could save up to 16 percent on fertilizer costs by implementing these practices. A final report from the Center on its findings is expected.
- The Center is designing a slurry manure injection tool for use in its research on site-specific control technologies for manure application. In addition to the useful data that will be generated by the research, there may be market opportunities for the injection tool developed by the Center.
- DCTOA partner Agri ImaGIS, with contributions from the Center, has developed new precision agriculture imaging resources that have been implemented by agronomy service firms to the benefit of North Dakota agricultural producers.
- The Center contributed to the development of Verdi-PLUS, a spin-off company.
- The Center has developed precision agriculture educational/training modules that will be available in 2011 using the eCollege platform.

FARMERS BENEFIT FROM FARGO-BASED FIRM'S SKY-HIGH AG TECHNOLOGY

Agri ImaGIS has become a worldwide leader in using satellite technology to help farmers and others involved in agriculture be more efficient.

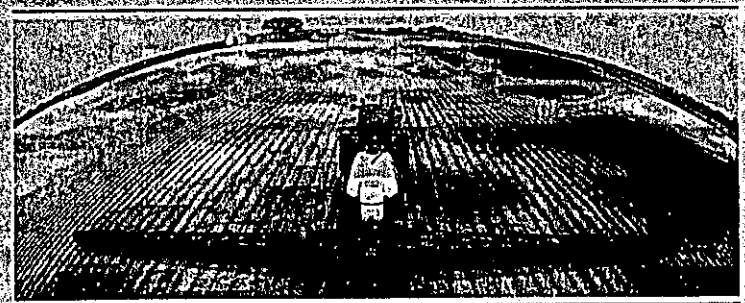
The company's products help farmers apply the right amount of seed, fertilizer and other crop inputs throughout a field. This holds down expenses for producers while also increasing yields. Agri ImaGIS products also can be used by insurance companies and their adjusters to map and manage crop loss claims.

The Fargo-based company offers customized services to a wide range of other organizations, including government agencies and engineering firms. The Dakota Center for Technology Optimized Agriculture is a partner with Agri ImaGIS.

Agri ImaGIS's newest product, Satshot3D, is an online system that allows farmers to take a three-dimensional look at their crops, and then to apply inputs at variable rates. Satshot Mobile allows customers to make and view maps from any Internet-capable cell phone.

Agri ImaGIS has 14 employees and is growing rapidly. The company has its main office in Fargo, and a smaller branch office in Maddock, N.D.

According to company owner Lanny Faleide, farms of all sizes can use Agri ImaGIS products successfully. "Size is irrelevant to this technology. It's all based on attitude (and) how curious you are," he said.



This story was adapted with permission from the Fargo Forum.

AGRICULTURE

CENTER OF EXCELLENCE FOR AGBIOTECHNOLOGY: OILSEED DEVELOPMENT North Dakota State University

P.O. Box 5636 • Fargo, ND 58105-5636 • 701.231.7472

www.ag.ndsu.edu/research/OilseedDevCE.htm



The Center of Excellence for Agbiotechnology focuses on expanding canola production and processing in North Dakota. The Center aims to improve oilseed genetics and develop enhanced processing techniques that increase efficiency in manufacturing products made from canola, such as biodiesel. The Center will also develop business strategies to improve profitability for canola producers, handlers and processors.

STATE FUNDS

Launch Date: May 2006
Award: \$3,500,000
Disbursed to the Center: \$2,367,500
Spent by the Center: \$1,757,315

MATCHING & LEVERAGED FUNDS

Received: \$12,000,000

PRIVATE SECTOR PARTNERS

Archer Daniels Midland Inc.
Monsanto Company

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the Center of Excellence for Agbiotechnology has created six new jobs.
- The Center's objective of releasing canola varieties with enhanced oil content per acre is one key to making canola production more profitable. This is especially important as rising demand has led to a 35 percent increase in canola acreage this past summer.
- The Center has transitioned from an open-pollinated breeding program into a hybrid breeding program which is the major form of canola breeding today.
- In 2010, the Center approved one open-pollinated canola line for release. The line will be highly competitive with hybrids currently in production and is expected to help reduce production costs for North Dakota farmers. The Center is working to identify additional canola lines with improved performance.
- The Center is working to expand the traditional canola growing areas within the state to include central and southwestern North Dakota by identifying new canola lines that are suited for the growing conditions of these regions

NDSU AND MONSANTO COLLABORATE FOR HIGHER CANOLA YIELDS

The NDSU/Center of Excellence in Agbiotechnology is a collaborative effort between plant breeders and geneticists at NDSU and Monsanto Company.

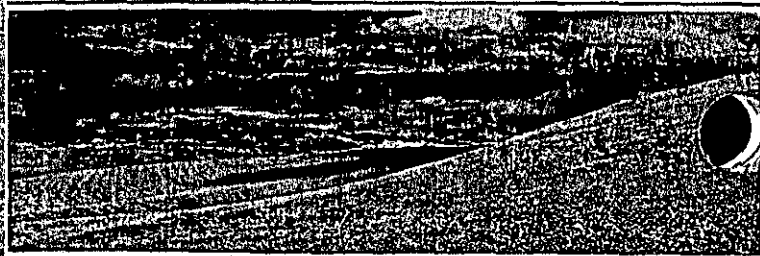
"The goal of the Center is to increase the wealth of North Dakota producers by developing new canola varieties that are better suited to our agricultural production environment," said Phillip McClean, professor of plant sciences. "We are also looking to increase the yield of oil per acre which will benefit the canola oil production industry."

The first test involved a large screening of advanced breeding lines provided by Monsanto Company in the major canola growing regions of North Dakota. This test was done primarily in the northeast and north central part of the state. In the first year researchers identified two promising lines.

"These new canola varieties consistently showed higher yield," McClean said. "And just as importantly, the oil content is three percentage points higher than the standard checks. Both of these performance traits are of value. The canola producer realized a higher yield, while the oil producer yields a greater volume of oil per truckload."

The modern canola industry is now using hybrids rather than open-pollination, which requires pollination by insects, birds, wind, or other natural mechanisms. Because of this trend, the Center is now converting to a hybrid program.

"By working with our corporate partner, the hybrid program is ensuring that the newest traits will be incorporated into the first hybrid releases," McClean said. "This will ensure that North Dakota growers will continue to benefit from a traditional breeding program and the best new traits available on the market."



BEEF SYSTEMS CENTER OF EXCELLENCE
North Dakota State University

Department of Animal Sciences • 100 Hultz Hall • Fargo, ND 58105 • 701.231.7660
www.ag.ndsu.edu/research/BeefSystemsCE.htm

The Beef Systems Center of Excellence (BSCE) was established to create a model for a coordinated meat processing industry that could be implemented in other parts of the state, region or country. The BSCE enhances NDSU's ability to provide leading research in meat science and also provides training, education and outreach opportunities for students, businesses and beef cattle producers.



STATE FUNDS

Launch Date: October 2007
Award: \$800,000
Disbursed to the Center: \$800,000
Spent by the Center: \$800,000

MATCHING & LEVERAGED FUNDS

Received: \$2,000,000

PRIVATE SECTOR PARTNERS

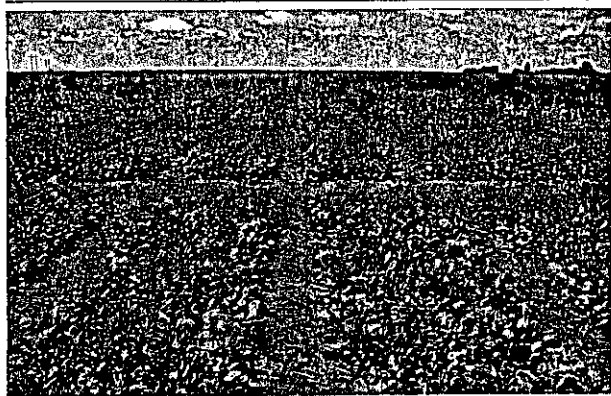
North Dakota Natural Beef LLC
North American Bison Cooperative

PROJECT NOTES AND HIGHLIGHTS

- A meat processing model has been developed where North Dakota-raised beef is slaughtered, processed and distributed all within the state.
- The BSCE is co-located at North Dakota Natural Beef's processing plant in Fargo which provides unique advantages such as availability and proximity of animal carcasses for research and educational purposes.
- The research being conducted by the BSCE includes studies on predicting meat tenderness and whether hormones in meat contribute to early puberty in children who eat meat.
- The 2009 Legislature determined the BSCE has met its funding requirements and is not subject to the accountability requirements of the Centers of Excellence program.

ENTREPRENEURIAL CENTER FOR HORTICULTURE
Dakota College at Bottineau

#22 Molberg Center • 105 Simrall Boulevard Bottineau, ND 58318 • 701.228.5649
www.dakotacollege.edu/ech.shtml



The Entrepreneurial Center for Horticulture is designed to grow the organic and specialty vegetable industry in North Dakota. The Center will research and demonstrate production methods and provide new opportunities for product commercialization and distribution in North Dakota and the region. This Center is pursuing its objectives, but has not yet received its first disbursement of state funds. The Center is working on securing the necessary matching funds to allow for the initial disbursement.

STATE FUNDS

Launch Date: N/A
Award: \$400,000
Disbursed to the Center: \$0

MATCHING & LEVERAGED FUNDS

Received: \$0
Total Anticipated: \$830,854

PRIVATE SECTOR PARTNERS

North Star Organic Farm, North Dakota
Farmers Market and Growers Association



NATIONAL CENTER FOR HYDROGEN TECHNOLOGY

University of North Dakota – Energy & Environmental Research Center

15 North 23rd Street, Stop 9018 • Grand Forks, ND 58202-9018 • 701.777.5000

www.undeerc.org/NCHT

The National Center for Hydrogen Technology (NCHT) conducts research, development, demonstration and commercialization projects for the production and use of hydrogen for power, fuels and chemicals. In conjunction with private sector partners, the NCHT developing technologies such as hydrogen on-demand fueling stations, hydrogen production from fossil and renewable fuels, and hydrogen usage in fuel cells, combustion engines and turbines.

PROJECT NOTES AND HIGHLIGHTS

STATE FUNDS

Launch Date: February 2006
Award: \$2,500,000
Disbursed to the Center: \$2,500,000
Spent by the Center: \$2,500,000

MATCHING & LEVERAGED FUNDS

Received: \$50,333,060

PRIVATE SECTOR PARTNERS

Aboriginal Cogeneration Corporation, Advanced Biomass Gasification Technologies Inc., Agricultural Utilization Research Institute, Air Products and Chemicals Inc., Basin Electric Power Cooperative, Biomass Energy Solutions Inc., BMC Construction, Catacel Corporation, CH2M Hill Inc., Chippewa Valley Ethanol, Clean Earth Solutions Inc., Conoco Phillips, Diversified Energy Corporation, Electric Power Research Institute, Energy Conversion Devices Inc., EP Minerals, ePower Synergies, Franklin Fuel Cells, Great Point Energy, Great River Energy, IdaTech, Minnesota Corn Research Council, North American Coal Corporation, North Dakota Corn Utilization Council, PL Gasification, Porvair plc, Pratt & Whitney Rocketdyne Inc., Resurface Corporation, Rio Tinto, SGL Carbon Group, Siemens Power Generation Inc., Stelios Arvelakis, ThermoChem Recovery International Inc., TXU Generation Company, United Technologies Research Center, Westmoreland Coal Sales Company, Xcel Energy, Xethanol Corporation

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, research demands at the NCHT have led to the creation of 29 jobs. These positions are funded by hydrogen-related contracts – none of the jobs are supported by state funds.
- The Center is working to commercialize a variety of technologies including on-demand hydrogen, renewable fertilizers, biomass gasification and materials for hydrogen turbines.
- The Center is teaming with industry and government clients to demonstrate advanced clean coal gasification to produce hydrogen-rich gas from a variety of coals, with a special emphasis on North Dakota lignite. These projects are bringing together numerous players in the North Dakota energy industry and focus on providing efficiency, environmental and cost improvements for the production of power, fuels and chemicals from the hydrogen-rich gas.

ON-DEMAND HYDROGEN FUELING SYSTEM IN SCALE-UP

The EERC is scaling up its on-demand hydrogen fueling system for fuel cell vehicles and industrial applications. The system, designed and built with a variety of private sector partners, will be capable of full integration with existing gas station infrastructure, making refueling a fuel cell automobile as easy as refueling a combustion engine-powered car.

The system can produce high-purity, high-pressure hydrogen from a variety of hydrocarbon feedstocks, including alcohols and petroleum-based fuels such as kerosene and jet fuel. The technology operates at high pressure and mixes water into the hydrocarbon feedstock to increase hydrogen yield.

The system process occurs in two steps. First, in the reformation step, a high pressure, H₂-rich gas is produced from the pressurized liquid feedstock. Next, in the purification step, the high pressure gas is stripped of impurities, in particular CO₂, to yield greater than 99.9 percent pure H₂ at high pressure.

This EERC hydrogen on-demand technology overcomes the infrastructure challenges associated with competing technologies by minimizing or eliminating hydrogen compression, storage and transport. Hydrogen can be produced on-site at the gas station or on the battlefield as needed, rather than being compressed and then shipped from a separate location. This EERC Foundation patented technology is moving toward commercial deployment.

"This state-of-the-art process has the potential to significantly reduce the cost of a new nationwide H₂ production and distribution infrastructure, so that H₂ refueling will be accessible and affordable," said Ted Aulich, EERC senior research manager.

NATIONAL ENERGY CENTER OF EXCELLENCE
Bismarck State College

1200 Schafer Street • P.O. Box 5587 • Bismarck, ND 58506 • 800.852.5685
www.bismarckstate.edu/energy

The National Energy Center of Excellence (NECE) is a worldwide leader in energy education and training for the energy industry. Partnerships with the North Dakota energy industry allow the NECE to build a pipeline of multi-skilled workers to meet the 21st century demands of this industry. The efforts of this Center enable students and energy companies to succeed in a competitive, ever-changing industry.



STATE FUNDS

Launch Date: February 2006
Award: \$3,000,000
Disbursed to the Center: \$3,000,000
Spent by the Center: \$3,000,000

MATCHING & LEVERAGED FUNDS

Received: \$6,622,000
Total Anticipated: \$7,342,000

PRIVATE SECTOR PARTNERS

Archer Daniels Midland Co., Basin Electric Power Cooperative, Great Northern Power Development, Great River Energy, Headwaters Inc., Montana Dakota Utilities, North Dakota Biodiesel, Red Trail Energy, Spiritwood Station, Tesoro

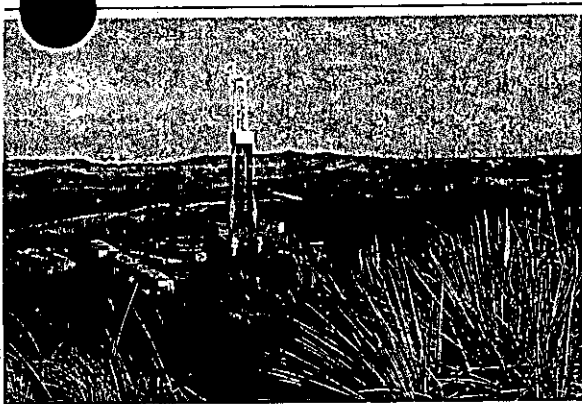
PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the NECE has contributed to the creation of 101 jobs.
- The NECE has seen enrollment in its energy programs increase by 27 percent since the fall 2008 semester.
- In 2009, BSC awarded its first bachelor of applied science degrees in the energy management program. Currently there are over 150 students enrolled in the program which is designed for energy employees preparing for supervisory and management positions.
- In response to industry request, a Renewable Generation Technology program will be offered beginning in fall 2010. The program, available on campus and online, is designed to provide students with a broad background in the electrical generation industry and prepare them for employment in areas of wind, solar, geothermal, fuel cell, biomass, hydro and tidal generation.
- The NECE was awarded funding from the Department of Energy to establish a smart grid laboratory. The new lab is designed to assist education and training efforts in the areas of smart grid technology, distributed generation, demand response and consumer integration of smart technologies.
- BSC continues to find new ways to serve military personnel. BSC was recently approved to provide online education to military personnel serving in the U.S. Coast Guard. BSC now has agreements in place to provide its energy programs to members of the Army, Navy, Marines, Air Force and Coast Guard.
- The NECE is making energy education available around the world through its online programs. BSC recently established an agreement with a university in Istanbul to provide its online energy programs to students of Turkey. BSC is also exploring partnerships in Africa.

PETROLEUM SAFETY AND TECHNOLOGY CENTER
Williston State College

1410 University Avenue • Williston, ND 58801 • 1.866.938.6963
www.wsc.nodak.edu/Classes/TrainND/Petroleum-Safety-and-Technology-Center.html

The Petroleum Safety and Technology Center (PSTC) trains workers for the oil and gas industry. The Center works closely with its industry partners to develop and maintain state-of-the-art training programs. The hands-on training sessions are designed to help oil and gas production workers work safely and efficiently.



STATE FUNDS

Launch Date: May 2006
Award: \$400,000
Disbursed to the Center: \$400,000
Spent by the Center: \$400,000

MATCHING & LEVERAGED FUNDS

Received: \$1,183,044

PRIVATE SECTOR PARTNERS

Baker Oil Tools, Capital Safety, GC Products, Halliburton Energy Services, Hess Corporation, Hickman Sales and Service, Howard Supply, Interstate Powersystems (aka Interstate Detroit Diesel), Key Energy, Marathon Oil Company, Modern Machine, Nabors Drilling, Nabors Well Service, Nance Petroleum, National Oilwell Varco, Schlumberger, Stewart and Stevenson, VercoGray, Weatherford Completion, Williston Fire and Safety¹

PROJECT NOTES AND HIGHLIGHTS

As of June 30, 2010, the PSTC has contributed to the creation of 167 jobs.

- The PSTC provides training for 171 companies in the oil and gas industry.
- The Center conducted 498 oil and gas-related training sessions in the last year, training over 4,000 individuals.
- The COE grant initially allowed the PSTC to partner with industry companies to develop the floorhand program. Through this partnership, additional program needs were identified and new training courses were implemented including commercial drivers license training, well control classes, additional safety training classes, aerial lift training and lease operator training.
- The PSTC partners with several out-of-state colleges, sharing instructors and curricula. These partnerships allow the Center to provide more diverse training courses to North Dakota oil and gas companies.
- The Center has also partnered with Bismarck State College and Dakota College at Bottineau to deliver additional oil training programs within the state.

"The purpose of the Petroleum Safety and Technology Center is to provide the oil and gas industry with a trained and skilled workforce. This program allows the college to expand technical training programs for the industry. Ultimately, the impact is additional employees in the region, a skilled workforce for the oil and gas industry and economic growth for North Dakota."

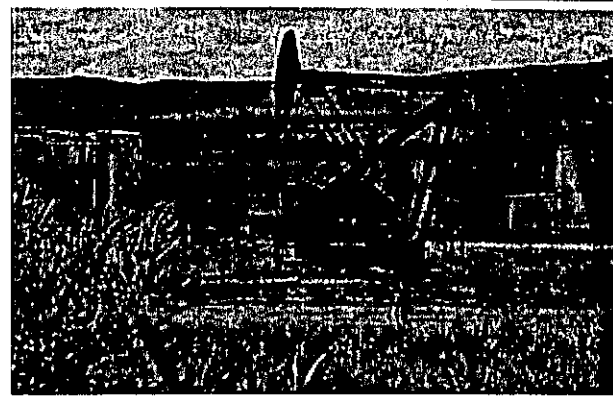
Deanette Piesik, WSC TrainND Executive Director

¹ The private sector partners listed are companies that helped establish the PSTC training program. Many, but not all, of these companies are included in the 171 oil and gas companies for which the PSTC provides training.

**PETROLEUM RESEARCH, EDUCATION, AND ENTREPRENEURSHIP
CENTER OF EXCELLENCE** University of North Dakota

81 Cornell Street, Stop 8358 • Leonard Hall Room 101
Grand Forks, ND 58202-8358 • 701.777.4449
www.und.nodak.edu/org/preec

The Petroleum Research, Education, and Entrepreneurship Center of Excellence (PREEC) focuses on improving understanding of the Williston Basin oil deposits with special attention to the Bakken Formation. The Center aims to develop enhanced oil recovery techniques as well as address other challenges and opportunities relating to petroleum exploration and production such as CO₂ sequestration and geothermal energy.



STATE FUNDS

Launch Date: June 2009
Award: \$3,000,000
Disbursed to the Center: \$1,110,369
Spent by the Center: \$1,110,369

MATCHING & LEVERAGED FUNDS

Received: \$6,537,171
Total Anticipated: \$7,958,373

PRIVATE SECTOR PARTNERS

Calnetix, Inc., Continental Resources, Hess Corporation, Marathon Oil Corporation, Presco, LLC, St. Mary Land & Exploration Company, Whiting Petroleum Corporation

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the PREEC has created four new jobs.
- The U.S. Geological Survey estimates the Bakken Formation contains as much as 400 billion barrels of oil of which only 3.65 billion barrels are recoverable with today's technology. Researchers at the PREEC are investigating enhanced oil recovery techniques that could be used to increase recovery rate of oil in the Bakken Formation as well as other formations in the Williston Basin.
- The PREEC has received a major grant from the U.S. Department of Energy to demonstrate the feasibility of geothermal power systems. The demonstrations will take place in western North Dakota oil fields. Goals of the grant are to demonstrate the technology can be replicated within a wide range of physical parameters and to allow for long-term operation of the original geothermal sites.
- The Center is collaborating with the University of Minnesota to develop CO₂ sequestration in concert with electricity-producing Enhanced Geothermal Systems (EGS). The concept is to use CO₂ rather than water as the working fluid in the EGS.
- The PREEC has applied for a patent on its Ballistic Ordinance Seismic Source (BOSS), a seismic shot gun mounted on a dolly for mobility. The BOSS is used as a seismic source in reflection and refraction surveying.
- The Center is working to improve understanding of the geology, geophysics and petroleum engineering characteristics of the Williston Basin. Potential benefits of such work may include optimizing development planning and identifying future targets for oil production or CO₂ storage.
- A petroleum engineering degree program has been implemented at the University of North Dakota. The program advances the PREEC's goal to educate North Dakota students in petroleum disciplines. Enrollment in this new program is growing.

ENERGY



SUNRISE BIOPRODUCTS: A CENTER OF EXCELLENCE FOR CHEMICALS, POLYMERS, & COMPOSITES FROM CROP OILS University of North Dakota

241 Centennial Drive, Stop 7101 • Grand Forks, ND 58202-7101 • 701.777.2958

www.und.edu/org/sunrise/index.html

The purpose of the SUNRISE BioProducts Center of Excellence is to invent, develop and commercialize green industrial chemicals, polymers and fiber composites using crop oils as the primary raw material. This Center of Excellence is administered by the North Dakota Sustainable Energy Research Initiative and Supporting Education (ND SUNRISE) program. The mission of ND SUNRISE includes conducting research that helps solve energy-related problems and enhance economic development in North Dakota.

STATE FUNDS

Launch Date: June 2009

Award: \$2,950,000

Disbursed to the Center: \$983,333

Spent by the Center: \$983,333

MATCHING & LEVERAGED FUNDS

Received: \$2,885,450

Total Anticipated: \$9,165,132

PRIVATE SECTOR PARTNERS

AbsoluteEnergy, Advanced Ceramics Manufacturing, Bayer Crop Science, Bayer Material Science, Chemera, Guardian Energy, Heartland Corn Products, Homeland Energy Solutions, Kadrmas Lee and Jackson, Karges-Faulconbridge, Inc., Kuehnle Agrosystems, LM Glassfiber, Marvin Windows, Menon & Associates, Northwood Oilseed Processing Company, Ogden Engineering & Associates, RPMG, SUNRISE Renewables, Sustainable Oils, Tecton Products

FACT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the SUNRISE BioProducts Center of Excellence has created 10 new jobs.
- The Center aims to use crop oils to produce products that are nearly identical to existing petroleum-based products and accepted as green replacements for those existing products.
- The Center is conducting a considerable amount of research on lab and bench-scales. The objectives of this research are to optimize cracking conditions, develop extraction and recovery processes for the chemicals and by-products, and develop conversion processes to convert materials into high value by-products.
- The research performed by the Center produces a considerable number of chemicals and by-products. A market study was performed to identify those that have the greatest commercialization potential. This data contributes to the Center's overall development and commercialization strategy.
- The Center is also preparing for the scaling-up of its research projects. Design planning has commenced for pilot and demonstration-scale facilities. These facilities may be located in Grand Forks or Northwood, N.D.
- The activities of this Center combine the efforts of researchers at UND, NDSU and Mayville State University.

Center of Excellence In Life Sciences & Advanced Technologies
University of North Dakota Research Foundation

4201 James Ray Drive • Grand Forks, ND 58202 • 701.757.5100
www.undrf.org

The Center of Excellence in Life Sciences and Advanced Technologies (COELSAT) focuses on commercializing research and intellectual property. The facility provides research laboratories including Biosafety Level 3 (BSL-3) enhanced laboratories, "wet" laboratories, and office and production space to tenants. The COELSAT provides the necessary infrastructure to serve North Dakota life science and technology companies, and to attract new companies to the state.



STATE FUNDS

Launch Date: March 2007
Award: \$3,500,000
Disbursed to the Center: \$3,500,000
Spent by the Center: \$3,500,000

MATCHING & LEVERAGED FUNDS

Received: \$11,911,286

PRIVATE SECTOR PARTNERS

Alion Science and Technology, Avianax, Dakota Harvest, DMD, Ideal Aerosmith, Intraglobal Biologics Laserlith Corporation, Novadigm, SUNRISE Renewables

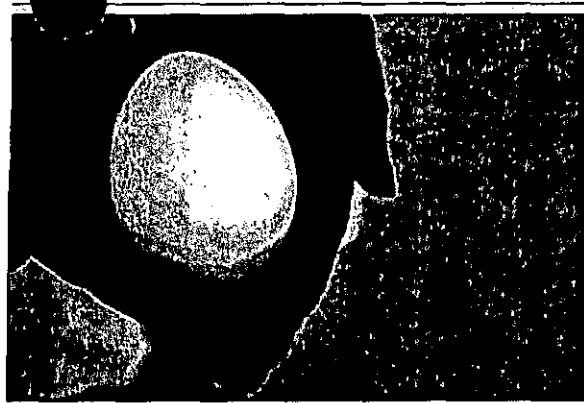
PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the COELSAT and its partners have created 16 new jobs.
- The COELSAT, also known as Research Enterprise and Commercialization 1 or REAC1, is a state-of-the-art facility which boasts the only BSL-3 labs in North Dakota. The BSL-3 labs will allow tenants to perform research on infectious diseases, such as West Nile Virus and Avian Influenza, once the biological safety program is completed in early 2011.
- The Center has contributed to the establishment of a new spin-out business, Avianax, which is developing therapeutic antibody treatments against the West Nile virus. Another start-up company working in biofuels research is currently being fostered and in the final stages of incorporation.
- Alion Science and Technology, a REAC1 tenant, is an existing company that expanded into North Dakota. Alion uses industrial laser and other technologies to improve the reliability and function of engineered surfaces.
- Ideal Aerosmith, another REAC1 tenant, expanded into Grand Forks from Minnesota. The company uses its space in the facility to accelerate its research capability, a key to maintaining its technical leadership.
- NovaDigm Therapeutics, another REAC1 tenant, is developing innovative vaccines to protect patients from fungal and bacterial infections, which can be life-threatening and drug resistant. Novadigm is another existing company that has expanded into North Dakota.

CENTER OF EXCELLENCE FOR PASSIVE THERAPEUTICS
University of North Dakota Research Foundation

4201 James Ray Drive • Grand Forks, ND 58202 • 701.757.5100

www.undrf.org



The Center of Excellence for Passive Therapeutics (COEPT) will develop passive (antibodies) therapeutics from agriculture products for people exposed to or infected with viral infections or diseases. Once shown effective in pre-clinical and clinical trials, therapeutic products using antibodies from goose sera or eggs will be produced in their entirety in North Dakota.

STATE FUNDS

Launch Date: June 2009
Award: \$2,650,000
Disbursed to the Center: \$2,134,236
Spent by the Center: \$1,657,429

MATCHING & LEVERAGED FUNDS

Received: \$6,556,472
Total Anticipated: \$8,400,000

PRIVATE SECTOR PARTNERS

Avianax, Intraglobal Biologics, Mayo Clinic,
Schiltz Goose Farms-North, Schiltz Goose R&D

PROJECT NOTES AND HIGHLIGHTS

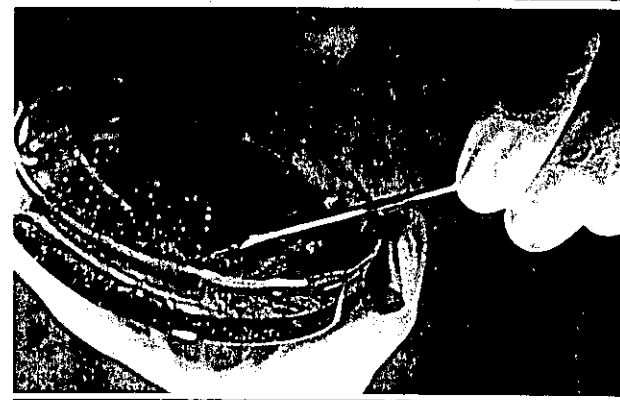
- As of June 30, 2010, the COEPT and its partners have created 22 new jobs.
- The COEPT and partner Avianax are performing pre-clinical trials to advance therapeutic antibody products. The first product targeted is an antibody to West Nile Virus.
- The Center will collaborate with NDSU's Center for Biopharmaceutical Research and Production, which will provide quality assurance and quality control for the therapeutic antibody products that are being developed.
- One objective of the grant was to complete lab space within the REAC1 facility at UND. Construction was completed on a BSL-3 enhanced lab and a BSL-3 suite comprised of three labs and an animal facility. Such labs are needed for research on infectious diseases that pose an elevated risk for humans, such as the West Nile Virus.

CENTER FOR BIOPHARMACEUTICAL RESEARCH AND PRODUCTION

North Dakota State University

1401 Albrecht Blvd • Fargo, ND 58105 • 701.231.7609

The Center for Biopharmaceutical Research and Production (CBRP) will design, develop and produce biopharmaceutical product candidates including vaccines. The Center will work with biopharmaceutical and life sciences sectors in North Dakota to discover and develop new vaccines and other biopharmaceuticals to treat some of the most challenging diseases facing humankind. The Center's long-term goal is to develop vaccines and biopharmaceutical products as well as advance product candidates through pre-clinical and clinical studies in conjunction with its private sector partners.



STATE FUNDS

Launch Date: June 2009
Award: \$2,000,000
Disbursed to the Center: \$1,151,350
Spent by the Center: \$51,654

MATCHING & LEVERAGED FUNDS

Received: \$2,120,268
Total Anticipated: \$4,742,000

PRIVATE SECTOR PARTNERS

Aldevron, Altravax, Avianax, Cetero, Clinical Supplies Management Inc., SamahLution, Sanford Health

PROJECT NOTES AND HIGHLIGHTS

- Center partner Altravax is working on developing vaccines against HIV and Hepatitis-B.
- Avianax has partnered with the Center of Excellence for Passive Therapeutics to develop passive immunotherapy against the West Nile Virus, pandemic influenza virus infections and others. Avianax will now also partner with the CBRP, which will assist in the development of product concepts and the FDA approval processes. The collaboration extends to UND's School of Medicine.
- CBRP is collaborating with SomahLution to develop RNAi-based products for use in transplant medicine.
- The Center is developing partnerships with companies such as Aldevron, Clinical Supplies Management, Sanford and Cetero in the manufacture, clinical supply and clinical trials of products developed through the collaborative efforts of the CBRP and its partners.

PFIZER SCIENTIST JOINS NDSU CENTER OF EXCELLENCE

A former high-ranking Pfizer biotechnologist will bring immediate recognition to a new North Dakota State University Center of Excellence.

Dr. Satish Chandran will direct NDSU's Center for Biopharmaceutical Research and Production, which will focus on identifying and producing DNA vaccines and other biopharmaceuticals.

Dr. Chandran is the former chief technology officer of the Nucleic Acid-Based Therapeutics Unit of the Biotherapeutics Division at Pfizer Inc. This is great addition for our program, said Charles Peterson, NDSU dean of pharmacy, nursing and allied sciences. "Satish will immediately bring international and national expertise and distinction to our program and to North Dakota."

According to Peterson, Dr. Chandran is known worldwide for his expertise in biopharmaceuticals, nucleic acid-based therapeutics and vaccines and brings with him opportunities to work with pharmaceutical companies and other private sector partners.

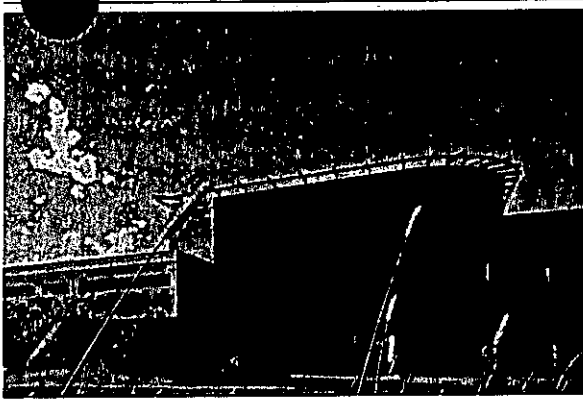


Dr. Satish Chandran

CENTER FOR INNOVATION University of North Dakota

4200 James Ray Drive • Grand Forks, ND 58203 • 701.777.3132

www.innovators.net



The Center for Innovation operates two technology incubators, the Skalicky Tech Incubator and the Ina Mae Rude Center, which was constructed using Centers of Excellence funds. The Center for Innovation supports entrepreneurs by helping launch new ventures, commercialize new technologies and secure access to capital from private and public sources. The Center's primary goals include growing entrepreneur ventures and fostering innovation.

STATE FUNDS

Launch Date: January 2005
Award: \$800,000
Disbursed to the Center: \$800,000
Spent by the Center: \$800,000

MATCHING & LEVERAGED FUNDS

Received: \$3,565,000

PROJECT NOTES AND HIGHLIGHTS

- Since January 2005, the Center for Innovation has contributed to the creation of 195 jobs.
- The Center currently houses and services 38 businesses and student ventures. The Center has an average occupancy rate of 85-90 percent.
- The Center has assisted in the development of nine angel funds around the state engaging more than 110 angel investors.
- Each year since 2006, the Center has been designated as a Soft Landings International Incubator by the National Business Incubation Association. The designation identifies incubators that provide a "soft landing" for international firms wishing to expand into new markets.
- The Center provides educational content for the Innovate ND program and assists program participants with entrepreneur development.

SOFTWARE COMPANY IMPROVING AND RE-INVENTING ITS TECHNOLOGY

Ntractive was launched in 2003 when co-founder Justin Bartak of Grand Forks designed a software product to boost enterprise productivity. In 2006, Bartak teamed up with fellow programmer Dale Jensen, now the CEO of Ntractive, to turn the innovation into a business venture.

After assembling a talented team and preparing to enter the market, they moved their business to the UND Center for Innovation's Ina Mae Rude Entrepreneur Center, the state's first Center for Excellence for Economic Development. This high-tech incubator provides entrepreneur coaching, advanced server room technology, and turnkey office space to ventures like Ntractive. The incubator specializes in high-tech start-ups that can benefit from its IT infrastructure, wet labs and access to entrepreneur coaches and other talent from the University of North Dakota.

Ntractive's software product, Elements Customer Relationship Management (CRM), enables Mac users to communicate and operate more efficiently. Customers use these seamless, streamlined applications to manage clients, email, calendars and much more with their iPhones or Apple computers. The information is stored in a cloud computing system which allows users to access Elements CRM virtually anywhere.

Bartak and Jensen have reached many successful milestones as their company has grown. They entered North Dakota's InnovateND



Justin Bartak & Dale Jensen of Ntractive

competition to develop their business plan, taking home one of five \$5,000 awards in 2007. Also in 2007, they gave their first investment pitch to Dakota Venture Group (DVG). Four other angel funds joined the DVG student-managed venture fund and the North Dakota Development Fund as investors in Ntractive.

In July 2009, Ntractive unveiled the latest version of the product, Elements CRM 2.0, and sales soared. This Grand Forks enterprise has gained recognition at an astounding rate because of the strong appeal Elements CRM brings to Mac-based businesses.

TECHNOLOGY INCUBATOR
North Dakota State University

1854 NDSU Research Circle North • Fargo, ND 58102 • 701.499.3600
www.ndsuresearchpark.com/incubator

The Technology Incubator is located in the NDSU Research & Technology Park and provides technical and business assistance to high-growth start-up companies. The goal of the Technology Incubator is to provide a wide range of programs and services that foster the formation of technology ventures, accelerate their time to market, and ultimately increase their chance for long-term success.



STATE FUNDS

Launch Date: March 2007
Award: \$1,250,000
Disbursed to the Center: \$1,250,000
Spent by the Center: \$1,250,000

MATCHING & LEVERAGED FUNDS

Received: \$5,037,600

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, Technology Incubator clients and graduates have created 191 jobs.
- To operate in the Technology Incubator, a company must advance and develop new technology, establish a working relationship at NDSU, and work in one or more of the following technology fields: material sciences, biosciences and life science technology, information technology/nanotechnology, advanced manufacturing or sensors/microelectronics.
- Examples of current incubator tenants include Triton Systems, an advanced materials and systems engineering product development firm; Larada Sciences, which markets a breakthrough medical device that offers the fastest way to cure the global problem of head lice; and Avenue Right, which is building a platform that will change the way online and offline advertising is bought and sold.
- Three clients - Appareo Systems, Intelligent InSites, and Pedigree Technologies - have graduated from the Technology Incubator and have greatly expanded their operations in Fargo.
- Technology Incubator graduate Appareo Systems was named the 2010 Outstanding Incubator Graduate - Technology Category by the National Business Incubation Association.
- The Technology Incubator partners with the North Dakota Department of Commerce to host Innovate ND, a statewide innovation competition. The Technology Incubator provides technical assistance on business planning, financial projections and pitching to investors.

ENTERPRISE UNIVERSITY Valley City State University

101 College Street SW • Valley City, ND 58702 • 800.532.8641



Enterprise University specializes in customized training curricula designed to meet the specific needs of its business partners. Enterprise University focuses on SAP, Microsoft Dynamics, Microsoft SharePoint and Oracle Siebel training but has the capacity to develop and deliver training for any other major enterprise software. The training delivered by Enterprise University is designed to enhance employees' skills and efficiencies, and increase company profitability. Students who complete the training have the skills to pursue careers in high-demand technology fields.

STATE FUNDS

Launch Date: May 2006
Award: \$1,000,000
Disbursed to the Center: \$1,000,000
Spent by the Center: \$819,929

MATCHING & LEVERAGED FUNDS

Received: \$5,140,039

PRIVATE SECTOR PARTNERS

Eagle Creek Software Services²

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the Enterprise University has helped create 64 new jobs.
- Enterprise University helped launch Eagle Creek Software's Valley City location by training employees on Siebel Customer Relationship Management software.
- The VCSU Division of Business Information Technology has implemented enterprise systems and project management classes in its business administration degree as well as its computer information system degree. This will provide students with a strong background in enterprise systems to make them productive employees right out of college.
- Certificate programs in customer relationship management and enterprise applications have been established and are available to the public through Valley City State University.
- The Center belongs to the America's SAP Users Group. Among the benefits this group provides are student internship and employment opportunities.

"This partnership with the community and VCSU provided support to our customers who immediately embraced the new model. The VCSU partnership helped the company to develop critical mass and a core group of highly competent, globally competitive consultants who serve Fortune 2000 companies; these consultants deliver service excellence within a competitive cost structure demanded by our customers. As a result, Eagle Creek is the largest Tier II software service company providing CRM services. We are the dominant company in this market, while nearly half of our competition has gone out of business since we opened the Center."

Ken Behrendt, president of Eagle Creek Software Services

² Eagle Creek Software Services was an initial Enterprise University partner. Eagle Creek now performs its own training.

**STROM CENTER FOR ENTREPRENEURSHIP & INNOVATION -
INSTITUTE FOR TECHNOLOGY AND BUSINESS** Dickinson State University

1679 6th Avenue West • Dickinson, ND 58601 • 701.483.2756
www.dickinsonnd.com/Business_StromCenter.asp

The Strom Center for Entrepreneurship and Innovation – Institute for Technology and Business is focused on helping businesses start or expand in rural North Dakota. The Institute offers services in marketing, human resources, and business technology with an emphasis on helping area businesses adapt and implement new technologies. The Institute is equipped to assist companies ranging from manufacturers to small businesses and entrepreneurs.



STATE FUNDS

Launch Date: October 2006
Award: \$1,150,000
Disbursed to the Center: \$1,150,000
Spent by the Center: \$887,242

MATCHING & LEVERAGED FUNDS

Received: \$5,106,186
Total Anticipated: \$5,299,686

PRIVATE SECTOR PARTNERS

Badlands Integrity, Cedar Canyon Spa, DLN Consulting, Faith Expressions, Kadrmas Lee and Jackson, Killdeer Mountain Manufacturing (KMM), Patriot Trucking, Rhustic Photography, Spa Studio, WildInspire

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the Center and its partners have created 160 new jobs.
- The Center offers a wide range of services to regional companies including website development, feasibility studies, leadership training, marketing plans, branding, social networking and advertising.
- The Center is well suited to work with companies of any size, but a regional survey conducted by the center has identified start-ups, aspiring entrepreneurs and small businesses as target markets. The Center is working to provide an "incubator" atmosphere in western North Dakota.
- In the past year, the Center has seen a considerable growth to its client/partner base. This can be attributed to the Center's initial successes and a focused effort by the Center to increase awareness of its services within western North Dakota.
- The Institute has helped KMM implement supply chain transparency technology which allows for efficient coordination of KMM's five facilities in rural North Dakota.
- The Institute's efforts have helped KMM create 150 jobs and open facilities in Dickinson, Hettinger and Regent, N.D.

CENTERS OF EXCELLENCE ENHANCEMENT GRANTS

CENTERS OF EXCELLENCE ENHANCEMENT GRANTS

In 2009, the Legislature directed that \$10 million of the funds appropriated to the Centers of Excellence program be used for Centers of Excellence Enhancement Grants during the 2009-11 biennium. The Enhancement Grants are available to the state's research universities for use in infrastructure or enhancement of economic development and employment opportunities.

Appropriate use of funds include a grant to enhance economic development and employment opportunities associated with the Grand Forks Air Force Base; infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base; and infrastructure and economic development projects or programs to enhance the capacity of a research university to interface and collaborate with private industry on research, development, demonstration and commercialization of technology.

The Centers of Excellence Commission approves proposals based on the extent to which they meet the following criteria:

- Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state.
- Create high-value private sector employment opportunities in this state.
- Leverage other funding.
- Create infrastructure and economic development projects or programs to enhance the capacity of a research university to interface and collaborate with private industry on research, development demonstration, and commercialization of technology.
- Positively impact economic development in the state.

Additional criteria to be considered for applications relating to the Grand Forks Air Force Base:

- Enhance economic development and employment opportunities associated with the Grand Forks Air Force Base resulting from action by the federal defense base closure and realignment commission.
- Provide infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base.

The approval process for Enhancement Grants does not include the Board, Foundation or Budget Section. The approval process concludes with the Centers of Excellence Commission.

As of June 30, 2010, the Centers of Excellence Commission has approved four Enhancement Grant applications totaling \$7,954,000. Three of the projects – Grand Forks Air Force Base Realignment Business Transition Program, the Research 1 Expansion, and the Materials and Nanotechnology Center – are in the development process and have not yet made their initial disbursement request. All three are expected to request their initial disbursement of award funds in fiscal year 2011. A fourth grant, the Center for UAS Research, Education, and Training, did receive its initial disbursement in June 2010 with activities expected to commence in fiscal year 2011.



Research 1 Expansion

North Dakota State University

Award: \$4,000,000

Disbursed: \$0

Summary: NDSU will build a facility adjacent to the existing Research 1 building with the primary function of expanding research, development and technology transfer capabilities in core competency areas with demonstrable success and that have significant growth potential for commercialization. This project will also receive \$5 million in federal funding.

Materials and Nanotechnology Center at NDSU

North Dakota State University

Award: \$1,000,000

Disbursed: \$0

Summary: Research at the Materials and Nanotechnology Center (MNT) will focus on nanoscale properties of soft materials. In addition to increasing the fundamental understanding of the nanoscience that underpins all advances in nanotechnology, such research has potential for applications in areas such as biosensing, biomaterials, nanotribology and solid polymer batteries.

Center for UAS Research, Education, and Training Enhancement

University of North Dakota

Launch Date: June 2010

Award: \$2,754,000

Disbursed: \$2,120,000

Spent: \$0

Summary: This grant will facilitate the initial steps toward building a cutting-edge UAS training and research facility at the Grand Forks Air Force Base. The program will include the new Predator Mission Aircrew Training System (PMAT) which will be used to train new UAS pilots to fly the Predator and Reaper style aircraft. The Center will be the first civilian operator of the PMAT system and will place them at the forefront of the UAS training arena.

Grand Forks Air Force Base Realignment Business Transition Program

University of North Dakota

Award: \$200,000

Disbursed: \$0

Summary: This grant will serve as matching funds for a U.S. Small Business Administration grant intended to provide technical assistance services to businesses in states affected by military base realignment or closure. In North Dakota, this will entail preparing and training businesses wanting to pursue small business opportunities presented as a result of the Grand Forks Air Force Base realignment.



Centers of Excellence program is overseen by a Commission comprised of members from the State Board of Higher Education and the North Dakota Economic Development Foundation. The Centers of Excellence Commission, with assistance from the North Dakota Department of Commerce, manages the application process, makes funding recommendations for projects and oversees the post-award monitoring of the centers.

NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION



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FUNDING PROCESS

Funding requests are made to the Centers of Excellence Commission which determines whether applicable funding requirements and conditions have been met before approving requests. In order to receive its initial disbursement, a Center must demonstrate private sector participation in the project and availability of the statutorily required matching funds.

In 2008, award funds were distributed in disbursements consistent with a Center's budget and timeframe outlined in the approved award. This process allows the Commission to review a Center's progress and level of matching funds received prior to distributing subsequent disbursements, increasing the accountability of the program. Prior to 2007, award funds were distributed to a Center in one lump sum at the outset of the project.

SELECTION PROCESS

Each proposed Center must complete an extensive application and approval process. The Centers of Excellence Commission reviews each proposal first, recommends whether or not it should be funded and stipulates any conditions for funding. The Centers of Excellence Commission approves proposals based on the extent to which they meet the following criteria:

- Uses university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state.
- Creates high-value private sector employment opportunities in this state.
- Provides for public and private sector involvement and partnerships.
- Leverages other funding, including cash from the private sector.
- Increases research and development activities that may involve federal funding from the National Science Foundation & Experimental Program to Stimulate Competitive Research.
- Fosters and practices entrepreneurship.
- Promotes the commercialization of new products and services in industry clusters.
- Becomes financially self-sustaining.
- Establishes and meets a deadline for acquiring and expending all public and private funds specified in application.
- Has community support.
- Includes collaboration among institutions.

Proposals must include detailed documentation of private sector participation and the availability of \$2 in matching funds for each \$1 of state funds. Of the \$2 of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. Matching funds may include dollars raised in collaboration with private sector partners and other funding entities and may include cash and in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private entities. In making recommendations, the Commission, Board, Foundation and Budget Section will give major consideration to the portion of the matching funds provided in cash by the private sector.

Each approved proposal is passed to the North Dakota Economic Development Foundation Board, the State Board of Higher Education, and the Legislature's Budget Section for approval.

ACCOUNTABILITY

A Center must use the funds to enhance capacity and leverage state, federal and private funding sources. A Center may not use the funds for infrastructure, to supplement funding for current operations or academic instructions, or to pay indirect costs. Each Center is allowed only one award per biennium.

The Centers of Excellence Commission is responsible for monitoring the Centers with assistance from the North Dakota Department of Commerce. The process includes site visits, third party audits and an in-depth annual review of each Center. Additionally, the Centers provide quarterly reports on major developments, timelines and substantial variations from their proposal to the Department of Commerce.

The University of North Dakota Center for Innovation in Grand Forks and the North Dakota State University Center for Technology Enterprise and the Beef Systems Center of Excellence in Fargo were approved and appropriated funds prior to the creation of the Centers of Excellence Commission. These Centers do not fall under the jurisdiction of the Centers of Excellence Commission but have voluntarily submitted information to be included in this report in order to provide a more complete picture of the Centers of Excellence program.

ECONOMIC IMPACT OF NORTH DAKOTA CENTERS OF EXCELLENCE PROGRAM, 2007-2010

F. Larry Leistritz, Dean A. Bangsund, and Nancy M. Hodur¹

In recent years, economic development has become increasingly linked to technology and information. As a result, policy makers have attempted to facilitate partnerships between universities and private sector businesses. The success of public-private partnerships in areas like the Silicon Valley of California, the Research Triangle of North Carolina, and the Austin, Texas area offers support for the concept of technology-based development. The Centers of Excellence program is North Dakota's initiative to participate in technology and information-based economic development.

The 2003 Legislative session authorized funding for three pilot Centers of Excellence projects. In 2005, the Legislature approved Senate Bill No. 2032 expanding the concept into the Centers of Excellence in Economic Development program. The legislation called for a \$50 million state investment over multiple biennia, to be leveraged on a 2-to-1 basis with private sector and other funds. Additionally, \$10 million has been authorized for enhancement grants at the research universities including projects associated with the realignment of the Grand Forks Air Force Base. As of June 30, 2010, 20 Centers had been approved by the COE Commission through a competitive process since 2005.

The purpose of this report is to estimate the economic impacts of the Centers of Excellence program for the period January 1, 2007–June 30, 2010. The analysis is based on payroll and associated expenditures reported by each Center.²

METHODS

The initial task in any impact assessment is estimating the direct impacts (or "first-round effects") of the activity being studied. In this study, information on in-state expenditures as well as direct employment, were drawn from reports submitted by each Center. The North Dakota Input-Output Model was used to estimate the secondary economic impacts based on these data.

The North Dakota Input-Output Model consists of interdependence coefficients or multipliers that measure the level of business activity generated in each economic sector from an additional dollar of expenditures in a given sector. (A sector is a group of similar economic units, e.g., the firms engaged in retail trade make up the retail trade sector.) For a complete description of the input-output model, see Coon and Leistritz (1989). The model estimates changes in gross business volume (gross receipts) for all sectors of the area economy resulting from the direct expenditures associated with the Centers of Excellence program. The increased gross business volumes are used to estimate secondary employment and tax revenues based on historical relationships. The procedures used in the analysis are parallel to those used in estimating the impact of other facilities and activities (Leistritz and Bangsund 2008; Bangsund and Leistritz 2004 & 2007, Hodur et al. 2006). Empirical testing has confirmed the model's accuracy in estimating changes in level of economic activity in North Dakota. Over the period 1958-2006, estimates of statewide personal income derived from the model averaged within four percent of comparable values reported by the U.S. Department of Commerce (Leistritz et al. 1990, Coon and Leistritz 2008).

¹ The authors are respectively professor, research scientist, and research assistant professor in the Department of Agribusiness and Applied Economics at North Dakota State University, Fargo.

² In 2009, the Centers reported their expenditures for the period January 1, 2008 to June 30, 2009. This was because of a change in reporting period from calendar to fiscal years.

TS

Fiscal Review (July 1, 2009 - June 30, 2010)

The economic impacts associated with the Centers of Excellence program for July 1, 2009-June 30, 2010 are summarized in Table 1. The direct economic impacts of Center and partner activities total \$25.7 million, based on expenditures from 18 centers.³ The total economic impact (contribution) was \$77 million. Direct employment by Centers and partners totaled 1,017.2 full time equivalent positions.

Cumulative Review (January 1, 2007 - June 30, 2010)

The cumulative economic impacts of the program for January 1, 2007- June 30, 2010 are summarized in Table 2. The total direct impact was \$141.2 million and the gross business volume (direct and secondary effects) was \$406.5 million. Direct employment increased over 240 percent in 2.5 years from about 296 positions in 2007 to about 1,017 jobs in fiscal year 2010 (Table 2). Over the period, a number of secondary jobs also were supported as outlined in Table 2.

DISCUSSION

The Centers of Excellence program is North Dakota's major initiative to participate in technology and information-based economic development. Although the stage of development varies for many of the Centers, the economic effects of the program to date are encouraging. With a direct economic impact of \$141 million and total impact of \$406 million for the period January 1, 2007-June 30, 2010, the program's contribution to the North Dakota economy is already considerable. Further, the jobs resulting from Center activities are relatively high paying. The Centers reported direct employment totaling 1,017 and a payroll of \$53,359,023, for an average of \$52,467 per job – substantially above the state average. Another measure of the Centers' success is their ability to obtain matching and leveraged funds. To date, the Centers have obtained \$152.9 million of matching and leveraged funds, an amount far exceeding the state funds dispersed to the Centers to date. As of June 30, 2010, the centers had spent \$26.2 million of the state funds that have been disbursed.

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³ No expenditures were reported for the NDSU Beef Systems Center of Excellence as that center was specifically exempted by the 2009 Legislature from reporting requirements of the COE program. The UND Center for Innovation did not provide information for this economic analysis.

APPENDIX A: ECONOMIC IMPACT STUDY

TABLE 1

**Period Review – Direct, Secondary, and Total Impacts
of North Dakota Centers of Excellence and Partner Activities
July 1, 2009 - June 30, 2010**

Economic Sector	Expenditures/Receipts		
	Direct	Secondary	Total
	\$000		
Construction	2,696	2,137	4,833
Communications & public utilities	266	2,580	2,846
Retail trade	618	17,626	18,244
Finance, insurance & real estate	339	3,952	4,291
Business & personal services	689	1,430	2,119
Professional & social services	527	2,279	2,806
Households	20,605	14,935	35,540
Other ¹	0	6,284	6,284
Total	25,740	51,223	76,963
Employment	1,017.2	318	1,335.2

¹ Includes agriculture, mining, transportation, manufacturing, and government.

TABLE 2

**Cumulative Review – Direct, Secondary, and Total Impacts
of North Dakota Centers of Excellence and Partner Activities
January 1, 2007 - June 30, 2010**

Economic Sector	Expenditures/Receipts		
	Direct	Secondary	Total
	\$000		
Construction	38,211	9,985	48,196
Communications & public utilities	2,277	13,036	15,313
Retail trade	8,713	83,253	91,966
Finance, insurance & real estate	12,563	23,631	36,194
Business & personal services	4,926	6,998	11,924
Professional & social services	2,679	10,197	12,876
Households	70,986	85,314	156,300
Other ¹	850	32,869	33,719
Total	141,205	265,283	406,488
Employment Review ²	full-time equivalent positions		
July 1, 2009 — June 30, 2010	1,017.20	318	1,335.2
January 1, 2008 — June 30, 2009	921.50	492	1,413.5
January 1, 2007 — December 31, 2007	296.25	408	704.25
Estimated State Tax Collections	\$000		
Personal Income Tax	1,065	1,280	2,345
Sales and Use Tax			4,258
Corporate Income Tax			701
Total			7,304

¹ Includes agriculture, mining, transportation, manufacturing, and government.

² Employment cannot be summed across years. Employment figures were presented for each analysis period for sake of comparison over time. Secondary employment for the January 1, 2008-June 30, 2009 figure represents an annualized estimate for the period.

the concept:

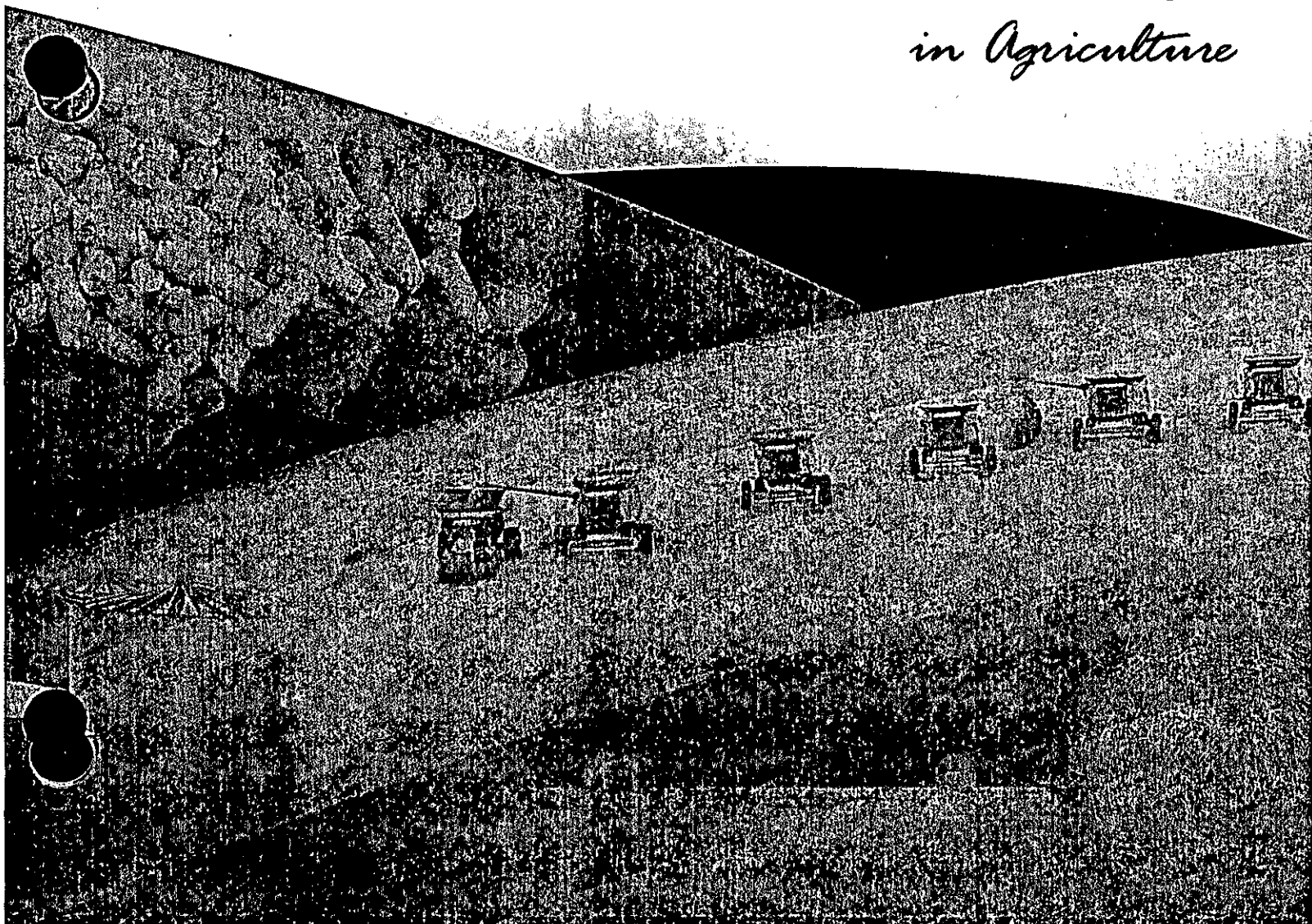
The **Centers of Excellence** program is built on the concept of **partnering** the research capacities of public colleges and universities with private sector companies to **generate** jobs and new business opportunities.

As of June 30, 2010, the **Centers of Excellence** had spent \$26.2 million of the awarded funds, resulting in the following economic benefits:

\$406.5 million	18	1,017	190
total economic impact	new or expanded businesses	direct jobs created	private sector partners

**NORTH DAKOTA
AGRICULTURAL PRODUCTS
UTILIZATION COMMISSION
GRANT REPORT 2008-2010**

Supporting the
DAWN OF A NEW AGE
in Agriculture



OUR MISSION

The mission of the Agricultural Products Utilization Commission is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products.

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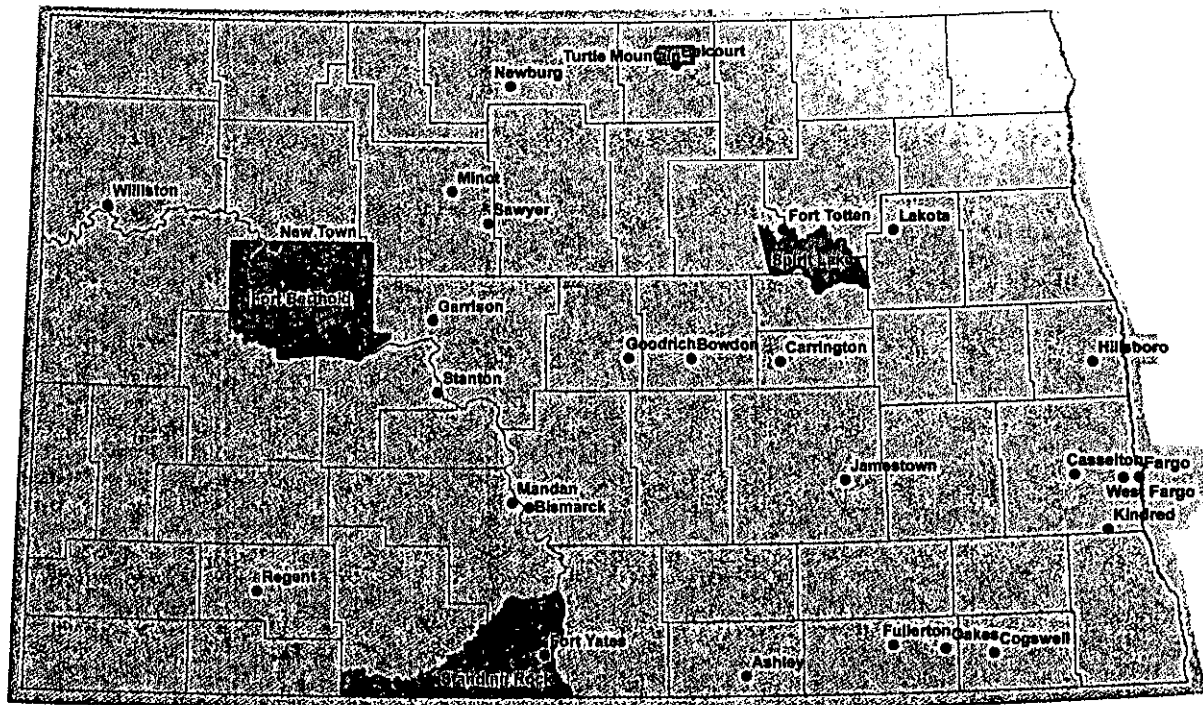
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APUC-SPONSORED PROJECT LOCATIONS

APUC sponsored 44 projects totaling over \$1.4 million in 27 communities located in 22 counties across the state. The grants listed in this report were awarded between November 2008 and November 2010.



ADMINISTRATION

The North Dakota Agricultural Products Utilization Commission (APUC) consists of nine members. The governor appoints five of the members to two-year terms each, arranged so that two terms expire in odd-numbered years and three in even-numbered years. Three of these appointees must be actively engaged in farming and two must be actively engaged in business. The Commissioner of Agriculture appoints one member to a two-year term that expires in odd-numbered years, and this member must also be actively involved in farming. All terms begin July 1.

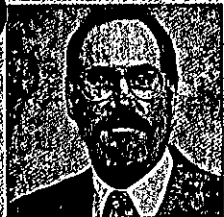
The board also includes three statutory members or their designees: Paul Lucy, director of Economic Development and Finance, a division of the Department of Commerce; Dean Bresciani, president of North Dakota State University; and Doug Goehring, Commissioner of Agriculture.

Dan Kalil, a producer from Williston and Governor Schafer's appointee, has served as the Commission's chairman since July 2001.

Executive Director John F. Schneider and Administrative Assistant Kerri Kraft are responsible for administering APUC's programs and overseeing the daily operations of the Commission.

APUC is an office within Economic Development and Finance, a division of the North Dakota Department of Commerce.

APUC COMMISSIONERS



Dan Kalil, Chairman
Governor's Appointee



Bruce McLean, Vice Chair
Governor's Appointee



Bill Kingsbury
Governor's Appointee



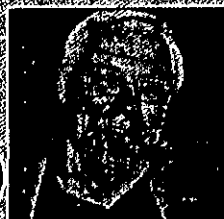
Myron Thompson
Governor's Appointee



Theresa Tokach
Governor's Appointee



Doug Goehring
Agriculture Commissioner



Mike Martin
Agriculture Commissioner's
Appointee



Paul Lucy
Economic Development and
Finance Representative



Jim Venette
NDSU representative

APUC STAFF



John F. Schneider
Executive Director



Kerri Kraft
Administrative Assistant

Marketing & Utilization Grants provide assistance in research and marketing by developing new uses for agricultural products and by-products, and by seeking more and efficient systems for processing and marketing agricultural products and by-products. These grants also promote efforts to increase productivity and provide added value to agricultural products, stimulate and foster agricultural diversification, and encourage processing innovations.

ND Beef Packing

*Jack Kim, Bismarck
FK Corporation*

Grant Amount: \$ 101,000
Total Budget: \$ 90,000,000

The goal of this project is to build and operate a beef packing/processing plant at a suitable location in ND. This phase of the project is to conduct an in-depth feasibility study and develop a detailed business plan for such a facility. Various kinds of beef products will be produced for export and domestic consumption.

Frontier Dairy - Edgeley LLLP

Ralph Friebe, Jamestown

Grant Amount: \$ 76,000
Total Budget: \$ 785,000

This project focuses on development and operation of a large-scale dairy near the community of Edgeley. Permitting processes will include water and health department and engineering permits. This project will create 100 new jobs in the area along with additional ancillary jobs.

Destiny Dairy, LLLP

Ole Johnson, Stanton

Grant Amount: \$ 6,925
Total Budget: \$ 9,175

This project conducted a feasibility study for processing composted manure. This study outlined the potential markets, market size, seasonality and other factors regarding selling a manure compost product.

MAP 2009

North Dakota Department of Agriculture, Bismarck

Grant Amount: \$ 15,000
Total Budget: \$ 60,000

The goal of this project is to make a significant impact on small ND companies by assisting them with the costs of traveling to national and international tradeshow and trade missions. It will provide customized in-market research to help a company decide if a market is appropriate for its product and understand how its product compares to the competition.

Flax USA

Jared Stober, Goodrich

Grant Amount: \$ 35,000
Total Budget: \$ 422,915

This fifth-generation family farm business located in rural ND is focusing on diversifying its business in order to enter new markets and develop new products. Flax USA is quickly becoming the leading retail flax company in the nation.

Heimbuch Potatoes

Chad Heimbuch, Cogswell

Grant Amount: \$ 27,950
Total Budget: \$ 252,937

Funds will be used to retain the services of two independent marketing consultants to assist with the marketing of this start-up potato packing shed. This company will add value to locally grown potatoes through the washing, sizing, purchasing and marketing of potatoes.

North American Bison Cooperative

Dieter Pape, Fargo

Grant Amount: \$ 40,000

Total Budget: \$ 108,231

Funds will be used to create greater customer and consumer awareness of the benefits of an all-natural product available from North American Bison Cooperative and North Dakota Natural Beef.

J.M. Grains, Inc.

Marvin Flaten, Garrison

Grant Amount: \$ 56,850

Total Budget: \$ 150,000

J.M. Grains specializes in unique varieties of peas and lentils such as eston-type lentils, red split lentils, split green peas, split yellow peas and garbanzo beans. The company is focusing on marketing the "picture of health" with eco-friendly, naturally grown, good-tasting and nutritious food.

Bowdon Community Cooperative

Laurel Jones, Bowdon

Bowdon Locker Plant

Grant Amount: \$ 10,500

Total Budget: \$ 15,375

This project is to conduct a feasibility study that will investigate and outline the possibility of restarting the locker plant in Bowdon, ND.

North Dakota Department of Commerce

Shane Goettle, Bismarck

Grant Amount: \$ 30,000

Total Budget: \$ 100,000

As required by the 2009 Legislature, the North Dakota Department of Commerce will take part in an equine processing facility feasibility study. Funds will be used to fulfill the Legislature's mandate for reimbursement of travel expenses to the advisory committee members who will participate in meeting requirements of the legislation.

Gussiaas Family Farm, Inc.

Er Gussiaas, Carrington

Grant Amount: \$ 13,886

Total Budget: \$ 52,000

Funding will be used for costs associated with expanding sales of crops such as golden flax and borage. Demand for these products continues to grow internationally. Healthy Oilseeds, part of Gussiaas Family Farm, anticipates sales expansion to a number of countries including Austria, Denmark, Czech Republic and Latvia.

Red River Valley Seed Company

Jay Boeddeker, Hillsboro

Grant Amount: \$ 55,000

Total Budget: \$ 90,000

The funds were used to execute a feasibility study and commercialization phase of business development. The study evaluated the launch of a new business model to compete in the value-added bean and grain market with a focus of 100 percent identity preservation for its ingredients.

MAP 14

North Dakota Department of Agriculture, Bismarck

Grant Amount: \$ 10,000

Total Budget: \$ 50,000

These funds will be used to defray costs for North Dakota food and agriculture companies promoting and marketing their products outside of the state, both domestically and internationally. Funding will make a significant impact assisting companies in the expansion of their business within the marketplace.

Buckets of Wheat

Steve and Margo Knorr, Sawyer

Grant Amount: \$ 31,000

Total Budget: \$ 106,875

This business will make available to the public a high-protein wheat derived directly from the farm in a food safe, usable and durable bucket for long-term storage. Buckets of Wheat will provide food security in these uncertain economic times.

Maple River Distillery, LLC*Greg Kempel, Casselton*

Grant Amount: \$ 26,000

Total Budget: \$ 112,000

Funds will be used to market a new and unique use of North Dakota-grown fruits and agricultural products produced and bottled in historic downtown Casselton.

Carrington Job Development Authority*Don Frye, Carrington*

Grant Amount: \$ 30,000

Total Budget: \$ 174,000

This project conducted a feasibility study to market a new type of feed developed from combinations of co-product ingredients.

Dakota Cooperative Association*Marlo Anderson, Mandan*

Grant Amount: \$ 12,000

Total Budget: \$ 26,000

This project assessed the feasibility of operating a retail outlet and marketing and distribution center for Pride of Dakota members.

Bowdon Meat Processing*Patti Patrie, Bowdon*

Grant Amount: \$ 25,000

Total Budget: \$ 41,500

The funds provided will help hire an engineer or an engineering firm to create concept designs, schematics and process flow elements for a meat processing locker plant.

Dakota Spirit AgEnergy*Sandra Broekema, Bismarck*

Grant Amount: \$ 100,000

Total Budget: \$ 251,000

The funds will help prepare business plans and feasibility studies in feedstock analysis, supply and procurement.

AquaGanix, Inc.*Adrien Zettell, Newburg*

Grant Amount: \$ 75,975

Total Budget: \$ 200,050

Funds were used to defray the costs of website construction, logo design, packaging and travel expenses incurred promoting a new way of farming shrimp.

**Marketplace of Ideas/
Marketplace for Kids, Inc.***Marilyn Kipp, Bismarck*

Grant Amount: \$ 51,000

Total Budget: \$ 51,000

The funds were used to coordinate and host four Growing Native Assets through Nature and Heritage conferences at the Standing Rock Sioux Tribe, MHA Nation, Spirit Lake Nation and Turtle Mountain Band of Chippewa Native American reservations.

Minot Area Development Corporation*Jerry Chavez, Minot*

Grant Amount: \$ 41,000

Total Budget: \$ 100,000

This project will assist in obtaining a feasibility study to determine technical, financial, management, economic and marketing needs for BioExx's intention to expand canola extraction methods in North Dakota.

Dakota Pride Cooperative

eland Barth, Jamestown

Grant Amount: \$ 10,500
Total Budget: \$ 165,000

Whole grain doughnuts have been developed using hard spring wheat. This was a combined effort of three entities: Dakota Pride Cooperative, Fetting's Frozen Products and North Dakota Mill & Elevator. The doughnuts were marketed to grocery and convenience stores across North Dakota and the region. The goals of this project were to increase interest in hard white spring wheat and increase the number of acres grown in the region, which will result in increased income for the participating farmers.

Cass Clay Wholesome Food Cooperative

Reba Mathern-Jacobson, Fargo

Grant Amount: \$12,900
Total Budget: \$ 25,400

This new organization used the APUC funds to conduct a market analysis and feasibility study regarding the formation of a food cooperative open to the general public interested in healthy food that is grown right here in North Dakota.

Success Story

Maple River Distillery, LLC • Casselton, ND

Maple River Distillery Markets New and Unique Products

Maple River Distillery was opened in December 2009 by Greg and Susan Kempel. The distillery offers a number of spirits such as vodkas, cordials and fruit brandies.

Everything is produced in small quantities using locally grown fruits from North Dakota such as chokecherries, rhubarb, plums, apricots and strawberries.

The distillery received an APUC Marketing and Utilization Grant of \$26,000 to market these new and unique products produced and bottled in Casselton. "This project was an addition to our winery that we started eight years ago with an Agricultural Products Utilizations Grant," said Greg Kempel, owner of Maple River Distillery. "The grant for the distillery was used to market our new products."

The new distillery products are currently available in over 50 retail outlets across North Dakota. "We find that the local stores carrying our products are huge promoters because they are locally grown and produced," Kempel said. Maple River Distillery also offers its products for sale online to targeted areas.

"The distillery products have become larger than our winery operation," Kempel said. "The rhubarb vodka has been a major hit with customers. People who visit the region really want to bring something back with them that is from the state. We see this as a market that continues to expand."

"We are already looking at expansion," Kempel said. "We really are concentrating on a steady growth for the company." More than 200 locally made products are available from the company at www.mapleriverdistillery.com.



The Basic & Applied Research Grant is for research for processing agricultural products and by-products in North Dakota. This grant cannot be aimed at business expansion or creation without regard to agricultural products, must not include research that cannot reasonably be expected to result in a marketable product, and cannot have been duplicated by other research efforts.

NDSU Non-Food Sugar Beets

*Dr. Cole Gustafson, Fargo
Dept. of Agribusiness and Applied Economics*

Grant Amount: \$58,245
Total Budget: \$61,245

This research is to determine the economic feasibility of using non-food sugar beets as an ethanol feedstock in North Dakota. Specific objectives are 1) to determine economic feasibility of North Dakota farmers raising non-food sugar beets as an industrial crop for ethanol production, including assessment of agronomic and economic risk/return, 2) to access current sugar-to-ethanol production technologies, and 3) to recommend an optimal process that balances economic opportunity with regional production and processing capabilities.

Light Line, Inc.

Gary Greff, Regent

Grant Amount: \$23,040
Total Budget: \$40,142

Light Line, Inc. is working to refine and re-test a fresh onion product that has been developed to be stored in refrigeration conditions at 4 degrees Celsius without decomposition to the onions. The onion retains its texture, consistency and freshness for up to 26 weeks. Funds will be used to re-test the present formula to see if there are any ingredients that can be changed to make the product better.

NDSU Hemp

*Dr. Burton Johnson, Fargo
Dept. of Plant Science*

Grant Amount: \$40,000
Total Budget: \$80,000

This study will begin defining baseline production guidelines for industrial hemp production in North Dakota. Funds will be used to pay for construction of a field security facility to conduct industrial hemp research.

NDSU Microbial Quality of Buckwheat and Mustard

*Dr. Dennis Wiesenborn, Fargo
Dept. of Biosystems and Agricultural Engineering*

Grant Amount: \$56,862
Total Budget: \$56,862

This research is to develop a process to improve the microbial quality of buckwheat and mustard seed using ozonated water. The research is intended to ensure that buckwheat and mustard seed products consistently meet industry standards, thus ensuring the continued prosperity and growth of these two specialty crops.

Nelson County Job Development Authority

Julius Wangler, Lakota

Grant Amount: \$17,062
Total Budget: \$33,252

The goal of this project is to complete a study to determine whether a dairy processing plant is feasible in Nelson County.

NDSU Demonstration of Improved Bioproducts

*Dr. Scott Pryor, Fargo
Dept. of Biosystems and Agricultural Engineering*

Grant Amount: \$62,890
Total Budget: \$62,890

Funds support research that will enable the production of environmentally safe and economical bioproducts and biofuels with improved properties.

NDSU - Marketing Corn Products

*Dr. Marcelo Carena, Fargo
Dept. of Plant Sciences*

Grant Amount: \$ 70,000
Total Budget: \$ 150,290

Funding will be used for research that will expand the use of NDSU corn products.

Success Story

NDSU Non-Food Sugar Beets • Fargo, ND

NDSU Study Explores Non-Food Sugar Beets for Ethanol Production

U.S. ethanol demand has been steadily increasing following passage of the Renewable Fuel Standard and the Energy Independence and Security Act of 2007. Most domestic ethanol production uses corn grain as feedstock.

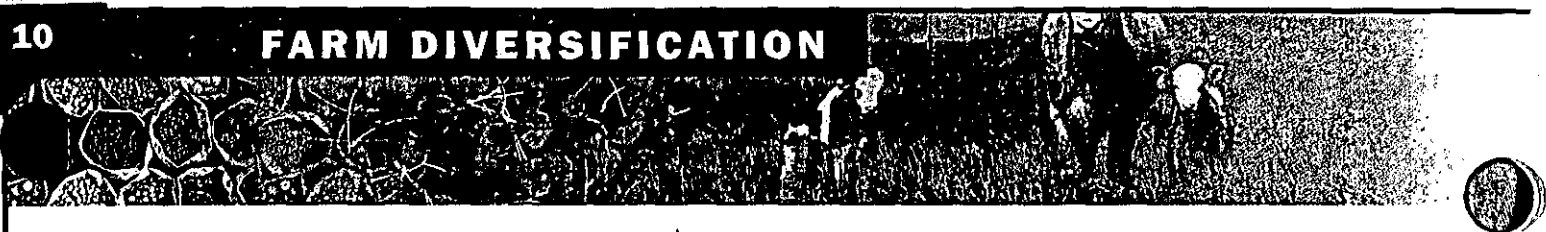
As production continues to rise, industry demand for corn has increased substantially, resulting in higher corn prices. Rising corn prices are encouraging current and potential ethanol producers to seek alternative feedstock.

An NDSU-led study supported by an APUC Basic and Applied Research Grant of \$58,245 is focusing on using non-food sugar beets as an ethanol feedstock. The goals of the study are to determine the economic feasibility of North Dakota farmers raising non-food sugar beets as an industrial crop for ethanol production, to assess current sugar-to-ethanol production technologies, and to recommend an optimal process that balances economic opportunity with regional production and processing capabilities.

"We have demonstration yield plots at five locations across North Dakota," said Cole Gustafson, Ph.D., an NDSU biofuels economist and lead researcher on the study. "Each of these yield plots looks excellent. There is a lot of farmer interest in this study."

Gustafson said NDSU is providing research support for a private company, Green Vision Group, to develop a pilot plant in North Dakota for testing. "I think the findings of the study are very promising," Gustafson said. "Our research has shown that we can produce energy at a cost of \$1.52 per gallon, which is quite competitive in the current petroleum market."

Gustafson said plans are moving forward to begin construction on a production plant in 2012. "During this past summer, I presented a summary of the project at the annual biomass conference at UND in Grand Forks," Gustafson said. "There was a lot of interest from the biofuel industry on what we are doing in North Dakota."



The Farm Diversification Grant category gives priority to projects dealing with the diversification of a family farm to non-traditional crops, livestock, or on-farm, value-added processing of agricultural commodities. Traditional crops and livestock are generally defined as those for which the North Dakota Agricultural Statistics Service maintains statistics. The project must have the potential to create additional income for the farm unit.

Bruce Gussiaas Berry Farm

Bruce Gussiaas, Carrington

Grant Amount: \$ 5,250

Total Budget: \$ 10,000

This project involves planting several new berries, which are relatively unknown, well suited for the North Dakota climate and financially profitable. These could provide extra income for growers on a limited acreage and do not need yearly replanting. Funds were used for plants, weed barriers, and grass for lanes and walks.

Success Story

Bruce Gussiaas Berry Farm • Carrington, ND

Bruce Gussiaas Berry Farm Expands Growing Operations

The Bruce Gussiaas Berry Farm received a \$5,250 Farm Diversification Grant from APUC in 2009 to help expand their operations. "I had farmed for my entire life and then I raised bison for about 15 years," Bruce Gussiaas said. "We just, recently expanded into planting fruits and berries for fresh markets."

The Bruce Gussiaas Berry Farm recently added black chokeberry bushes and hundreds of haskap, a honeyberry cross. The farm diversification grant helped Gussiaas to purchase the plants, provide 6,000 feet of weed barriers and assist with land preparation.

"The haskap is very popular right now in the health supplement industry because it's high in antioxidants," Gussiaas said. "It looks like an elongated blueberry and is shaped like a little football about one to two inches in length." The new crop of black chokeberry plants will be used for the new winery operation Gussiaas and his family recently started.

"The potential of both of these fruits is very promising," Gussiaas said. "There are very few growers in the United States attempting to grow these. These are two great products with great potential for the state of North Dakota."

Nature-Based Agri-Tourism Grants are for enterprises that seek to attract visitors to a working farm or ranch, or any agricultural, horticultural or agribusiness operation to enjoy, be educated or be involved in activities. Eligible projects include, but are not limited to, farm or ranch tours, hands-on chores, self-harvesting of produce, hunting operations, fishing operations located on applicants' land, bird watching, trail rides and corn mazes.

Red Barn & Berry Farm

Karen Gehrig, Kindred

Grant Amount: \$10,500

Total Budget: \$11,450

This agri-tourism business is located on 40 acres in the sand hills of Kindred. The project was funded for the renovation of their barn, which they rent out for weddings, receptions, farmers markets and festivals. With over 4,500 raspberry plants planted in 2008, U-Pick Raspberry Farm will also be a featured attraction. Funds will also be used for logos, brochures and web design.

The Hayloft

Scott Schlepp, Ashley

Grant Amount: \$1,000

Total Budget: \$5,600

The Hayloft will now add trail rides and covered wagon rides to theatrical attractions. The funds for this project will be used to market and advertise these two new attractions of The Hayloft.

Success Story

The Hayloft • Ashley, ND

The Hayloft Offers New Trail Ride for Guests

The Hayloft, a unique event center located in a barn near Ashley, ND, received a \$1,000 Nature-Based Agri-Tourism Grant from APUC for marketing and advertising their services.

"We used the funds to create a website and advertise our new trail ride," said Scott Schlepp, owner of The Hayloft. "The ride was a success. It took place the third week of June."

Schlepp estimates they had about a dozen people participate in their first ride. The trail rides and covered wagon rides are part of the attraction of The Hayloft.

The Hayloft is a venue Schlepp developed three years ago to provide the surrounding communities with theatrical performances in a unique setting. "We converted our barn into a venue to host events," Schlepp said. "Actors and actresses from the area communities help us to put on four plays each year. We are able to accommodate about 150 people in our barn. People from all over the county come to the events. They really love this place. It is always a full house."

Schlepp said The Hayloft hosts nearly 12 events each year. For more information on The Hayloft, visit their website at www.thehayloftme.com, or contact Scott Schlepp, owner of The Hayloft at 701-288-3759.

APUC provides grants in two areas of agricultural innovations: Prototype Development and Technology Grants. A huge array of equipment can be useful in conducting business in rural living and agricultural economics. Prototype Grants are restricted to inventions improving the operations of food processing equipment and agricultural equipment. Technology Grants are to encourage innovation and APUC will maintain a broad view of technology, such as hardware, software, devices or processes. Biotechnology will be considered as long as those advances improve agricultural product utilization as food, feeds, fuels and fiber.

Oakes Industries, Inc.

Steve Voightman, Oakes

Grant Amount: \$ 26,000

Total Budget: \$ 51,000

This project will use the funds to build a prototype heavy-duty scraper that is sturdy and reliable. The goal is to make the final product cost-effective for the consumer.

Brookins Hybrid Drive Systems, LLC

Ernie & Gail Brookins, West Fargo

Grant Amount: \$ 26,000

Total Budget: \$ 56,000

The funds will be used for prototype development on a hydraulic hybrid drive system with a variable speed transmission that reduces fuel usage in tractors, farm trucks, combines and buses. When installed, the result is a 72 percent reduction in fuel usage.

Field of View, LLC

Jonathan Alme, Grand Forks

Grant Amount: \$ 25,000

Total Budget: \$ 50,000

The funds will assist with technology research of a remotely piloted aircraft used for capturing high resolution imagery in an effort to help farmers and ranchers manage their agricultural assets.

Sorm Exports, LLC

Corey Kratcha, Wahpeton

Grant Amount: \$ 20,000

Total Budget: \$ 30,000

The funds will help develop a prototype of hopper-bottom trailer component kits and marketing materials for the kits.

Ergologistics, LLC

Aaron Lamb, Fargo

Grant Amount: \$ 10,000

Total Budget: \$ 72,000

Funds will be used to defray the cost of legal fees associated with the prototype testing of automated hand trucks that lift heavy or awkward objects. The hand trucks will lift objects to ergonomically correct heights in order to reduce or eliminate strain or injury. Beta testing will drive research and development in various applications of the device, one being agriculture.

Success Story

Brookins Hybrid Drives Systems, LLC • West Fargo, ND

New Product Turns Gas Guzzlers into Energy Efficient Machines for Ethanol Production

After working for years to secure funding to make their dream a reality, a West Fargo couple's invention could soon turn gas guzzlers into energy efficient machines.

Brookins Hybrid Drives Systems, LLC received an APUC grant of \$26,000 for prototype development on a hydraulic hybrid drive system with a variable speed transmission that reduces fuel usage in tractors, farm trucks, combines and buses. When installed, the system is projected to result in a 72 percent reduction in fuel use.

"My wife and I have been working on this project for over eight years," said Ernie Brookins, the inventor of the system and owner of Brookins Hybrid Drives Systems. "But I got the idea when I was nine years old. My uncle sent me under a Model T to work on it. This concept is based on those things I saw under the Model T."

Brookins' hybrid drive system captures, compresses, and stores wasted drive-train energy produced when a vehicle's engine is running. It uses a hydraulic transmission that can reportedly power vehicles without the engine running all of the time.

"We are currently working with two major companies to produce the transmission," Brookins said. "My estimate is that within three months this transmission and the hybrid will be on the market."

One of the major advantages of Brookins' system is that it can be added to existing vehicles. "A new hybrid bus can cost a city over \$500,000 to purchase," Brookins said. "The cost to put our system into the city bus will be around \$30,000. And when you wear the bus out, you can take our system and transfer it to a new bus."

Brookins' patents were approved in 2010. "You should have been at my house when the patents were approved earlier this summer," Brookins said. "We found out that we were the only people in the world working on this idea. It was just a big relief. This is the only hybrid design on record that can make an immediate impact on the fuel crisis. Without the support from APUC, we could not have accomplished this."



Sponsorships are listed in order of distribution.

North Dakota FFA Foundation, Inc.

Beth Bakke Stenebjem, Bismarck

\$1,000 Sponsorship

APUC has been a 20-year sponsor of the Future Farmers of America (FFA) Proficiency Award for Value-Added Food Processing.

Marketplace of Ideas / Marketplace of Kids, Inc.

Marilyn Kipp, Bismarck

\$15,000 Sponsorship

The Marketplace of Ideas and Forum was held Sept. 27-28, 2010 in Fargo. This forum helped provide education, support, mentorship, solutions, and networking opportunities to new and existing entrepreneurs and entrepreneurial communities.

2009 Ag Open

Tom Rolfstad, Williston

\$5,000 Sponsorship

This event, held in August 2009, gives individuals the opportunity to network with area economic developers and representatives from local and state lending institutions. Key research extension center specialists and county agents provide information on high-value crops currently grown and developed in the area.

2010 Ag Open

Tom Rolfstad, Williston

\$15,000 Sponsorship

This event, held August 3-5, 2010, focused on attracting value-added agriculture processors and related industries to the Mon-Dak region.

North Dakota FFA Foundation, Inc.

Beth Bakke Stenebjem, Bismarck

\$1,000 Sponsorship

APUC sponsored to the Ag Processing Proficiency awards and funding for travel stipends for the proficiency finalists to attend the National FFA Convention.

Success Story

North Dakota FFA Foundation, Inc. • Bismarck, ND

National FFA Convention Sponsorship Supports North Dakota Students

APUC contributed a \$1,000 sponsorship for the Ag Processing Proficiency Awards at the State FFA Convention. The APUC sponsorship provides funding for the National Proficiency Finalist, Vance Zacharias of Enderlin, and the Dairy Cattle Selection Team from Granville to attend the National FFA Convention in Indianapolis.

Zacharias is a finalist in the Fiber and/or Oil Crop Production Proficiency. He is one of only three other finalists in the country. Zacharias is attending NDSU to pursue a double major in ag economics and ag systems management and is currently serving as the Southeast Region Vice President for the ND FFA.

The National FFA Convention is held each October with nearly 55,000 FFA members and guests from across the country in attendance. Members participate in general sessions, competitive events, educational tours, leadership workshops, a career show and expo, and volunteer activities. The conference is one of the largest annual student conventions in the country.

"We have 400 to 500 students from North Dakota attend the national conference each year," said Beth Bakke Stenehjem, executive director of the North Dakota FFA Foundation. "Over 100 of those attending from North Dakota will be competing at the conference. These funds help to provide travel assistance to those students."

FFA is a youth organization that is a part of agricultural education programs at middle and high schools. FFA student members are engaged in a wide range of curriculum and activities, leading to over 300 career opportunities in agriculture. APUC has been involved with the FFA Foundation since 1987.

Additional information on the North Dakota FFA Foundation is available at www.ndffaoundation.com

FUNDING SOURCES

APUC's appropriation for the 2009-2011 biennium totaled \$3,433,953 and was provided from the following sources:

Up to \$550,000 was authorized to be collected from the Agricultural Fuel Tax Fund, funded by a \$.02 "check-off" of farmers' off-road gas tax refunds.

Up to \$300,000 was to be collected in federal grants. APUC secured \$83,200 through the Rural Business Enterprise Grant from the USDA Rural Development Administration during the biennium.

\$1,686,630 was appropriated directly from the state general fund.

At the beginning of the biennium an additional \$897,323 was authorized as carry-over authority from the previous biennium.

Financial Information 2009-2011

Appropriation Sources

\$1,686,630



General Funds

\$550,000



Gas Tax Refund

\$300,000



Federal Grants

\$897,323



Carry-Over Authority

Total Appropriation: \$3,433,953

As of September 30, 2010

	Expenditures	Budgeted
Salaries & Benefits	\$169,192	\$286,059
Operating Expenses	\$30,859	\$96,790
Grant Commitments *	\$726,937	\$3,051,104
Total Expenditures	\$926,988	\$3,433,953

Remaining Appropriation: \$2,506,965

* Includes Carry-Over Commitment



AGRICULTURAL PRODUCTS UTILIZATION COMMISSION

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An aerial photograph of a landscape, likely in North Dakota, showing a winding river or canal cutting through a field of crops. The image is grainy and has a high-contrast, black and white appearance. The river flows from the upper left towards the lower right, with fields on either side. The overall texture is rough and textured.

www.ndapuc.com



IN THIS SECTION:

- ND Trade Office Slides
- Economic Impact of ND Trade Office



Presentation for ND Legislature January 2011



About the North Dakota Trade Office:

- Non-profit dedicated to expanding North Dakota's international trade
- Funded by membership dues, North Dakota tax monies, International Business Resources and fee for service
- Staff of professionals dedicated to international trade expansion

Board of Directors

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Lt. Governor Drew Wrigley

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Carlson Construction Inc.

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Howard Dahl

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Bob Pelka

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General Manager, United Pulse Trading, Inc.

Bob Majkrzak

President, Red River Commodities

Sherman Wehlander

Export Sales & Logistics, Bobcat Co.

Tom Shorma

Chairman, North Dakota District Export Council
President, WCCO Belling

Members

North Dakota Trade Office members are manufacturers, distributors, processors and service providers of:

- Agriculture equipment
- Value-added crops and seed
- Aviation equipment and services
- Transportation equipment
- Many other industries

Current membership numbers:

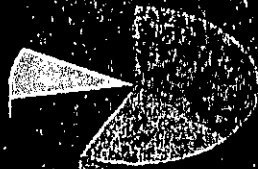
- 70 exporter members from throughout the state
- 20 International Business Resource providers

Mission Statement

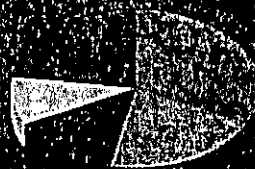
To expand North Dakota's global trade through advocacy, education and expertise.



What We Export



2009



2010: Q1-Q3

	Product	Value (\$)		Percent	
		2009	2010: Q1-Q3	2009	2010: Q1-Q3
333	Machinery Manufactures	\$804,518,479	\$587,319,327	36.7 %	32.3%
111	Crop Production	\$454,670,984	\$379,545,581	20.7 %	20.9%
311	Processed Foods	\$322,362,210	\$259,467,338	14.7 %	14.3%
211	Oil & Gas Extraction	\$232,815,547	\$178,993,983	10.6 %	9.8%
	All Others	\$378,644,153	\$411,906,817	17.3 %	22.7%
	Grand Total	\$2,193,011,373	\$1,817,233,046	100 %	100%

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

Our Global Customers

Partner	2005	2006	2007	2008	2009	Oct. 2010
World Total	1,191,735	1,519,649	2,046,660	2,772,204	2,177,803	2,066,670
Canada	544,912	737,121	1,002,083	1,428,604	1,235,657	1,277,181
Mexico	50,848	55,086	122,544	198,722	197,590	137,226
Australia	76,132	80,049	56,747	88,697	102,084	56,329
Belgium	108,509	161,589	121,761	94,860	34,017	42,333
Saudi Arabia	9,406	12,466	20,304	16,687	38,244	33,907
Germany	21,424	45,959	76,143	93,951	33,869	29,589
India	5,471	9,881	20,848	28,991	39,401	27,484
United Kingdom	25,169	20,380	27,046	36,468	35,505	18,281
South Africa	7,420	8,908	12,807	16,340	8,279	16,069
Turkey	5,908	11,520	13,338	18,856	20,074	13,031
South Korea	7,770	10,142	12,181	13,508	11,567	10,072
Russian Federation	31,048	21,002	60,925	147,056	30,859	7,514
Kazakhstan	25,032	30,055	39,198	51,095	40,365	7,165

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

ND Ag Exports

North Dakota ranks 8th in the nation with \$3.19 billion in agricultural exports in 2009

National Rank	Commodity	North Dakota Ag Exports in USD
#2	Wheat & Products	1.15 billion
#11	Soybeans & Products	612 million
#12	Feed Grains & Products	286 million
#2	Feeds & Fodders	340 million
#4	Vegetables & Preps	334 million
#1	Sunflower seed & Oil	111 million
#3	Seeds	83 million
-	Live Animals & Meat (exc. Poultry)	7.6 million
-	Other	246 million
-	Total**	3.19 billion

Other: pertains to sugar and tropical products, minor oilseeds, essential oils, beverages other than juice, nursery and greenhouse, wine, and misc. vegetable products.

** Totals may not add due to rounding.

Source: Compiled by ERS using data from USDA, National Agricultural Service and U.S. Department of Commerce, Census Bureau.

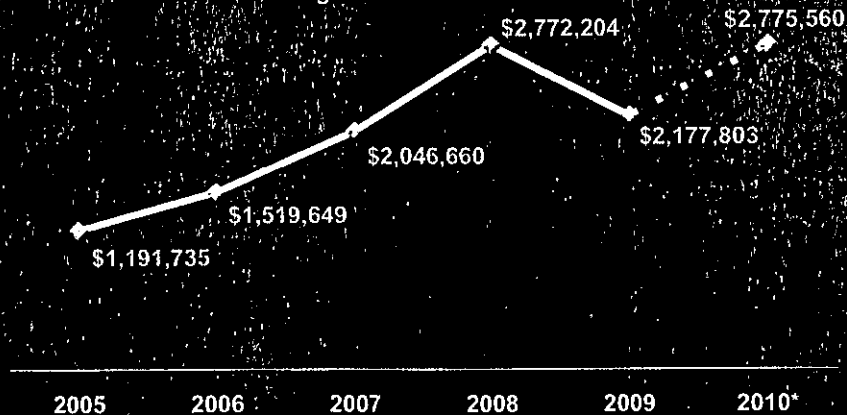
Top 10 Destinations for US Agricultural Exports

Rank	Country	2010 Q1-Q3	2009
1	China	7.52 billion	11.60 billion
2	Canada	5.90 billion	7.14 billion
3	Japan	5.35 billion	7.15 billion
4	Mexico	4.77 billion	5.81 billion
5	South Korea	2.45 billion	2.70 billion
6	Taiwan	1.43 billion	2.14 billion
7	Turkey	1.19 billion	1.13 billion
8	Egypt	1.05 billion	1.06 billion
9	Indonesia	936 million	1.16 billion
9	Germany	840 million	1.13 billion
10	Nigeria	597 million	762 million
World Total		44.062 billion	57.647 billion

Source: USDA's National Agricultural Statistics Service and U.S. Department of Commerce, Census Bureau, TradeStats Express

ND Manufactured Exports to the World

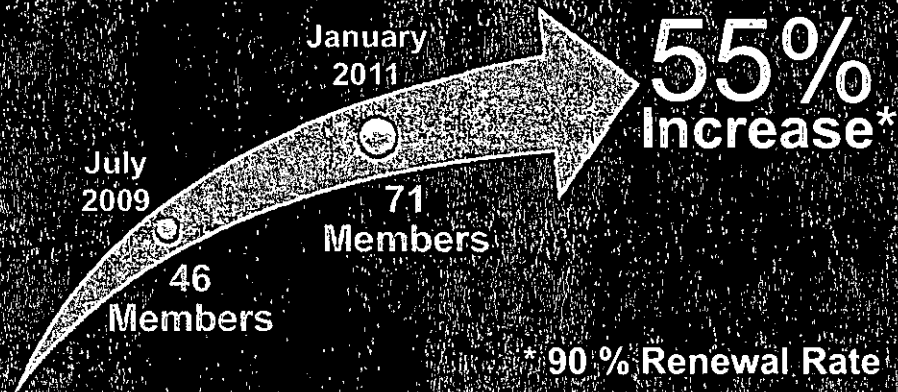
Figures in billions USD



Source: U.S. Dept of Census, GTIS, World Trade Exports

* Projected exports for 2010

Trade Office Membership



Trade Office Outreach

Export Management Course

- 12 Week Course
- Held in the fall at UND
- Held in the Spring at NDSU

Trade Talks

- Live seminars and online webinars
- 18 events this biennium
- 371 participants
- 90% satisfaction rate

Export Assistant Program

- 13 export assistants placed in ND companies

Website and Global Business Expo

- New website launched in July 2010
- Expo showcases members and their products

ExporTech

- Launched in spring 2009
- Partner with MEP and US Commercial Service

Trade Office Outreach

North Dakota Trade Office's Global
Business Conference

*Where the global business community
comes to you*

Wednesday, March 30 and Thursday, March 31, 2011

Ramada Plaza Suites (Fargo, ND)

Featured Speaker:



Greg Page
Chairman and CEO of Cargill

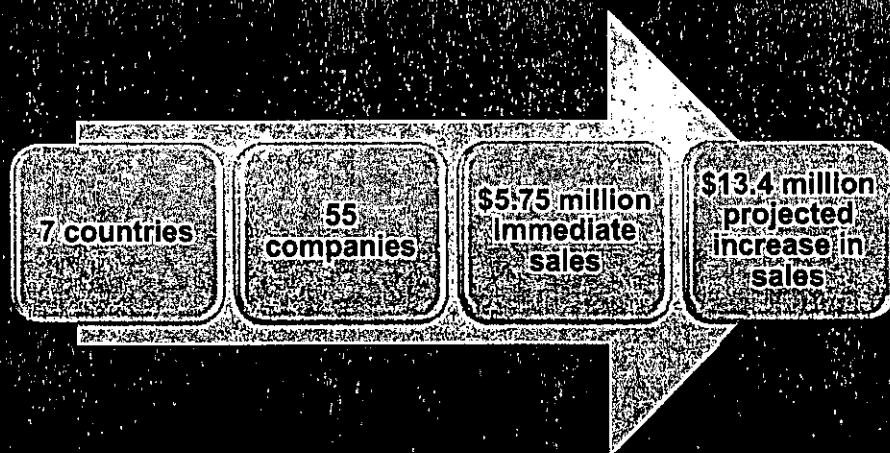
Page joined Cargill in 1974. Over the years, he held a number of positions in the United States and Singapore. He was elected chairman of the board on Sept. 11, 2007, and CEO on June 1, 2007.

Global Business Connections is a valuable education for emerging and experienced exporters and export service providers.

Network with exporters, meet international business professionals, attend breakout sessions designed to help you expand your international business and tour the conference's exhibition to learn more about successful exporters and the companies that serve them.

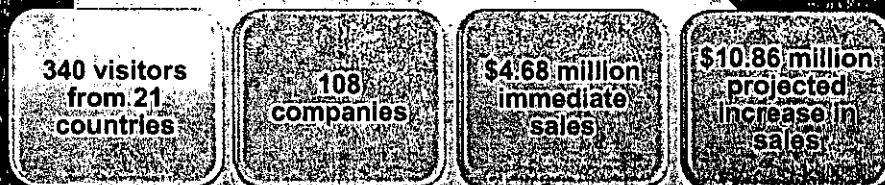
Trade Missions

Biennium to Date

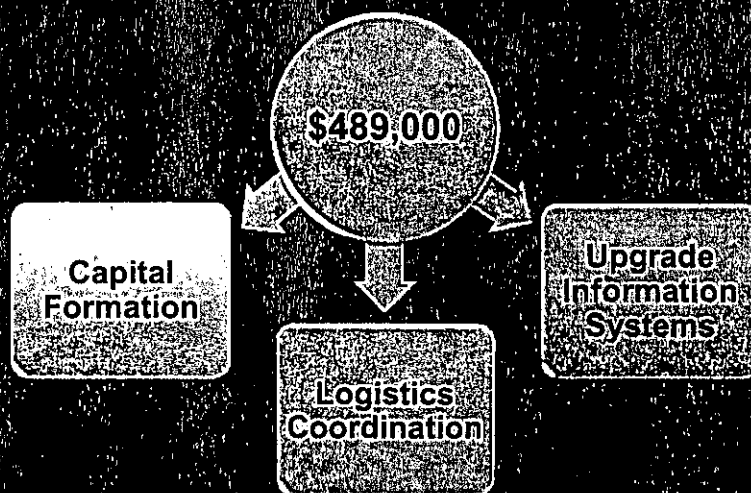


Reverse Trade Missions

Biennium to Date



Budget Enhancement



ND Economic Impact

Benefits

Increased Exports: 2009 to 2010

New Employment this biennium

Gross State Product: 2009

New State Tax Revenue

Member Export Growth

Results

\$60MM

284

\$32MM

\$3.4MM

+70% vs. 2009

Source: North Dakota State Data Center's December 2011 Economic Brief,
U.S. Department of Labor

Contacting NDTO

North Dakota Trade Office

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Dept. 0510 PO Box 6050
Fargo, ND 58108 USA

Phone: +1 701 231 1150

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Economic Impact: Biennium 2009 - 2011

Mission

The NDTO mission is to expand export volume through advocacy, education and expertise.

State Funds

The NDTO received \$2,064,000 in state funding in the present biennium, with a match requirement of \$750,000 in private funds from exporters, export service providers and federal grant authorities.

Profitable Entity for the State

In the current biennium the Trade Office has been true to its mission and has continued to be a highly profitable entity for the state.

Data based on surveys returned from Trade Office members (representative sample) and data returned on surveys from Trade Office members who traveled on Trade Missions or who took part in reverse missions indicate these companies generated \$60 MM in incremental export sales over the previous 12 months resulting in \$3.4 million in incremental state tax revenue. In essence, the annual state tax revenue generated from these members represents more than twice the state funding provided the Trade Office during the biennium.

Increased Trade Office membership by 55%

July 2009 membership = 46

January 2011 membership 71

Member renewal rate of 90%

Expanded to Global Offices

Kazakhstan, Ukraine, Turkey, South Korea, and China/ Hong Kong. NDTO contracted with 5 dedicated overseas representatives in these markets to continue business development in existing countries and to strengthen partner relations overseas. Our representatives have enabled us to identify, recruit and build relationships with key distributors and customers; as well as troubleshoot on behalf of our exporters. These representatives are the critical to advancing our success.

Outreach and Resources to Members

- Export Management Course: We successfully launched our (for credit) Export Management Certificate Course in conjunction with the University of North Dakota (fall of 2009) and North Dakota State University (spring 2010). The course is 12 weeks and



educates university students, export assistants, and international export managers and staff with expertise from industry experts and business resource providers. The course is unique in that each week the instructor is different and is an expert in their field of international business. Panel discussions with an array of local business leaders are often highlights providing the students with insight into how business is really done; including the obstacles and challenges exporters face. The capstone of the program is a group project with a local export company, in which the students prepare a detailed export management plan the exporter, complete with selection of a new market, research and recommendations for market entry.

- **Trade Talks:** NDTO trade talks include a combination of live seminars and on-line webinars. Over the present biennium, 18 events were held, with 371 participants and a 90% satisfaction rating. Trade Talks were expanded in this biennium to include technical export issues, high level trade discussions from experts, and country market experts. We are committed to utilizing local business resources providers as experts when and where possible for the benefit of the members.
- **Export Assistant Program:** This innovative program places graduate students with participating companies where the skill set and company needs are best met. The export assistants, students at North Dakota State University and North Dakota State University, work up to 20 hours a week, and full time over the summer. The companies commit to a 2 year relationship, and the graduate students help build the global business. The students gain work experience related to their graduate studies, college credit and tuition assistance; and upon graduation move onto careers in international business or assist the companies in pursuit of global business opportunities that would not have been realized. In addition, half of the students earnings are paid by the company. Currently there are 16 assistantships and 13 are filled.
- **Website enhancement and Exporter Expo:** July 2010 saw the launch of a new NDTO website. The new website launch included a new look for the trade office complete with a new logo and new branding. The website includes a business expo, a unique and versatile approach enabling member companies to showcase their products in a trade show-like format. Available to members and non-members on a fee basis. The website serves as a global resource for our country representatives, member and non-member companies, their products and the NDTO.





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- **ExporTech**: Launched in the spring 2009, the ExporTech program is designed to help small to medium sized companies enter or expand into global markets by helping them to understand how exports can be a major growth driver; identify hurdles to expansion, and work one-on-one with facilitators and experts to develop their export growth plan. By utilizing a team of experts, ExporTech helps the companies move quickly beyond just planning, into actual export sales. Our local team consists of Dakota Manufacturing Extension Partnership (MEP), and the US Commercial Service. We have completed 4 programs over the past 2 years; 2009 North Dakota/ South Dakota; 2010 North Dakota/ NW Minnesota; and 2011 being scheduled for May 2011.
- **Global Conference**: Global Business Connections will be held in Fargo, ND, March 30-31, 2011. Greg Page, Chairman and CEO Cargill will be a Key Note speaker. The conference, held every 2 years, focuses on bringing exporters, together with service providers and international industry professionals for networking, break-out sessions, and information on current subjects of international interest.

Trade Missions

- Escorted 55 companies to 7 countries
- Total reported immediate sales: \$5.75 million
- Total reported projected increase in sales: \$13.4 million

Reverse Missions

- Hosted 340 visitors from 21 countries with 108 companies participating
- Total reported immediate sales: \$4.68 million
- Total reported projected increase in sales: \$10.86 million

The Road Ahead

The road ahead will be challenging given the current worldwide economic situation:

1. Member donations will be increasingly scrutinized
2. Access to growth capital has become a significant issue
3. Access to and aid in finding qualified customers in priority markets will be sought after
4. International management expertise/education must be increased significantly to enable export success on both sides of the ocean
5. We recommend exploring new ways to bring "smaller exporters into the fold"
6. Lack of skilled professionals in North Dakota continues to be an issue despite the recession





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7. Logistics issues continue to be a problem for ND exporters adding to the cost of their products

Budget Enhancement Recommendation:

The Trade Office is recommending a budget enhancement of \$ 489,000 to accomplish the tasks and goals of the organization.

1. Finance the resource management initiative to solicit, educate, and enable access to capital growth and a wider supplier network for established ND companies with strong international expansion opportunities. This function is currently supported by an EDA grant, EDA is not optimistic about funding for the 2011-2013 biennium.
2. Replicate our successful overseas representative business model in two additional countries to enhance / drive distributor and customer business identified during past trade missions.
3. Increase reverse trade missions to facilitate sales and reduce the sales cycle time timeframe. Data supports that outbound trade missions generate NDTO memberships and reverse trade missions generate sales for member companies. Add one reverse trade mission per 6 month period.
4. Enhance the student recruitment and internship program with select universities to recruit and train foreign students in subject areas that will increase export potential for ND companies. The areas of interest are international agribusiness, agricultural equipment and international management .
5. Upgrade information systems of the NDTO to increase efficiency and client support. Upgrades include a CRM program, training and technical support.
6. Facilitate the development of logistics coordination services in North Dakota to educate, review and advise on the use of containers and trans-loading in conjunction with local logistics providers, railroad and steamship service offerings. Broaden and increase the use of the Port of North Dakota and coordination of exports.

ND Export Growth

What does trade means to North Dakota? Trade means jobs.

- In 2009 North Dakota exported \$2.2 billion in manufactured goods, which supported over 17,000 manufacturing jobs.
- Manufacturing exports have increased + 200%
- Manufacturing companies have added 284 jobs in 2010





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- In 2009 North Dakota exported \$4.59 billion in agricultural products, which supported over 45,170 agricultural jobs
- North Dakota exports over \$500 million in services
- 1 in 3 acres of agricultural product is exported

ND Exports Economic Impact

Exports are a \$7.7 Billion Industry; +55% (2009 total exports as compared to 2007 total exports)

Increased exports:

- ✓ \$2.2 billion in manufactured goods represents an 84% increase in 2009 over 2005 merchandise exports of \$1.2 billion; and the fastest growth rate among the 50 states over that same time period.
- ✓ Increased exports in 2010 over 2009: 60MM
- ✓ New employment: 284 jobs
- ✓ Gross State Product: 2009 \$32MM
- ✓ New state tax revenue: \$3.4MM
- ✓ Member export growth: 70% in 2010 vs 2009





Partner Programs

IN THIS SECTION:

- Paul Govig's Testimony
- ND Small Business Development Centers
- Rural Development Council and Center for Technology & Business
- Dakota MEP

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
JANUARY 13, 2011, 9:00 A.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

PAUL GOVIG – ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

The Department of Commerce provides funding to some of our partners to accomplish our mission. They include:

- Small Business Development Centers
- Center for Technology and Business (Rural Development Office/ Women's Business Development Office)
- American Indian Business Development Office
- Dakota Manufacturing Extension Partnership

Small Business Development Centers

The ND SBDC exists to provide high quality business assistance in the form of counseling, training, and research to existing and prospective small businesses which results in job creation or retention and economic wealth.

Rural Development Council/Center for Technology and Business

The Department of Commerce contracts with the Center for Technology and Business for the provisions of the Women's Business Development Office and the Rural Development Office. We are requesting the same level of funding that they received this biennium. These programs are involved with computer education, rural outreach, rural housing, childcare and the North Dakota Young Professionals network.

American Indian Business Development Office

The purpose of the office is to enhance the business opportunities available to Tribes and tribal members. This important initiative was contracted out to the Prairie Consulting Group of Bismarck during the 2009-2011 biennium. Accomplishments included a Research, Insights and Opportunities Report to provide a good understanding of the capabilities. In addition, a number of prospect leads and site visits were conducted on the reservations.

Dakota Manufacturing Extension Partnership

The purpose of the Dakota MEP is to increase the competitiveness of manufacturing companies and thereby, strengthen our economy.

More detailed information is included for each of these organizations in the written testimony provided. I would be happy to answer any questions you have on these partners and many of them are represented in this room.

Testimony in support of **HB 1018**
ND Department of Commerce Appropriation
House Appropriations Committee

Bon Wikenheiser, State Director, ND Small Business Development Centers

Mr. Chairman and members of the committee, I am Bon Wikenheiser, State Director for the Small Business Development Center. I ask your support for HB1018, the 2011-13 appropriation for the ND Dept. of Commerce, submitted at the request of the Governor. The SBDC is funded in the Partner Programs line item of the DOC budget.

The ND SBDC exists to provide high quality business assistance in the form of counseling, training, and research to existing and prospective small businesses which results in job creation or retention and economic wealth. SBDC consultants prepare and present funding packages for clients seeking to finance new businesses and existing business expansion, help with workouts for stressed businesses, as well as provide general business consultation. Regional offices are located in Bismarck, Fargo, Grand Forks, Minot, Jamestown, Williston and Dickinson. Tribal offices are located in Fort Yates and Belcourt. The lead center is hosted by UND.

SBDC network state funding was restored to its 1999 level of funding during the 2009 session. That investment of state funding resulted in these outcomes from **7/1/2009 to 12/31/2010**:

- Provided 12,752 hours of direct client consultation to over 2,000 small businesses and nascent entrepreneurs. Served clients in all 52 counties.
- Assisted clients in acquiring \$130,289,000 in capital for small business. Eighteen percent of all clients seen by the SBDC have realized direct capital infusion. ND SBDC ranks 15th overall in the country for capital access results for clients, realizing \$51 of capital acquired for every dollar of cash invested in program. National average for SBDC programs is \$17.
- SBDC consultants have assisted clients in receiving capital from commercial banks and credit unions, Bank of ND, SBA, Certified Development Corps, Small Business Investment Centers, USDA, CDBG, APUC, ND Development Fund, regional and local revolving loan funds, venture capital firms, private investors, tribal entities and federal, state and local grants.
- The SBDC network used available state funds to partner with local economic development, county and city government entities to add business consultation services in their local regions to assess the need for continued service. In the 4th Q of 2010, SBDC assisted services have been expanded in Williston, Dunn County, Beach, Bowman, Tioga, Watford City, Bottineau, Devils Lake, the IDEA Center, Marketplace of Ideas and Wahpeton. All partner entities invested local dollars to match the state and federal funds designated for the local services.
- Assisted with 182 business starts, 805 jobs created and 784 jobs retained as defined by SBA.
- Completed a pilot program in the Wahpeton region following the Imation and Industrial Plating plant closures. In addition to direct business consultation, the SBDC assisted the Wahpeton economic developers mitigate the business concerns surrounding the infrastructure updates the area implemented following the floods.
- Assisted Red River Regional Council in completing the Northwood recovery plan following the tornado, while assisting businesses with their recovery plans.
- Complied with all regulations and program requirements to acquire national certification, which is necessary to be eligible for federal funding.
- Allowed the program to match the increase in federal funds allocated for the program. The state received an additional \$340,552 in federal funds because of the program's ability to match available federal funds.
- Improved the client record management system to better verify and track results and trends by region and satellite center.

The SBDC's plans for the next biennium's service are determined by the regional stakeholder needs and the overall plan for economic development priorities defined by the state government and EDND.

Specific activities slated for the next biennium include:

- The establishment of SBDC satellite offices hosted by ND State College of Science, Dakota College, the IDEA Center, Marketplace of Ideas and North Central Planning Council for the 2011 calendar year. Re-establish the Grafton satellite center hosted by Red River Regional Council.
- The expansion of services in the western part of the state as administered through Williston State College and Dickinson State University's Strom Center. WSC will oversee satellite centers in Tioga, Crosby, Tri-County Regional Council and Watford City. DSU's Strom Center will oversee satellite centers in Beach, Bowman and Dunn County. These centers will work in conjunction with local developers already hired to serve the area.
- Provide capital access expertise to the ND Trade Office. This service's costs are included in a one-time federal grant allocated for SBDC. The grant will cover costs for one year for this position.
- Partner with the Underwood Area Development Corp. to provide services to McLean and Sheridan counties as outlined in the SBDC federal grant and the local development plan.
- Continue to build business succession planning services necessary for rural communities.
- Working with the Grand Forks Base Realignment Impact Committee to establish federal and state procurement technical assistance for small businesses in and around the Grand Forks Region. A three-year commitment of federal funds has been awarded to begin these services, matched by BRIC committee authorized Center of Excellence funds allocated for this region.
- Redo the ND SBDC website and provide technical support to regional offices. This activity was planned for the 2009-11 biennium, but the funds allocated for this were redirected to the regions for additional client services at the request of the local area developers.
- Explore additional value-added agriculture technical expertise. The ND SBDC currently serves a proportionately small number of ag related businesses. Changes in the SBA lending regulations as well as proposed changes in banking lending policy indicate an opportunity for SBDC to better serve ag-related businesses in ND.

The SBDC works.

Your support of the SBDC is most appreciated. ND SBDC has successfully demonstrated its value as a valid component of the economic development community. Maintaining the state's commitment as included in the Governor's budget allows SBDC to continue our services and local partnerships as ND grows and prospers.

I would be pleased to answer any questions you may have.

Contact information:

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State Director
Bank of ND
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Bismarck, ND 58506-5509

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Cell: 701-202-2679
E-Mail: bon@ndsbd.org

Rural Development Council

The Rural Development Council was initiated with federal funding and was turned over to the state to fund in 2002. Seeing the value and need for outreach to rural ND, the Department of Commerce uses discretionary funding to provide resources for their work in rural North Dakota. The office has resided with the Center for Technology and Business since 2004. The Rural Development Council provides rural outreach and is a resource for rural communities, organizations, economic developers, and businesses. The program cost shares and funds have been used for maintaining a website, printing, electronic commerce, and staffing.

Examples of accomplishments include:

- Crash Course, a regional program developed to help students and their parents identify course majors and trades that could place them in a job within ND after graduation. More than 350 parents and high school students have received hands-on training in scholarship programs, financial aid, career exploration, and ND's job outlook with an emphasis on areas of demand. This program gives students and their parents the information they need to know about the jobs available in the state rather than forcing them to look elsewhere for positions after college graduation. Five more are scheduled to take place in January and February.
- The North Dakota Young Professionals (YP) Network engages young professionals statewide, connects the individual YP chapters, offers encouragement and support for new chapters, and provides outreach making these individuals more valuable to their employers and communities.
- Childcare Roundtables are held across the state to bring childcare business development resources to rural communities and help make small businesses aware of all the available resources. This gives the local, state, and federal programs a way to reach out to families, communities, and businesses that rely on childcare to retain employees.

Center for Technology and Business

The Center for Technology and Business provides services to the Department of Commerce as the Women's Business Development Office. This office provides business and computer training in many different communities across North Dakota, provides one-on-one counseling to women's businesses owners, and certifies businesses owned by women for state and federal contracting. .

Examples of accomplishments include:


- Increased payrolls by \$3,020,160.
- Trained and counseled 1,766 students in computer skills and business practices.
- Certified 45 new Women Owned Businesses across the state.
- \$90 Return on Investment per state dollar invested.

TESTIMONY

To: North Dakota House Appropriations Committee
Cc: North Dakota Department of Commerce
From: Dakota MEP
Date: January 6th, 2011
Subject: State of North Dakota Support for Dakota MEP (2011 – 2013 Biennium)

The testimony provided in this document is specific to the work of the Dakota MEP¹ in carrying out the work of the national Manufacturing Extension Partnership (MEP) in North Dakota. It does not include the work of the Dakota MEP in working with other MEP programs throughout the national MEP network.


Background



The purpose of Dakota MEP is to increase the competitiveness of manufacturing companies, other new wealth creating companies² and related industries that impact such enterprises, in order to strengthen North Dakota's and our nation's economic vitality.

As of 2009, there were 23,600 employed in North Dakota in manufacturing with annual average compensation of \$52,418 (as compared to \$46,238 for the rest of the North Dakota workforce). Manufacturing represents nearly 10% of the state's economy and represents 69% of the state's exports

¹ Dakota MEP is organized as a non-profit organization (501c3) and is an affiliate of the Manufacturing Extension Partnership (MEP) – the nation's largest business assistance network dedicated to developing domestic manufacturing – our nation's largest creator of new wealth. As an MEP affiliate, it is able to introduce world class best practices complemented by objective assessment, technical assistance and training services locally to manufacturers, other new wealth-creating companies and related industries in order to strengthen their economic vitality and that of our region and nation. Dakota MEP also maintains affiliations with other organizations to strengthen its value proposition. See www.dakotamep.com for additional information. For more information on the national Manufacturing Extension Partnership see www.nist.gov/mep.



² New wealth creating companies, including many manufacturers, drive economic prosperity by importing wealth to the local or regional economy through the production of goods and the development of intellectual products and processes exported to national or international markets. These companies are not constrained by the size of the local market.

to other countries. From 2003 – 2008 (pre-recession), the manufacturing industry made up 44% of the total growth in North Dakota's economy.

Dakota MEP is organized as a private / public partnership providing assistance to any company seeking to become more competitive, more productive and more profitable. We currently have twelve full time employees operating in North Dakota. The governance of the Dakota MEP is led by a Board of Directors that includes:

- Dan Antrim, VP – North American Operations, Bobcat / Doosan, Gwinner, ND
- Kari Warburg Block, CEO, Earth-Kind, Bismarck, ND
- Bryan Bossert, VP – Operations, Phoenix International, Fargo, ND
- Bart Brost, Engineering Manager, Showplace Wood Products, Harrisburg, SD
- Chuck Crary, President, J5 Oil & Transport, West Fargo (Chair - Crary Industries, West Fargo, ND)
- Brian Dahl, VP – Operations, Amity Technology, Fargo, ND
- Don Hedger, President, Killdeer Mountain Manufacturing, Killdeer
- Dan Hoefs, President, Padgett Business Services, Fargo (formerly of Gremada Industries, Fargo)
- Marianne Von Seggern, Bell Incorporated, Sioux Falls and
- Tammy Wierenga, Employment Manager, Raven Industries, Sioux Falls.

In addition the Board includes ex-officio members representing our federal and state investors: MEP NIST (current Account Manager), the State of North Dakota / Department of Commerce (Paul Govig – formerly Shane Goettle).

Next Biennium (2011 – 2013) Baseline Funding

The State of ND funding level in the table below is identical to that provided during the current biennium (2009 to 2011). The baseline budget for each MEP program generally consists of 1/3 federal (MEP NIST); 1/3 state and 1/3 supports from the private sector (i.e. fees for service).

Dakota MEP Biennium Baseline Funding		State of ND	MEP NIST	Private Sector	Total
1	2011 – 2012 Baseline Budget	\$475,000	\$475,000	\$475,000	\$1,425,000
2	2012 – 2013 Baseline Budget	\$475,000	\$475,000	\$475,000	\$1,425,000
3	Total 2011 – 2013 Baseline	\$950,000	\$950,000	\$950,000	\$2,850,000

Dakota MEP Services

The Dakota MEP provides assessment, technical assistance and training services to companies in manufacturing and related industries, particularly but not exclusively small and medium sized enterprises (SMEs). The Dakota MEP supports a business improvement roadmap that helps companies identify where improvements may need to be made and helps them implement these improvements. Most services are provided by Dakota MEP staff. Additional services draw on the expertise of other MEP programs and on the expertise of approved third party service providers that work – under the guidance of the Dakota MEP – successfully with companies we partner with.

Services are designed to help companies improve financial performance, expand in profitable markets and build greater capacity and competitiveness through improved processes and people.

Examples of services provided by Dakota MEP include:

- Applying and sustaining continuous improvement to companies,
- Assessing the strengths and weaknesses of companies,
- Developing leaders at all levels of an organization,
- Helping companies build their capacity to better compete,
- Helping companies generate, prioritize and implement new ideas for business growth,
- Helping companies with leadership and ownership succession,
- Identifying new technologies for developing or enhancing new products and processes,
- Improving how companies measure performance and organize their efforts,
- Improving processes (flow of value in an organization at the demand of customer),
- Improving productivity (improving value of output per employee),
- Improving profitability,
- Improving the performance of supply chains,
- Increasing sales (especially in a tough economy) and
- Making new investments (i.e. plant, equipment, information systems, and workforce).

In addition to the Manufacturing Extension Partnership, Dakota MEP is an affiliate of the Association for Manufacturing Excellence (AME), the Shingo Prize (known as the “Nobel Prize” for Business Excellence) and the Society of Manufacturing Engineers (SME). It is one of the nation’s leaders in helping businesses develop internal capacity in becoming a “Lean Enterprise” through its Lean Enterprise Certification Program. It also has two of the nation’s two hundred Shingo examiners trained to evaluate the progress

that organizations are making in world class performance. This is particularly critical as developing a roadmap and measuring progress in implementing best practices is difficult within most organizations.

Dakota MEP Two Year Performance

Over the past two year period, the Dakota MEP has served 216 manufacturers in North Dakota. These companies have a primary or secondary manufacturing industrial classification code. See the table below - for a list of those companies.

One way that companies are served is through improvement projects. Improvement projects are designed to address specific company issues, needs or opportunities. Over the past two years, seventy eight companies partnered with Dakota MEP on improvement projects in North Dakota. Fifty seven of those companies responded to an independent 3rd party survey on the benefits and impacts they realized through the Dakota MEP assisted improvement projects.

During a very difficult economy, these companies reported **\$79.9 million in quantifiable benefits and impacts (\$1.4 million on average per company)**. These same companies reported that **259 manufacturing jobs** were created or retained. These jobs have an estimated gross wages of **\$13.6 million³**. Given the State of North Dakota support for Dakota MEP, this would reflect an investment of **\$3,668 per job** in manufacturing.

**Dakota MEP Manufacturing Companies Served in North Dakota
(2009 – 2010)**

Manufacturer	Community	State
Aaseby Industrial Machining, Inc.	Wahpeton	ND
Agri-Cover Inc	Jamestown	ND
Alien Technology Corp.	Fargo	ND
Alion Science and Technology	Bismarck	ND
All Service Manufacturing	Carrington	ND
Alloway Ag Systems	Horace	ND
Amber Waves, Inc.	Richardton	ND
Amity Technology, LLC	Fargo	ND
Appareo Systems LLC	Fargo	ND
Applied Engineering Inc	Bismarck	ND

³ Manufacturing jobs in North Dakota have 'average wages' (\$52,418), \$6,181 greater than the 'average wage' for jobs provided by all other employers in the state (\$46,238). Manufacturing also typically has the largest positive indirect economic impact on non-manufacturing jobs.

Applied Products, Inc	Grand Forks	ND
Arrow Industries	Neché	ND
Arrow Tech	Rolla	ND
Baker Boy Supply	Dickinson	ND
Basin Electric	Bismarck	ND
Basin Printers	Williston	ND
Benchmark Electronics	Dunseith	ND
BII Fargo Inc	Fargo	ND
Bismarck Aero Center	Bismarck	ND
Bobcat - Bismarck	Bismarck	ND
Bobcat - West Fargo	West Fargo	ND
Bobcat - Gwinner	Gwinner	ND
Bordertown Wire	Neché	ND
Bourgault Industries	Minot	ND
Branick Industries, Inc	Fargo	ND
Bri-Ton Mfg.	Lisbon	ND
Butcher Block Inc.	Oakes	ND
Cardinal IG	Fargo	ND
Cargill Malt	Spiritwood	ND
Case IH - New Holland	Fargo	ND
Caterpillar Reman Drivetrain	West Fargo	ND
Central Machining & Pump Repair, Inc.	Minot	ND
CHS Nutrition	Edgeley	ND
CHS Sunflower	Grandin	ND
City Air Mechanical Inc	Bismarck	ND
Cloverdale Foods Company	Mandan	ND
CNH America	Fargo	ND
Colman Enterprises Inc	Fargo	ND
Com Del Innovation	Wahpeton	ND
Concrete, Inc.	Grand Forks	ND
Crane Creek Gardens	Stanley	ND
Crary Co.	West Fargo	ND
Custom Design	Dickinson	ND
Custom Graphics	Fargo	ND
D M I Industries, Ottertail Corp.	West Fargo	ND
Dakota Audio Inc	Bismarck	ND
Dakota Brand International	Jamestown	ND
Dakota Growers Pasta Co.	Carrington	ND
Dakota Micro, Inc.	Cayuga	ND
Dakota Molding	Fargo	ND
Dakota Prairie Organic Flour	Harvey	ND
Dakota Screen Arts Inc	Bismarck	ND
Dakota Specialty Milling	Fargo	ND
Dakota Storage Products Inc	West Fargo	ND
Dave's Welding and Metal Fabrication	Fargo	ND

Deckmasters	Fargo	ND
Drayton Enterprises	Fargo	ND
Eagle Ditcher	Milnor	ND
Earth Harvest Mills Inc	Harvey	ND
EARTH-KIND, Inc.	Minot	ND
Eastside Machine Co Inc	Fargo	ND
Easy Risers Inc	Cooperstown	ND
Ebel Integrators	Williston	ND
Enduraplast	Neché	ND
Engine Rebuilders	Oakes	ND
F/S Manufacturing	West Fargo	ND
Fargo Assembly Co., Inc. (HQ)	Fargo	ND
Fargo Automation	Fargo	ND
Fargo Northwest Pipe Fittings Inc	Fargo	ND
Fargo Parts & Equipment Inc	Fargo	ND
Faul Mfg Inc	Harvey	ND
Fiberglass Specialties - Minot	Minot	ND
Forum Communications	Fargo	ND
Frontier Inc	Wahpeton	ND
FRS Industries, Inc. Fargo	Fargo	ND
Funshine Express Inc	Dickinson	ND
Gate's Manufacturing	Lansford	ND
General Equipment & Supplies	Fargo	ND
Giant Snacks, LLC	Wahpeton	ND
Global Electric Motorcars, LLC	Fargo	ND
Golden Plains Frozen Foods	Leeds	ND
Goodrich Corp., Cargo Systems	Jamestown	ND
GPK Products Inc	Fargo	ND
Gremada industries	West Fargo	ND
Grotberg Electric	Valley City	ND
H & J Machining	Carrington	ND
Harris Machine Company	Oakes	ND
Harriston Industries Inc	Minto	ND
Hauff Machine Products	Lehr	ND
Heartland Flax	Valley City	ND
Heartland Products	Valley City	ND
Hebron Brick Co	Hebron	ND
HelpMate Services	Williston	ND
Hess Corp	Tioga	ND
Horn Plastics Inc	Fargo	ND
IDA Corp.	Fargo	ND
Image Printing Inc	Bismarck	ND
Imation Corp.	Wahpeton	ND
Industrial Contractors Inc	Bismarck	ND
Interstate Power Systems	Williston	ND

IPC	Pembina	ND
Iron Unlimited Inc	Argusville	ND
J & M Printing Inc	Fargo	ND
J.R. Simplot Co.	Grand Forks	ND
J5 Oil & Transport Company	West Fargo	ND
Jeld-Wen Inc	Fargo	ND
John Deere Seeding Group	Valley City	ND
Johnson Bridals	Dickinson	ND
Johnston Fargo Culvert Inc	Fargo	ND
JSM Woodworks	West Fargo	ND
K & J Jewelry Mfg	Grand Forks	ND
Kelly's Welding	Oakes	ND
Kerian Machines Inc	Grafton	ND
Killdeer Mountain Manufacturing	Killdeer	ND
King Coal Furnace Corp.	Bismarck	ND
Klemetson Woodworking Inc	Bismarck	ND
Kohl Waters Inc	Dickinson	ND
Kringstad Ironworks, Inc.	Hoople	ND
Kustom Machine, Inc.	Oakes	ND
Leonardite Products, LLC	Williston	ND
Longview Fibre	Grand Forks	ND
Lundeby Mfg	Tolna	ND
Magnum Manufacturing	Amenia	ND
Mandan Steel Fabricators	Bismarck	ND
Marvin Windows & Doors	Grafton	ND
Microlap Technologies	Rolla	ND
Microsoft Business Solutions	Fargo	ND
Mid America Steel Inc	Bismarck	ND
Mid-America Aviation Inc	West Fargo	ND
Midland Garage Door Mfg. Co.	West Fargo	ND
Mike's Custom Truck Builders	Northwood	ND
Minnkota Windows	Fargo	ND
Missouri River AG Processing	Williston	ND
Modern Machine Works	Williston	ND
Motor Coach Industries	Pembina	ND
NATCO	Williston	ND
ND Mill & Elevator	Grand Forks	ND
New Products Marketing Corp	Williston	ND
Newman Signs, Inc.	Jamestown	ND
Northern Improvement Co.	Fargo	ND
Northern Pipe Products, Inc	Fargo	ND
Northwestern Equipment Inc	Fargo	ND
O'Day Equipment, Inc.	Fargo	ND
Oil Transfer Systems LLC	Horace	ND
Orr-Iginals	Jamestown	ND

Palmer Bit Co Inc	Williston	ND
Phoenix International Corp.	Fargo	ND
Pierce Printing & Office Supplies	Fargo	ND
Plastics Plus Inc	Bismarck	ND
Pond Doctor Inc	Bismarck	ND
Pond Filtration Inc	Fargo	ND
Posi Lock Puller Inc	Cooperstown	ND
Prairie Bilt Sleds	Luverne	ND
Precision Machine	Fargo	ND
Primewood, Inc	Wahpeton	ND
Print Shoppe Inc	Wahpeton	ND
Production Specialties Corp.	Grand Forks	ND
Pump Systems, Inc. (Solar Bee)	Dickinson	ND
Quest Engineering Inc	Mandan	ND
R & S Casework Inc	Fargo	ND
Ray-Mac Inc	Gwinner	ND
Red River Commododities Inc	Fargo	ND
RediFlame Inc	Finley	ND
Reechcraft inc	Fargo	ND
Ro-Banks Tool & Mfg Co	Wahpeton	ND
Rock Industries Corp	Fort Yates	ND
Roger Gussiaas Farm	Carrington	ND
Roll-A-Ramp	West Fargo	ND
Rommismo Companies	Fargo	ND
Rough Rider Industries	Bismarck	ND
Rugby Mfg Co	Rugby	ND
Saxerud Inc	Lisbon	ND
SB&B Foods	Casselton	ND
Schepp's Dakota Deli	Lansford	ND
Scherr's Cabinet & Doors Inc	Minot	ND
Sheyenne Dakota Inc	West Fargo	ND
Sheyenne Tooling and Mfg Inc	Cooperstown	ND
Shocker Hitch Inc	Arthur	ND
Sign Pro	West Fargo	ND
Signs & Wonders Inc	Bismarck	ND
Sioux Manufacturing Corporation	Fort Totten	ND
Sky Creek LLC	Voltaire	ND
Solid Comfort, Inc.	Fargo	ND
Spectrum Aeromed	Fargo	ND
Spit 'n Image	Bismarck	ND
Standard Industries, Inc.	Fargo	ND
Star Burst Designs	Dickinson	ND
Steffes Corporation	Dickinson	ND
Summers Manufacturing Co Inc - Devils	Devils Lake	ND
Sund Mfg Co Inc	Newburg	ND

Superior Silk Screen Inc	Bismarck	ND
Sure Foot Corp	Grand Forks	ND
T S R Parts Inc	Colgate	ND
TC Nursery	Minot	ND
Tecton Products, LLC	Fargo	ND
Telpro Inc	Grand Forks	ND
Thermal Energy Products Inc	Fargo	ND
Thermal Line Windows	Mandan	ND
Thompson Customizing	Wyndmere	ND
Tiffany Glass Works	Hazen	ND
Tioga Machine Shop Inc	Tioga	ND
Titan Machinery	Fargo	ND
TMI Systems Design Corp	Dickinson	ND
Top Taste Inc	Finley	ND
Trail King Industries	West Fargo	ND
TRS Industries	Fargo	ND
Two Rivers Printing	Jamestown	ND
Ultratec Products	Dickinson	ND
W C C O Belting, Inc.	Wahpeton	ND
Wieser Screen Printing	Fairmount	ND
Window World Inc	Williston	ND
Wood Craft Unlimited Inc	Bismarck	ND
Wood Products Inc	Grand Forks	ND
Woodside Industries	Cavalier	ND
Young Mfg., Inc.	Grand Forks	ND
Zachmeier Mfg Inc	Mandan	ND

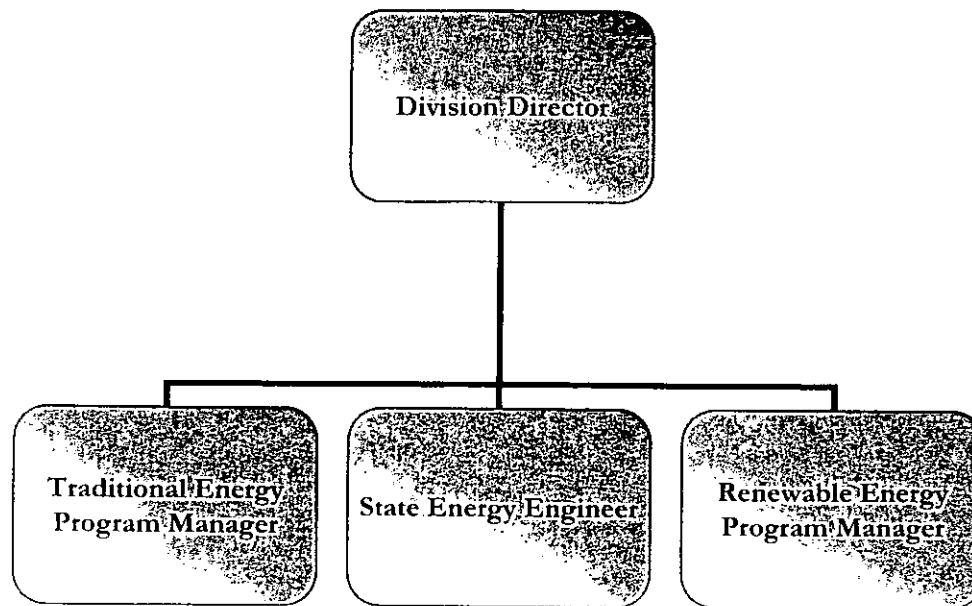


Energy Division

IN THIS SECTION:

- Energy Division Vision and Objectives

Division of Energy Organizational Chart



North Dakota Department of Commerce, Energy Division Vision and Objectives

North Dakota's many opportunities in energy production continue to grow, yet there is no comprehensive function in state government to support and promote the development of all energy sources, as a whole.

An Energy Division within the Department of Commerce will proactively address the challenges facing North Dakota's existing energy industry and also embrace the opportunities that lie ahead.

Currently, the Department of Commerce utilizes a single-company approach, assigning a few dedicated developers to assist in the expansion of targeted projects for development.

The time has come to implement a new, comprehensive effort that moves the energy industry forward by addressing both the opportunities and challenges that face all forms of energy production. An Energy Division will also eliminate any perceived conflict between the promotion and regulation of the energy industry.

The Department of Commerce proposes a modest internal restructuring and the hiring of two employees: an Energy Division director and a project manager for traditional energy sources. Funding these two full-time positions is a solid and much-needed investment in the future of our state. The proposal also calls for transferring two existing full-time employees to serve within the Energy Division in the roles of state energy engineer and a project manager for renewable energy resources.

Simply put, the Energy Division will take on the responsibility to support the development of all forms of energy production. The Energy Division will embrace the energy industry's major opportunities such as:

- Promotion of local, small businesses that supply equipment, materials and services
- Promotion of infrastructure for renewable fuels
- Promotion of coal-to-liquids energy plants
- Promotion of transportation of liquid fuels

The Energy Division will also tackle the major challenges of the energy industry, such as:

- Development of adequate employee housing
- Assistance in navigating state and federal regulation

The structure of the Commerce Department, as it exists today, is organized as individual developers working on specific company projects. The Energy Division will more effectively deal with industry wide opportunities and challenges.

The proposed Energy Division has two objectives:

- 1) **Carrying out the goals and objectives of the state's energy strategies:**
 - a. Empower ND has played a strategic role in positioning North Dakota's energy industry for long-term growth. The Energy Division will carry out the goals of Empower ND, a very defined role that requires the full attention of a Division Director.
 - b. Empower ND includes 20 goals, 51 policy statements and 98 action items. The Energy Division will oversee implementing these initiatives and policies recommended by the Empower ND Commission.
 - c. The Energy Division will also play an important role coordinating between more than a dozen state agencies, political subdivisions, other entities and industry leaders involved in developing and regulating North Dakota's \$7 billion energy industry.
- 2) **Anticipating and addressing the challenges associated with energy development:**
 - a. Rapid growth in the energy industry is creating significant demands on state and local infrastructure. The Executive budget includes nearly \$1 billion in funding for roadways, residential infrastructure and other infrastructure needs. The Energy Division will work with local leaders on planning of infrastructure needs and coordinate between the various state agencies involved in making the best use of these funds.
 - b. The cost of this Division, six one-hundredths of one percent of the \$1 billion in proposed infrastructure investments, would result in the proper planning and optimum use of funds.



COMMUNITY SERVICES BLOCK GRANT PROGRAM

Fighting Poverty by Empowering People

OVERVIEW

In 2009, over 20,900 clients from 14,500 households received at least one CAA service. The primary categories through which CSBG services are delivered are:

- employment assistance
- education
- income management
- housing
- nutrition
- self sufficiency
- emergency assistance
- linkages
- health

CSBG provides funds to the State and Community Action Agencies (CAAs) to:

- prioritize the needs of the poor,
- create opportunities for low-income individuals,
- address the causes of poverty, and
- collaborate with partner agencies to ensure the long-term client success of becoming self sufficient.

NORTH DAKOTA'S 2009 CSBG ALLOCATION

CAA Pass-through Funding	(91%)	\$3,104,728
State Administration	(4%)	\$ 136,472
Special Projects / Discretionary Funds	(5%)	\$ 170,589
TOTAL ALLOCATION		\$3,411,789

American Recovery and Reinvestment Act (ARRA)

In February of 2009, as part of the American Recovery and Reinvestment Act (ARRA), state CSBG programs were awarded \$4,573,445 in CSBG ARRA funds. These additional funds made it possible for North Dakota CAAs to:

- assist more clients due to the increase in funding, and
- provide more comprehensive support to further assist individuals and families in becoming independent and self sufficient.

NORTH DAKOTA'S 2009 CSBG ARRA ALLOCATION

CAA Pass-through Funding	(99%)	\$4,527,711
Benefits Enrollment Coordination Activities	(1%)	\$ 45,734
TOTAL ALLOCATION		\$4,573,445

1% of the CSBG ARRA award was dedicated to Benefits Enrollment Coordination Activities to provide education and outreach to low-income citizens to help them access needed services.

North Dakota
DEPARTMENT OF COMMERCE

2009 Poverty Income Guidelines Example (Household of 4)

100% of Poverty	\$22,050
125% of Poverty Regular CSBG eligibility level prior to FY 2009	\$27,563
200% of Poverty CSBG ARRA eligibility level and regular CSBG level for FY 2009 and 2010	\$44,100

Increase in Program Eligibility Level

In North Dakota, eligibility for services provided through the CSBG has always been at or below 125% of poverty level. With the passing of ARRA, CSBG program eligibility was raised to at or below 200% of the poverty level, allowing CAA services to assist more people in need.

RESULTS

In 2009, CSBG and CSBG ARRA funds enabled the CAAs to mobilize over \$24,000,000 in additional public and private funding resources to address poverty in the state. Other measureable results from CSBG and CSBG ARRA funding include:

- Over 24,500 low-income individuals received emergency food assistance.
- Over 9,900 low-income individuals received emergency rent or mortgage assistance.
- Over 7,800 low-income individuals received emergency fuel or utility vendor payments.
- Over 6,000 senior citizens and individuals with disabilities who received services from the CAAs were able to maintain an independent living situation.
- Over \$67,000 was saved by Individual Development Account clients who are saving with the goal of purchasing a home, pursuing post-secondary education or starting a business.
- Over 1,200 CAA clients obtained health care services to gain or maintain family stability and employment.
- Nearly 2,000 volunteers provided over 70,000 hours of volunteer service to CAAs, valued at over \$508,000 of in-kind support to the CAAs.

Where to go for additional information:

- Carol Griffin-Eckart, Program Manager, ND Department of Commerce - 701-328-2290
- Region II - Minot CAA: 701-839-7221
- Region III - Devils Lake CAA: 701-662-6500
- Region IV - Grand Forks CAA: 701-746-5431
- Region V - Fargo CAA: 701-232-2452
- Region VI - Jamestown CAA: 701-252-1821
- Region VII - Bismarck CAA: 701-258-2240
- CAA for Regions I & VIII - Williston: 701-572-8191; Dickinson: 701-227-0131

COMMUNITY SERVICES BLOCK GRANT PROGRAM

Fighting Poverty by Empowering People

EXECUTIVE SUMMARY

PROPOSED USE OF FY2012 AND FY2013 COMMUNITY SERVICES BLOCK GRANT (CSBG) FUNDS

- The Community Services Block Grant is a federal block grant program, created by the Omnibus Budget Reconciliation Act of 1981, that is used by states to fight poverty and address the needs of low income people. For FY2012 and FY2013, it is estimated that ND will receive approximately \$3,366,056 each year. No state funds are required to match the federal funds.
- 91% of the State's allocation is passed through from the State to the Community Action Agencies.
- All 53 counties in the eight regions of the state are served through the seven Community Action Agency offices located in Minot, Devils Lake, Grand Forks, Fargo, Jamestown, Bismarck and Dickinson. A branch office of the Dickinson agency is located in Williston.
- Each Community Action Agency is unique in prioritizing needs and providing services and programs within their region based on unmet needs and the availability of other services.
- Local boards, composed of members who represent public officials, low income people and private or community organizations, administer the Community Action Agencies as they address the needs of low income people in their service area.
- CSBG funds can be used to provide direct services, develop new programs, and coordinate funding from other funding sources to deliver various low income programs such as Head Start, Weatherization, commodity food distributions, Energy Share, housing programs, etc.
- Programs provided through the CSBG include education, employment, income management, adequate housing, emergency needs, nutrition, self sufficiency, and health services.
- Community Action Agencies are non-profit entities that establish linkages with other public and private entities in their service areas to address needs collaboratively.
- Under CSBG, Community Action Agencies report to the state on their fiscal and program activities, performance and outcomes and client and agency successes.
- In 2009, Community Action Agencies expended \$3,028,423 in regular CSBG funds and \$2,323,824 in CSBG American Recovery and Reinvestment (ARRA) funds for a total of \$5,352,247. Those funds were leveraged with \$19,160,660 in regular federal, state, local and private resources, and \$4,909,931 in other federal ARRA funds for a total of \$24,070,591.
- In 2009, more than 20,900 individuals, from over 14,500 low income families, received at least one CAA service or participated in at least one program provided by a CAA. Of the families served, 78% had incomes at or below 100% of poverty (\$10,830 for a one person household or \$22,050 for a four person household).

**SUMMARY OF
THE PROPOSED USE OF 2012 AND 2013
COMMUNITY SERVICES BLOCK GRANT FUNDS
JANUARY 2011**

**Prepared for the Public Legislative Hearing
Before The
House Appropriations Committee
January 13, 2011
9:00 AM
Sakakawea Room, State Capitol**

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COMMUNITY SERVICES BLOCK GRANT LEGISLATIVE REVIEW REPORT FY 2012-2013

I. Program Description

A. Origin of the Program

The Community Services Block Grant (CSBG) represents the third generation of community-based anti-poverty programs, which began with the Economic Opportunity Act of 1964 which created a vehicle for local anti-poverty initiatives: nonprofit, private corporations called community action agencies (CAAs). The CAA board of directors, which govern CAA activities, is required to consist of one-third elected public officials, currently holding office or their designated representative; at least one-third democratically-selected representatives of low-income persons; and the remainder of the members to be representatives of business, industry, labor, law enforcement, religious, educational groups or other major groups or interests in the service area.

CAAs were established throughout the country, serving jurisdictions of various sizes and populations. Urban CAAs often were confined to municipal boundaries; while rural CAAs encompassed multi-county areas. Initial CAA funding in North Dakota permitted the establishment of four tribal CAAs and the Southeastern North Dakota Community Action Agency, which served Steele, Traill, Cass, Richland, Ransom, and Sargent counties. In 1973, a second regional CAA was established in Devils Lake to serve Benson, Cavalier, Eddy, Ramsey, Rolette and Towner counties.

The Community Services Act of 1974 replaced the federal Office of Economic Opportunity (OEO) with the Community Services Administration (CSA). Subsequent changes in the national allocation formula increased North Dakota's share of CAA funds, permitting the establishment of five new CAAs. By 1976, all of the counties in the state, except the three counties in Region I, were served by a CAA.

Except for a brief period in the late Seventies, CAAs were directly funded and supervised by the federal government, through the OEO and later, the CSA. North Dakota's state economic opportunity office, also funded by OEO and CSA, had limited administrative authority and little influence on CAA activities within the state.

The Omnibus Budget Reconciliation Act of 1981 (OBRA) radically altered the relationship between the state and the CAAs. Categorical block grants, to be administered by the states, replaced many federally-administered, grant-in-aid programs. OBRA eliminated the Community Services Administration, substituting the Community Services Block Grant (CSBG).

North Dakota assumed the administration of the CSBG in 1982, with the Office of Intergovernmental Assistance (OIA), within the Office of Management and Budget, being delegated responsibility for administering several block grants created by OBRA,

including the CSBG. OIA has now become the Division of Community Services, and the division was made a part of the ND Department of Commerce when that department was created in 2001.

When the North Dakota State Legislature reviewed the proposed CSBG State Plan in 1981, they requested that all 53 counties be served by a CAA, since the three counties in Region I continued to remain an unserved area. Following the procedures outlined in the CSBG Act at that time, the CAAs in Region II and Region VIII, at the request of the State, made presentations to the three county commissions in Divide, McKenzie and Williams counties which make up Region I. The counties were given the choice to become part of either of the CAAs in Region II or Region VIII. In April of 1983, Divide, McKenzie and Williams counties elected to become a part of the Region VIII CAA service area, thus enlarging the service area of Community Action Partnership from the eight counties in Region VIII to eleven counties in Regions I and VIII.

Initially CAA funding under the CSBG allocation to North Dakota was significantly smaller than CSA funding levels had been. As a result, staff levels at the CAAs were reduced substantially. However, the state managed to retain CAAs in all regions of the state without committing any state funds to the program.

B. Purpose

Subtitle B of OBRA, referred to as the Community Services Block Grant Act, authorized the CSBG program. In the 1998 reauthorization of the CSBG Act, the purpose of the CSBG is defined as providing assistance to states and communities, working through community action agencies and other neighborhood-based organizations, to reduce poverty, revitalize low-income communities and empower low-income families and individuals to become self-sufficient. To accomplish that, the objectives established by the Act are:

- To strengthen community capabilities for planning and coordinating all resources, including federal, state, local, private and other resources that support efforts to eliminate poverty, in order to respond to local needs and conditions;
- To organize a range of services to address the needs of low-income families and individuals, so they have a major impact on the causes of poverty in the community and help families and individuals in becoming self-sufficient;
- To strengthen innovative and effective community-based approaches to attack the causes and effects of poverty and of community breakdown;
- To maximize the participation of low-income community residents and members of groups served through the Act, to empower them to respond to the problems and needs in their communities;

- To broaden the resource base of programs that address the elimination of poverty to secure a more active role by private, religious, charitable and neighborhood-based organizations as well as individual citizens, and business, labor and professional groups who can influence the number and quality of opportunities and services for low-income people.

C. State Responsibilities

The CSBG program does not require state or local matching funds. To receive its CSBG award each year, the State must submit a plan for the use and distribution of CSBG funds and provide an annual report which includes information on statewide activities that were performed, program outcomes, services that were provided, and demographic information on the individuals and families served. The State plan must be accompanied by a statement of assurances, signed by the Governor or his designee, that the State and subgrantees will meet. The assurances include:

1. Information to show that the CSBG funds made available through the grant will be used:
 - a. To support activities that are designed to assist low-income families and individuals, including those receiving assistance under Part A of Title IV of the Social Security Act, homeless families and individuals, migrant or seasonal farm-workers and elderly low-income individuals and families to enable the families and individuals -
 - (1) To remove obstacles and solve problems that block the achievement of self-sufficiency;
 - (2) To secure and retain meaningful employment;
 - (3) To attain an adequate education, with emphasis on improving literacy skills of the low-income family;
 - (4) To make better use of available income;
 - (5) To obtain and maintain adequate housing and a suitable living environment;
 - (6) To obtain emergency assistance through loans, grants or other means to meet immediate and urgent family and individual needs; and
 - (7) To achieve greater participation in the affairs of the communities, including the development of public and private grassroots partnerships with local law enforcement agencies, local housing authorities, private foundations and other public and private partners to document best practices based on successful grassroots intervention in urban areas and develop methodologies for widespread replication, and to strengthen and improve relations with local law enforcement agencies.

- b. To address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to the prevention of youth problems and crime, promote increased community coordination and collaboration in meeting the needs of youth and support development and expansion of innovative community-based youth development programs that have demonstrated success in preventing or reducing youth crime.
 - c. To make more effective use of, and to coordinate with, other programs related to the purposes of CSBG, including state welfare reform efforts.
- 2. A description of how the State plans to use discretionary funds made available from the remainder of the CSBG grant, including a description of how the State will support innovative community and neighborhood-based initiatives related to the purposes of CSBG;
- 3. Information provided by the eligible entities in the State, including –
 - a. a description of the service delivery system for services provided or coordinated with CSBG funds, and how they are targeted to low-income individuals and families in communities within the State;
 - b. a description of how linkages will be developed to fill identified gaps in services, through the provision of information, referral, case management, and follow-up consultations;
 - c. a description of how CSBG funds made available will be coordinated with other public and private resources; and
 - d. a description of how the local entity will use the funds to support innovative community and neighborhood-based initiatives related to the purposes of the CSBG, which may include fatherhood initiatives and other initiatives with the goal of strengthening families and encouraging effective parenting;
- 4. Assurance that the eligible entities will provide on an emergency basis for the provision of such supplies and services, nutritious foods and related services as may be necessary to counteract conditions of starvation and malnutrition among low-income individuals.
- 5. A description of how coordination will be carried out and linkages established between governmental and other social services programs to assure the effective delivery of services to low-income individuals and families, to avoid duplication of services, and to coordinate employment and training activities with other entities providing activities through statewide and local workforce investment systems under the Workforce Investment Act of 1998.

6. Encouragement of coordination efforts between antipoverty programs to ensure, where appropriate, that emergency energy crisis intervention programs under Title XXVI relating to low-income home energy assistance are conducted in each community.
7. A willingness to permit and cooperate with Federal investigations undertaken in accordance with the CSBG Act.
8. An assurance that any CAA that received pass-through CSBG funding in the previous fiscal year will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the CAA received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the state determines that cause exists for such termination or such reduction, subject to review by the Secretary of Health and Human Services as provided in Section 678C(b) of the CSBG Act.
9. Coordination of programs and formation of partnerships with other organizations serving low-income residents and members of the groups served by the state, including religious organizations, charitable groups and community organizations.
10. An assurance that the State will require each CAA to establish procedures under which a low-income individual, community organization, or religious organization, or representative of low-income individuals that considers its organization, or low-income individuals, to be inadequately represented on the CAA board, to petition for adequate representation.
11. Each CAA, as a condition of receiving funding under the CSBG allotment, must submit to the State a community action plan that includes a community needs assessment.
12. An assurance that the State and the CAAs will participate in the Results Oriented Management and Accountability System or another performance measure system allowed by the Secretary of Health and Human Services.
13. Information describing how the State will carry out the assurances described in the law.
14. The State also must agree to certain Administrative Assurances:
 - a. To submit a CSBG application to the Secretary which contains the required information and provisions.
 - b. To make not less than 90 percent of the annual CSBG allocation available to the officially designated CAAs for use in carrying out their approved CSBG workplan.

- c. If the State elects to recapture and redistribute funds to an eligible entity through a grant when unobligated funds exceed 20 percent of the amount distributed to that entity for a fiscal year, the State would redistribute the recaptured funds to an eligible entity, or require the original recipient of the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of the Community Services Block Grant program.
- d. To spend no more than the greater of \$55,000 or 5 percent of its CSBG grant received for State administrative expenses, including monitoring activities.
- e. If the State has a charity tax credit in effect under state law, the State agrees to comply with the requirements and limitations specified regarding use of funds for statewide activities to provide charity tax credits to qualified charities whose predominant activity is the provision of direct services within the US to individuals and families whose annual incomes generally do not exceed 185 percent of the poverty line in order to prevent or alleviate poverty among such individuals and families.
- f. To hold at least one public hearing in the State to provide the public with an opportunity to comment on the proposed use and distribution of funds to be provided through the CSBG grant for the period covered by the State plan.
- g. The chief executive officer of the State is to designate an appropriate State agency for the purposes of carrying out the State CSBG program activities.
- h. To hold at least one legislative hearing every three years in conjunction with the development of the State plan.
- i. To make available each plan or revised State plan for public inspection in such a manner as will facilitate review of and comment on the plan.
- j. To conduct a full on-site review of each eligible entity at least once during each three-year period, with follow-up reviews, including prompt return visits to eligible entities and their programs that fail to meet the goals, standards, and requirements established by the State. Each newly designated entity is to have a full on-site review immediately after the completion of the first year in which they have received CSBG funds. The State should conduct other reviews as appropriate, including reviews of entities with programs that have had other Federal, State or local grants (other than assistance provided under the CSBG) terminated for cause.
- k. In the event that the State determines that an eligible entity fails to comply with the terms of an agreement or the State plan, to provide services under the CSBG or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives), the State will comply with the

requirements outlined in Section 678C of the Act, to inform the entity of the deficiency to be corrected; require the entity to correct the deficiency; offer training and technical assistance as appropriate to help correct the deficiency, and submit to the Secretary a report describing the training and technical assistance offered or stating the reasons for determining that training and technical assistance are not appropriate; at the discretion of the State, offer the eligible entity an opportunity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan and to either approve the proposed plan or specify reasons why the proposed plan cannot be approved; after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce the funding to the eligible entity unless the entity corrects the deficiency.

- l. To establish fiscal controls, procedures, audits and inspections, as required under the Act.
- m. To repay to the United States amounts found not to have been expended in accordance with the Act, or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under the CSBG.
- n. To participate, and ensure that all eligible entities in the State participate in, the Results-Oriented Management and Accountability (ROMA) System.
- o. To prepare and submit to the Secretary the required annual report on the measured performance of the State and its eligible entities.
- p. To comply with the prohibition against use of CSBG funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility, as described in the Act.
- q. To ensure that programs assisted by CSBG funds shall not be carried out in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with any partisan or nonpartisan political activity or any political activity associated with a candidate, or contending faction or group, in an election for public or party office; any activity to provide voters or prospective voters with transportation to the polls or similar assistance with any such election, or any voter registration activity.
- r. To ensure that no person shall, on the basis of race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with CSBG program funds. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S. 6101 et seq.) or with respect

to an otherwise qualified individual with a disability as provided in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 12131 et seq.) shall also apply to any such program or activity.

- s. To consider religious organizations on the same basis as other non-governmental organizations to provide assistance under the program so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution; not to discriminate against an organization that provides assistance under, or applies to provide assistance under the CSBG program on the basis that the organization has a religious character; and not to require a religious organization to alter its form of internal government except as provided under Section 678B or to remove religious art, icons, scripture or other symbols in order to provide assistance under the Community Services Block Grant program.
- t. To provide assurances that cost and accounting standards of the Office of Management and Budget (OMB Circular A-110 and A-122) shall apply to a recipient of CSBG program funds.
- u. To comply with the requirements of Public Law 103-227, Part C Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994, which requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18 if the services are funded by a Federal grant, contract, loan or loan guarantee.

The State further agrees that it will require the language of this certification be included in any subawards, which contain provisions for children's services and that all subgrantees shall certify accordingly.

D. Subgrantee Responsibilities

By Federal CSBG law, DCS must pass through a minimum of 90 percent of each year's CSBG award to the seven CAAs which have been designated as the State's eligible entities under the CSBG Act. The CSBG Act and DCS policies delineate the principle responsibilities of the CAAs as follows:

1. Maintain a tripartite board of directors composed of 1/3 elected public officials or their designees; at least 1/3 democratically selected representatives of low income persons in the area served by the agency; and the remainder of the board should be officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the area served.
2. Submit a Community Action Plan which includes: a) a community needs assessment (including food needs); b) a description of the service delivery system targeted to low-income individuals and families in the service area; c) a description of how linkages

will be developed to fill identified gaps in service through information, referral, case management, and follow-up consultations; d) a description of how the CSBG funding will be coordinated with other public and private resources; e) a description of how the CSBG funds will be used to support innovative community and neighborhood-based initiatives related to the purpose of CSBG; and f) a description of the outcome measures to be used to monitor success in promoting self-sufficiency, family stability and community revitalization.

3. Submit a line item CSBG budget with specific references to any planned expenditures for equipment (in excess of \$5,000) and out-of-state travel;
4. Maintain records on clients served by CSBG-funded activity, including income eligibility documentation and the nature of services provided;
5. Submit required financial status reports on CSBG expenditures, quarterly performance reports indicating the extent of progress towards quarterly and annual performance objectives, and annual performance outcome reports;
6. Submit required CSBG reports for annual reporting to the Office of Community Services, Department of Health and Human Services;
7. Submit an annual audit of all funds received and disbursed by the CAA, prepared by an independent private auditing firm.

II. Distribution and Use of FY2012 and FY2013 Funds

A. Authorization

CSBG funds are allocated among the fifty states, the District of Columbia and other U.S. territories in proportion to each jurisdiction's low-income population. However, the CSBG Act provides for a minimum funding level to less populated states. Originally North Dakota, as a minimum funding level state, received one-quarter of one percent (.0025) of the annual federal CSBG appropriation. Reauthorization legislation increased the amount to one-half of one percent (.005) for small states.

For FY2011 we are currently under a Continuing Resolution as no appropriations have yet been determined by the Congress. The FY2011 appropriation is expected to be a little bit less (\$45,733) than the FY2010 funding based on the initial FY2011 Continuing Resolution. The projected amount for the FY2011 grant year, as explained on the Continuing Resolution, is \$3,366,056. The reason for the decrease is that the Rural Facilities grant awarded to OCS in the past as part of the CSBG grant and federal discretionary funding, was not funded by Congress. That results in a smaller allocation to OCS, and smaller allocations to states and Native American Tribes. We do not know if there will be increases in funding for FY2012 and FY2013. The CSBG Act was to be reauthorized in 2003, however, it has not yet been reauthorized, so we do not know if there will be additional or different requirements that would affect the current status of

the program in the future. We are estimating that the appropriations for FY2012 and FY2013 will remain at about the same level as the amount indicated for FY2011. Table I illustrates the history of CSBG funding that was anticipated to be received and actually allocated since FY2005.

TABLE I CSBG FUNDING LEVELS		
FY	Anticipated Funding Level	Actual Appropriation
2005	3,140,000	3,070,286
2006	3,140,000	3,040,153
2007	3,040,153	3,040,151
2008	3,040,153	3,169,978
2009	3,040,153	3,411,789
2010	3,169,978	3,411,789
2011	3,169,978	
2012	3,366,056	
2013	3,366,056	
NOTE: The net CSBG award to the state is reduced by the amount of CSBG awards to tribal governments, which are funded directly by the federal Department of Health & Human Services.		

B. Allocation of Funds

In accordance with the CSBG Act, DCS must award at least 90 percent (90%) of North Dakota's annual CSBG allotment to officially designated CAAs. The State cannot expend more than the greater of \$55,000 or five percent (5%) of each Fiscal year's CSBG allotment for CSBG administrative expenses incurred at the state level. The remaining five percent (5%) can be applied towards special projects within the limits established by the CSBG Act, including training and technical assistance in support of local programs, support of services and programs for low income individuals and families, support of statewide coordination and communication among eligible entities and support of other activities consistent with the CSBG law.

In 2002, the State, in coordination with the seven CAAs, revised the funding formula for distribution of CSBG funds to the CAAs. That funding formula incorporates 2000 census data, provides a 91 percent (91%) pass-through award to the seven CAAs, with the greater of \$55,000 or four percent (4%) of the funds utilized for State administrative expenses and the remaining five percent (5%) for special projects. The formula was initially used in FY2003.

Table II, below, lists the allocation of North Dakota's projected FY2012 and FY2013 CSBG allotments based on the State CSBG funding formula and anticipated funding levels.

TABLE II PROJECTED ALLOCATION OF FISCAL YEARS 2012 AND 2013 COMMUNITY SERVICES BLOCK GRANT FUNDS		
	FY2012	FY2013
CAA Funding (91%)	3,063,110.96	3,063,110.96
State Administration (4%)	134,642.24	134,642.24
Special Projects/Discretionary Funds (5%)	168,302.80	168,302.80
TOTAL	3,366,056.00	3,366,056.00

C. Distribution of Funds to Eligible Entities

The CAAs in North Dakota rely heavily on the CSBG pass-through funds to provide services within their respective regions. Most local governments and counties do not contribute towards CAA operations. The CAAs operate in multi-county jurisdictions, differing in size and population. In FY2002 DCS, in coordination with the seven CAAs, revised the formula for distributing pass-through monies among the CAAs which reflects the distribution of the low income population based on the 2000 U.S. Census, the relative size of areas served and a minimum base funding level for each agency.

The funding formula provides a base funding level equal to 28.74% of the pass-through funds, which is divided equally among the eight regions. Although there are eight geographical regions in the State, there are seven CAAs, since the Community Action Partnership Program serves both Regions I and VIII. Under the formula, each of the seven agencies receives \$1,000 per county served by the agency. The remaining pass-through funds are distributed in direct proportion to each CAA service area's share of the state's low income population using the 2000 census data. This formula equalized the base funding for all eight regions and replaced the CSBG State Discretionary funds that were previously awarded each year to Region VIII for use in Region I from FY1995 through 2002. The formula is used in the first grant year following the development of the new funding formula. After that, the CSBG law requires that eligible entities funded through CSBG funds cannot have their CSBG funds reduced below the proportional share of CSBG funding the agency received in the previous year. That process will be followed until a new funding formula is devised.

A minimum pass-through level of \$837,880 is required by the distribution formula in order to provide base funding under the new funding formula. A total State allotment of \$920,748 would be required to provide a pass-through funding level of \$837,880. In the event that the State's FY2012 or FY2013 allotments would be less than \$920,748 each year, DCS will reduce or eliminate the five percent Discretionary fund set-aside and pass-through up to 96% of the CSBG funds received.

Since FY 2003 the State has utilized a portion of State CSBG Administrative and/or Discretionary funds to alleviate some of the impact on the CAAs for the decrease in CSBG funding, the shift in population within the state, and the decrease in funds the CAAs have also had from other funding sources. The State is committed to try to continue this supplemental funding outside of the funding formula.

CSBG State Discretionary funds provided transitional phase-in funds for two years, FY2003 and FY2004, for those agencies that received less funding in those years than they received in FY2002. The transitional phase-in funds were awarded to five CAAs in six regions (Regions II, III, VI, VII, VIII and I).

CAAs receiving supplemental funding is contingent upon adequate state administrative and/or discretionary CSBG funding and CAAs having CSBG carryover of 20% or less from the previous grant year. State supplemental funding was \$173,234 in FY2003, \$114,106 in FY2004, \$144,922 in FY2005, \$105,279 in FY2006 \$90,465 in FY2007 and \$122,552 in FY2008. In FY2009 and FY2010, eligible CAAs were provided with the remaining CSBG Discretionary funding from the previous year to supplement their regular grant. No state administrative funds were provided since the CAAs also were funded through the CSBG American Recovery and Reinvestment Act (ARRA), so they had sufficient funds without the addition of state administrative funding.

Projected CSBG distributions to the seven CAAs for FY2012 and FY2013, based on the funding formula, can be found in Table III. We will be considering the amount of CSBG carryover available to the agency from the previous year in considering if any bonus/supplemental funds are awarded to eligible agencies.

TABLE III		
POTENTIAL CSBG DISTRIBUTIONS FOR FY2012 & FY2013		
Region	% of Allocation*	Allocation**
II	13.50%	413,519.98
III	12.03%	368,492.25
IV	13.26%	406,168.51
V	18.40%	563,612.42
VI	10.47%	320,707.72
VII	16.84%	515,827.89
VIII & I	15.50%	474,782.20
TOTALS	100.00%	3,063,110.96
*Proportional share of CSBG pass-through based on projected FY11 CSBG allocation - funding formula used to derive the % - based on a base allocation for each region, land area served by agency, and percentage of low income people residing in the service area.		
**Agency's proportional share of the pass-through based on the % in Column 1.		

D. CAA's Use of Pass-Through Funds and Supplemental CSBG Funds

CSBG-funded services are intended for lower income persons and families. The CSBG Act restricts eligibility for CSBG services to persons or families with income levels falling at or below 125% of the poverty level as established by the United States Office of Management and Budget.

The CSBG Act requires that each subgrantee receiving CSBG funds must develop and submit to the State a community action plan that outlines the programs and services that will be provided through the CSBG funding. The plan must include needs assessment data to document the needs of the low income population in the service area. The CAAs utilize updated statewide needs assessment data on low income needs which was last completed in 2006 through the ND Community Action Partnership, in addition to other needs assessments available through other entities within their regions.

CSBG-funded services may include any of the following activities:

Client Services: CSBG funds may be used to provide outreach, referral, direct counseling, advocacy, or technical assistance services to low income clients, relating to employment, education, housing, money management/budget counseling, community participation, etc.

Self Reliance and Other Self Sufficiency Services: CSBG funds may be used to assist low income persons in attaining a greater degree of economic self-sufficiency. Each CSBG subgrantee is required to reserve 1.5 FTE within its CSBG budget for self sufficiency services including Self Reliance. Allowable expenditures include training expenses for staff, office space, materials, travel, supplies and personnel costs.

Program Coordination: CSBG funds may be used in combination with other federal, state or private funds to implement the various low income assistance programs administered by the CSBG subgrantees. These include but are not limited to programs such as low income home Weatherization programs, Head Start, emergency assistance under the Federal Emergency Management Act (FEMA), and surplus commodity distributions. Such expenditures are supported by appropriate source documentation to assure that the costs are allocated properly among the funding sources.

Emergency Assistance: CSBG funds may be applied toward the cost of organizing and/or operating emergency assistance services or facilities, such as food pantries or food banks, temporary housing and abuse shelters, energy emergency loan and grant funds, and general emergency loan and grant funds.

CAAs may also use CSBG funds to cover the costs associated with the development and implementation of new services to low income clients and general agency administrative costs, such as bookkeeping, clerical services and supervisory activities. Expenditures are supported by appropriate source documentation.

E. Program Statistics

1. Performance Objectives

Each CAA develops its own community action plan for the use of the CSBG funds that are allocated to them. Annual, measurable performance objectives are established in the workplan, and the agency's progress in meeting the objectives is reported to DCS on a quarterly basis. As a point of comparison, Table IV summarizes the annual performance objectives and the progress reported towards achieving the objectives, as reported at the end of the third quarter of the FY2010 CSBG program year (September 30, 2010).

TABLE IV			
PERFORMANCE MEASURES			
1/1/10 THROUGH 9/30/10			
Activity	Annual Objective	Progress Through 9/30/10	Percent of Objective
Employment Assistance	332	2,089	629%
Education	7,346	2,764	38%
Income Management	5,077	3,869	76%
Housing	3,833	3,560	93%
Emergency Assistance	6,712	7,716	115%
Nutrition	35,010	23,953	68%
Self Sufficiency	721	561	78%
Linkages	3,943	4,937	125%
Health	2,427	1,347	56%

Because of the CSBG American Recovery and Reinvestment Act (ARRA) that covered the period of April 2009 through September 2010, emphasis was placed, in both the CSBG and CSBG ARRA grants, on employment, and emergency assistance. Additional linkages were formed by the CAAs because of the additional funding source, also. By the end of the grant year It is expected that most activities will exceed the annual performance objectives.

2. CSBG Outcomes/National Indicators

Since 1995, the ND CSBG program has developed and reported on outcomes within the federally mandated Results Oriented Management and Accountability (ROMA) standards. In 2003 the Office of Community Services, within the US Department of Health and Human Services, expanded ROMA to include reporting on selected National Indicators to provide some additional consistency within national CSBG reporting.

We began tracking results through the National Indicators in 2004. The following is a list of the National Indicators and our statewide results for 2009, which is our most recent data:

National Goal 1: Low income people become more self-sufficient.

Employment - National Performance Indicator 1.1 - the number and percentage of low income participants in community action employment initiatives who get a job or become self-employed as measured by the following:

<i>Indicator</i>	<i>Participants Enrolled in Programs</i>	<i># Expected to Achieve Outcome</i>	<i># Achieving Outcome</i>	<i>% Achieving Outcome in 2009</i>
A. Unemployed and obtained a job	370	212	181	85.4%
B. Employed and maintained a job for at least 90 days	311	270	228	84.4%
C. Employed and obtained an increase in employment income and/or benefits	566	226	165	73.0%

Employment Supports - National Performance Indicator 1.2 - the number of low income participants for whom barriers to initial or continuous employment are reduced or eliminated through assistance from community action as measured by one or more of the following:

<i>Indicator</i>	<i>Participants Enrolled in Programs</i>	<i>Participants Achieving Outcome in 2009</i>
A. Obtained pre-employment skills/competencies required for employment and received training program certificate or diploma	154	87
B. Completed ABE/GED and received certificate or diploma	61	12
C. Completed post-secondary education program and obtained certificate or diploma.	139	46
D. Obtained care for child or other dependant in order to gain or maintain employment.	333	330
E. Obtained access to reliable transportation and/or driver's license in order to gain or maintain employment.	425	383
F. Obtained health care services for themselves or a family member in support of family stability needed to gain or retain employment.	1,493	1,200
G. Obtained safe and affordable housing in support of family stability needed to gain or retain employment.	1,842	1,534
H. Obtained food assistance in support of family stability needed to gain or retain employment.	2,143	1,733

Economic Asset Enhancement and Utilization - National Performance Indicator 1.3 - the number and percentage of low income households that achieve an increase in financial assets and/or financial skills as a result of community action assistance, and the aggregated amount of those assets and resources for all participants achieving the outcome, as measured by one or more of the following:

Indicator	Participants Enrolled in Programs	Participants Expected to Achieve Outcome	Participants Achieving Outcome	Aggregated Dollar Amounts (Payments, Credits, Savings)	% Achieving Outcome in 2009
A. # and % of participants in tax preparation programs who identify any type of Federal or State tax credit and the aggregated dollar amount of credits	980	716	788	\$1,181,993	110.1%
B. # and % demonstrating ability to complete and maintain a budget for over 90 days	799	525	660		125.7%
C. # and % opening an Individual Development Account (IDA) or other savings account	229	223	218		97.8%
D. # and % who increased their savings through IDA or other savings accounts and the aggregated amount of savings	272	245	267	\$67,272	109.0%
E. # and % capitalizing a small business with accumulated savings	8	7	2	\$2,819	28.6%
F. # and % pursuing post-secondary education with savings	28	37	18	\$21,869	77.8%
G. # and % purchasing a home with accumulated savings	12	13	4	\$6,558	35.7%

Goal 2: The conditions in which low income people live are improved.

Community Improvement and Revitalization - National Performance Indicator 2.1 - An increase in, or preservation of, opportunities and community resources or services for low income people in the community as a result of community action projects/initiatives or advocacy with other public and private agencies, as measured by one or more of the following:

<i>Indicator</i>	<i># of Projects or Initiatives</i>	<i># of Opportunities and/or Community Resources Preserved or Increased</i>
A. Safe and affordable housing units created in the community.	3	6
B. Safe and affordable housing units in the community preserved or improved through construction, weatherization or rehabilitation achieved by community action activity or advocacy.	37	2,019
C. Accessible and affordable health care services/facilities for low income people created or saved from reduction or elimination.	12	197
D. Accessible safe and affordable child care or child development placement opportunities for low income families created or saved from reduction or elimination.	7	445
E. Accessible before and after school program placement opportunities for low income families created or saved from reduction or elimination.	3	470
F. Accessible or increased educational and training placement opportunities, or those that are saved from reduction or elimination, that are available for low income people in the community, including vocational, literacy, and life skills.	11	82

Community Quality of Life and Assets - National Performance Indicator 2.2 -The quality of life and assets in low income neighborhoods are improved by community action initiative or advocacy, as measured by one or more of the following:

<i>Indicator</i>	<i># of Program Initiatives or Advocacy Efforts</i>	<i># of Community Assets, Services or Facilities Preserved or Increased</i>
A. Increase in the availability or preservation of community facilities.	2	2
B. Increase in the availability or preservation of community services to improve public health and safety.	12	138

Civic Investment - National Performance Indicator 2.3 - The total number of volunteer hours donated to Community Action.

<i>Indicator</i>	<i># of Volunteer Hours</i>	<i>Value of Volunteer Hours Based on Minimum Wage (\$7.25/hr)</i>
# of volunteer hours donated to Community Action Agencies statewide	70,105	\$508,261

Goal 3: Low income people own a stake in their community.

Community Enhancement through Maximum Feasible Participation 3.1 - The total number of volunteer hours **donated by low income individuals** to Community Action.

<i>Indicator</i>	<i># of Volunteer Hours</i>
# of volunteer hours donated by low income individuals to Community Action Agencies statewide	42,151

Community Empowerment Through Maximum Feasible Participation - National Performance Indicator 3.2 - The number of low income people mobilized as a direct result of community action initiative to engage in activities that support and promote their own well-being and that of the community as measured by one or more of the following:

<i>Indicator</i>	<i># of Low Income People</i>
A. # of low income people participating in formal community organizations, government, boards or councils that provide input to decision-making and policy setting through community action efforts.	151
B. # of low income people acquiring businesses in their community as a result of community action assistance.	5
C. # of low income people purchasing their own homes in their community as a result of community action assistance.	7

Goal 4: Partnerships among supporters and providers of services to low income people are achieved.

Expanding Opportunities Through Community-wide Partnerships - National Performance Indicator 4.1 - The number of organizations, both public and private, community action agencies work with to promote family and community outcomes.

<i>Indicator</i>	<i># of Organizational Partnerships</i>	<i># of These Partnerships That Were with Faith-based Organizations</i>
# of Organizations Community Action Agencies Work with to Promote Family and Community Outcomes	2,058	246

Goal 5: Agencies increase their capacity to achieve results.

Broadening the Resource Base - National Performance Indicator 5.1 - The number of human capital resources available to Community Action that increase capacity.

<i>Indicator</i>	<i>Resources in CAAs</i>
A. Number of Nationally Certified ROMA Trainers	1
B. Number of staff attending trainings	364
C. Number of board members attending trainings	60
D. Number of Certified Family Development Specialist staff	49

Goal 6: Low income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive environments.

Independent Living - National Performance Indicator 6.1 - The number of vulnerable individuals receiving services from community action that maintain an independent living situation as a result of those services.

<i>Indicator</i>	<i># of Vulnerable Individuals Living Independently</i>
A. Senior Citizens	3,968
B. Individuals with Disabilities	2,036

Emergency Assistance - National Performance Indicator 6.2 - The number and percentage of low income individuals served by community action that sought and were provided with needed emergency assistance, including:

<i>Indicator</i>	<i># Seeking Assistance</i>	<i># Receiving Assistance</i>
A. Emergency Food	25,173	24,541
B. Emergency fuel or utility bills	10,000	7,818
C. Emergency rent or mortgage assistance	12,558	9,971
D. Emergency car or home repair	1,362	1,272
E. Emergency Temporary Shelter	459	367
F. Emergency Medical Care	783	553
G. Emergency Legal Assistance	208	206
H. Emergency Transportation	1,296	1,223
I. Emergency Disaster Relief	5	5
J. Emergency Clothing	2,130	2,125
K. Emergency Supplies (diapers, soap, personal care items, household items) if they aren't included in food pantries for clients.	535	493

Child and Family Development - National Performance Indicator 6.3 - The number and percentage of infants, children, youth, parents and other adults participating in developmental or enrichment programs that achieve program goals as measured by one or more of the following:

<i>Infant & Child Indicators</i>	<i>Participants Enrolled in Programs</i>	<i>Participants Expected to Achieve Outcome in 2009</i>	<i>Participants Achieving Outcome in 2009</i>	<i>% Achieving Outcome in 2009</i>
1. Infants and children obtain age appropriate immunizations, medical and dental care.	796	794	782	98.5%
2. Infant and child health and physical development are improved as a result of adequate nutrition.	4,257	4,227	4,252	100.6%
3. Children participate in pre-school activities to develop school readiness skills.	752	734	752	102.5%
4. Children who participate in pre-school activities are developmentally ready to enter Kindergarten or first grade.	550	429	448	104.4%

<i>Indicators</i>	<i>Participants Enrolled in Programs</i>	<i>Participants Expected to Achieve Outcome in 2009</i>	<i>Participants Achieving Outcome in 2009</i>	<i>% Achieving Outcome in 2009</i>
<i>Youth Indicators</i>				
1. Youth improve social/emotional development.	237	80	237	296.3%
2. Youth avoid risk-taking behavior for a defined period of time.	144	55	107	194.5%
3. Youth have reduced involvement with criminal justice system.	90	15	90	600.0%
4. Youth increase academic, athletic or social skills for school success by participating in before or after school programs.	409	409	409	100.0%
<i>Adult Indicators</i>				
1. Parents and other adults learn and exhibit improved parenting skills.	1,275	1,019	1,053	103.3%
2. Parents and other adults learn and exhibit improved family functioning skills.	853	590	608	103.1%

Family Supports (Seniors, Disabled and Caregivers) - National Performance Indicator 6.4 -
 Low income people who are unable to work, especially seniors, adults with disabilities and caregivers, for whom barriers to family stability are reduced or eliminated as measured by one or more of the following:

<i>Indicators</i>	<i># of Participants Enrolled in Programs</i>	<i># of Participants Achieving Outcome in 2009</i>
A. Obtained care for child or other dependent	13	13
B. Obtained access to reliable transportation and/or driver's license	49	49
C. Obtained health care services for themselves or family member	425	171
D. Obtained and/or maintained safe and affordable housing	748	506
E. Obtained food assistance	1,790	1,544
F. Obtained non-emergency Low Income Home Energy Assistance (LIHEAP) energy assistance	209	73
G. Obtained non-emergency Weatherization energy assistance	972	897
H. Obtained other non-emergency energy assistance	309	309

Some services provided to low income individuals and/or families - National Performance Indicator 6.5:

The CAAs distributed 2,562,902 pounds of food in 2009. This amount includes 353 deer donated by hunters to the Sportsmen Against Hunger program, Food Fellowship program that redistributes food from grocery stores, school cafeterias and restaurants, and other food distributed by the CAAs.

The CAAs provided 5,179 rides to individuals and families in need of transportation to get to work, school, day care, medical appointments etc.

The CAAs provided Information and/or Referral services to 13,218 individuals who contacted the agencies for assistance.

F. Use of Administrative and Discretionary Spending Authority

The CSBG Act permits the state to retain the greater of five percent (5%) of the State allocation, or \$55,000, for program administration, and up to five percent (5%) for discretionary expenditures related to the CSBG program.

In the CSBG funding formula that was developed in FY2002 for use beginning in FY2003, DCS decreased the amount of CSBG State Administration funds it will retain under the funding formula to four (4%) of the allocation. This provides additional CSBG dollars to the local level to address the needs of the low income population. DCS utilizes the administration set-aside from each year's CSBG award to cover its costs in the implementation of the CSBG program. Administrative functions include program planning, financial management, technical assistance, programmatic and fiscal monitoring, reporting and evaluation.

The discretionary set-aside is utilized for special projects within the limits established by the CSBG Act, including training and technical assistance in support of local programs and the statewide Community Action Association.

North Dakota

Tourism Alliance Partnership

HB 1018 Attachment # 2
11/13/11
Dept. of Commerce

P.O. Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

2010/2011 MEMBERS

Basin Electric
Power Cooperative

Bismarck-Mandan CVB

Buffalo City Tourism

Days Inn - Grand Dakota Lodge

Destination Marketing
Association of North Dakota

Devils Lake CVB

Dickinson CVB

Fargo-Moorhead CVB

Fort Abraham
Museum Foundation

Grand Forks CVB

International Peace Garden

Lewis & Clark Fort
Mandan Foundation

Municipal Airport Authority
of the City of Fargo

ND Tourism Division (ex-officio)

Newman Outdoor Advertising

Norsk Hostfest Association

Odyssey Communications Group

Select Inn of Bismarck

Spirit Lake Casino and Resort

State Historical Society of
North Dakota Foundation

Theodore Roosevelt
Medora Foundation

Three Affiliated Tribes
Tourism Dept.

Trail of the Mountain
Band of Chippewa Indians

Williston CVB

Woodland Resort, Inc.

Testimony of Bill Shalhoob Tourism Alliance Partnership Chairman HB 1018

Chairman Skarpohl and members of the committee, my name is Bill Shalhoob. As chairman of the Tourism Alliance Partnership (TAP), I am here today asking for your support of the tourism portion of HB 1018. TAP is a coalition of tourism-related industries, including CVB's, state attractions, businesses and other interested stakeholders in this viable and growing sector of North Dakota's economy.

The tourism industry in North Dakota has seen tremendous growth in recent years. From 2006 to 2008, North Dakota's core tourism grew by 10.7 percent compared to 8.1 percent nationally. In 2009, the state's hotel room profitability increased by 5.8 percent, the only state in the nation to show a positive increase, and continued on this positive trend to boast a 12.9 percent increase as of November 2010. The state's airports also posted a 5 percent increase in boardings in 2009, while global airlines suffered a 3.5 percent decrease. This trend has continued with a 12 percent jump in airline boardings in 2010.

Tourism is currently a \$4.13 billion industry in North Dakota, employing more than 31,000 people annually and accounting for \$760 million in total wages. While these results are exceptional, a greater potential remains for the tourism sector. Increased interest in rural tourism, agritourism, city offerings and outdoor recreation provides an outstanding opportunity for North Dakota's tourism industry. Taking advantage of this opportunity begins with the marketing budget for the Tourism Division. While we understand the Governor's budget recommendations, it falls short of what the North Dakota tourism industry needs to be competitive.

North Dakota's tourism budget has been relatively flat since 2003, while advertising costs increased by about 5 percent each year. Please refer to the attachment that includes a state spending summary. North Dakota's current

annual tourism budget of \$4.6 million puts us in last place among our neighboring states. We are trailing the \$9.2 million per year spent by Minnesota as the next lowest amount, and are drastically behind the \$11.4 million spent by South Dakota. In 2008, more than 500 industry stakeholders participated in the 2008 Tourism Congress, stating a lack of marketing dollars was the number one challenge for the tourism industry across the state. Even if we want to stay even in our marketing efforts in the upcoming biennium, we need annual increases just to purchase the same amount of marketing and make the same impact as we did this past biennium.

The second area in which we need to start moving forward is infrastructure development. Governor Dalrymple noted an increase in tourism across North Dakota's counties this biennium. In order to remain competitive, we must develop resources that will increase interest and visitation. In the last biennium, we created a system for an infrastructure grant pilot program through the Department of Commerce and the Tourism Division. This program focuses on making good decisions regarding which tourism projects deserve funding based on their potential impact. The Tourism and Economic Development and Finance division carved limited dollars out of their budgets to create a program to fund small projects and to date, nearly \$500,000 has been awarded in infrastructure grants. We hope this program can be allowed to continue to develop with an appropriation that will allow us to measure the results.

North Dakota is the most affordable vacation state according the AAA. We need to continue to invest in marketing ourselves as an affordable and must see destination. In addition, we need to invest in the infrastructure to keep our visitors in state and returning for future vacations. During this downturn in the economy, we have an opportunity to take advantage of our position with more marketing dollars.

Tourism marketing is one of the few parts of the budget that can show a positive return on investment for the state. Advertising in North Dakota is a 1:9 return to the state's tax base. The \$1.66 million investment in advertising in 2007 returned more than \$12 million to the state's general fund and \$2 million to local funds. This same advertising campaign also returned \$203.9 million in visitor spending that year. New research numbers on the 2010 campaign will be available later this session.



Tourism is one of North Dakota's largest and fastest-growing industries,

offering some of the best opportunities for economic development. North Dakota's diverse and unspoiled travel destinations attract visitors from all over the nation. New interest in North Dakota is due to a focus on rural tourism, agritourism, city offerings and outdoor recreation. It provides strong incentives for industry growth.

AN ESTABLISHED FORCE

- Travel and tourism is a \$4.13 billion industry in North Dakota (NDSU).
- The North Dakota travel industry supported more than 31,000 jobs and accounted for \$760 million in total wages in 2008 (IHS Global Insight).
- Domestic travel spending in North Dakota generated \$370 million in federal, state and local tax revenue in 2008 (IHS Global Insight).

A GROWING INDUSTRY

North Dakota leads the nation in the growth of travel expenditures, travel-generated employment, payroll and taxes paid according to the US Travel Association's most recent study.

- From 2006 to 2008, North Dakota's core tourism grew by 10.7 percent compared to 8.1 percent nationally (IHS Global Insights).
- Since 1990, tourism expenditures have grown 655 percent, more than any other North Dakota industry (NDSU).
- In 2009, North Dakota's hotel room profitability increased by 5.8 percent, the only state in the nation to show a positive increase, and was up 12.9 percent in 2010. The state airports also posted a 5 percent increase in boardings in 2009, while global airlines suffered a 3.5 percent decrease.

A SURE SUCCESS

- The tourism industry in North Dakota rests on a strong foundation. The state boasts a fully functioning travel industry, together with a well developed system of state parks, wildlife refuges, historical sites, and gaming and convention facilities.
- Investments in tourism generate money for North Dakota. According to Longwoods International, every dollar spent on advertising returned \$123 in spending in 2007. The same dollar returned \$9 in state tax revenue. (2010 research is currently underway)
- Research shows the Legendary branding campaign is bringing people to North Dakota's cities, attractions, and outdoors in increasing numbers (Longwoods International).
- Many different segments of local economies benefit from the visitors the tourism industry bring to the state. Investing in North Dakota tourism is an investment in the entire state. In fact, all 53 counties have seen growth in tourism and 46 have seen double-digit growth.



Marketing North Dakota

The primary competition for North Dakota's tourism industry is neighboring and nearby states. In 2009, North Dakota ranked 45th in the nation in tourism funding and exhibited the smallest tourism budget compared to its neighbors and competitors.

State	2008-2009	2009-2010	Source
North Dakota	\$4.4 million	\$4.6 million	95% General Fund 4.5% Special Fund
Montana	\$9.1 million	\$9.3 million	99% Lodging Facilities Tax .5% Ad Sales, Conference Registration
Minnesota	\$10.0 million	\$9.2 million	99% General Fund 1% Federal Scenic Byways Fund
South Dakota	\$11.7 million	\$11.4 million	50.4% Tourism Promotion Tax 28.9% Gaming Tax 18.6% General Fund
Wisconsin	\$15.1 million	\$13.1 million	61.2% Gaming Revenue 24.2% General Fund 14.5% Rental Car Fee
Wyoming	\$12.7 million	\$10.8 million	100% General Fund

Source: Travel Industry Association, Pennsylvania Tourism Office



HB 1018
Dept. of Commerce
1/13/11
attachment # 3

Testimony of Sheri Grossman
President, Destination Marketing Association of North Dakota
House Bill 1018
January 13, 2011

Chairman Skarphol and Members of the Education and Environment Committee:

My name is Sheri Grossman and I am the Director of Sales for the Bismarck-Mandan Convention & Visitors Bureau and President of Destination Marketing Association of North Dakota (DMAND). DMAND is a cooperative association of independent Convention and Visitor Bureaus, as well as additional communities who share a broad-based community support and whose primary objective is the promotion of North Dakota.

Convention and Visitors Bureaus throughout the state, both large and small, greatly rely on partnering opportunities with the Tourism Division to effectively market their communities. Many communities don't have the resources to conduct the type of research necessary to determine the best place to use their limited marketing dollars. They rely on the Tourism Division's marketing budget to do the research, analyze and plan media, and offer cooperative opportunities for partners to participate in. Without this opportunity, many communities simply couldn't effectively market their destinations.

As one of the largest CVBs in the state, the Bismarck-Mandan CVB significantly relies on the Tourism Division to market to leisure travelers. We partner with Tourism on cooperative efforts, especially to our neighbors in Canada. In addition, by having the Tourism Division do the majority of marketing for leisure travelers, we can use more of our marketing dollars to bring in larger conventions and events—allowing all of us to bring in the greatest amount of out-of-state visitors and dollars to help stimulate our North Dakota economy.

After 14 years in this industry, I know how important it is to be competitive with our neighboring states. The proposed annual budgets for our surrounding states are twice as much as the proposed budget for North Dakota: South Dakota \$11.4M, Minnesota \$9.2M and Montana \$9.3M and North Dakota is \$4.6M. Our state can't continue to let our neighbors capture these visitors and risk losing the economic impact these visitors could bring to North Dakota. It is imperative to attract this business to fill our hotels, restaurants, gas stations, and stores.

The Tourism Division has been accountable and prudent with the state's investment, returning a strong profit to the state coffers. Recent United States Travel Association research shows North Dakota leads the nation in growth of travel expenditures, travel generated payroll, travel generated taxes, and travel

generated employment. The Tourism Division does a remarkable job leveraging their funds to provide measureable results. Please consider what a greater investment will return to North Dakota!

Thank you for your time and consideration.



attachment #5 Dept. of commerce

HB 1018 1/13/11

72 EAST MUSEUM DRIVE

DICKINSON, NORTH DAKOTA 58601

701.483.4988 | 800.279.7391

F: 701.483.9261

E: INFO@VISITDICKINSON.COM

www.visitdickinson.com

Testimony of Terri Thiel, Executive Director of the Dickinson CVB

House Bill: 1018

January 13, 2011

Chairman Skarphol, and members of the House Appropriations Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau. The Dickinson Convention & Visitors Bureau is in support of the governor's proposed budget for the ND Tourism Division 2011-2013 biennium marketing and ask that you also include an additional \$1.15 million for the following enhancements.

\$600,000 for additional marketing –

- ND Tourism Division competes for the same market with a smaller budget

Additional marketing would be used for:

- Expand the new "I Am Legendary, RU?" campaign to create further interest
- Increase the presence in Canada
- Increase the presence in current markets

\$50,000 funding for implementation of an organized system of Visitor Information Centers

- ND used to have a state-funded program in the 1980's and 1990's and is currently one of only 15 states that doesn't have such a program.

The funding would –

- Provide welcoming people to give information, directions and suggestions to our visitors as they enter into our state.
- The front line people would **help** visitors with any questions; **assist** them with problems they may encounter.
- The staff would give the visitors all the details on places to see and where to go - \$\$\$\$

Move the \$100,000 appropriated for the USS ND and add \$50,000 = \$150,000 total.

\$500,000 funding for small project infrastructure grants

- The ND Department of Commerce created the Tourism Infrastructure and Expansion Grant Program in 2007. 2:1 Match is required, non-profit status.

The additional dollars would:

- Be used for the additional requests that are not able to be fulfilled due to restricted funds available.
- In 2010, there were 30 grant requests, asking for more than \$440,000. There were five that were funded for a total of \$93,500.

Move \$2 million earmarked for special infrastructure projects in 2009 – 2011 to a large grant program.

- The 2009 appropriation, SB 2018, included language stating the ND Tourism Division was to develop criteria and a method for setting funding priorities in future bienniums.

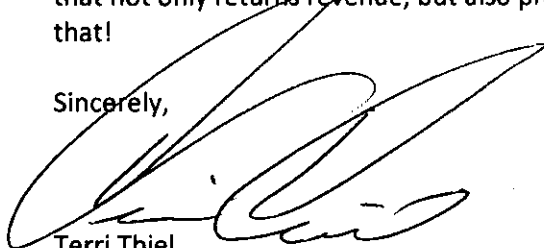
Explore
THE WESTERN EDGE

As Executive Director of the Dickinson CVB for the past thirteen years, I have seen positive changes and enthusiastic energy from not only within the state's tourism industry, but also increased interest, visitation and tax revenues for southwestern North Dakota. While other North Dakota industries have produced wonderful material products, tourism has created not only an increased the revenue statewide, but has also lent itself to the positive "image marketing" that has been cited as being nonexistent in previous years.

Repeatedly image marketing was cited as one of the issues that the state needs to address. Lack of image has been the statement repeated. Tourism is changing that perception. It is one of the tools that quality of place can be showcased, from the Pembina Gorge in the eastern part of the state, to the Badlands of western North Dakota. When the ND Tourism Division markets in national publications for vacation plans, it also conveys a marketing image that North Dakota is a wonderful experience, and that we do have an image, a very welcoming one.

Please support the governor's proposed tourism marketing budget, along with seriously considering investing in the additional dollars for the tourism marketing budget, the industry that not only returns revenue, but also produces an image for the state, and a positive image at that!

Sincerely,

A handwritten signature in black ink, appearing to read "Terri Thiel", written over a horizontal line.

Terri Thiel
Executive Director

**Testimony of Randy Hatzenbuehler
President, Theodore Roosevelt Medora Foundation
House Appropriations Committee on Education and Environment Division
HB 1018 Department of Commerce Budget Hearing
January 13, 2011**

*HB 1018
Dept. of Commerce
1/13/11
attachment # 6*

Chairman Skarphol and Members of the Committee:

My name is Randy Hatzenbuehler; I am the president of the Theodore Roosevelt Medora Foundation in Medora, North Dakota. I ask you to support of the HB 1018 for the Department of Commerce's funding for tourism in total, along with enhancements recommended by the Tourism Alliance Partnership (TAP) including \$600,000 for additional marketing funds, \$150,000 to support Visitor Information Centers and \$2.5 million for the Tourism Infrastructure and Expansion Grant Program.

The tourism industry has benefited from the state's commitment in recent legislative sessions. We are still at a competitive disadvantage in terms of dollars invested compared to our neighbors, it has been good to see the increasing investment made by the state to the tourism industry and the strong return it has brought to the state. North Dakota is getting noticed in many new ways – the happy marriage of a good economy and the beauty of our state has shined the positive spotlight on North Dakota. I don't recall a better time to be from North Dakota or to be in the tourism industry here. We need to take full advantage; the requested additional \$600,000 for marketing and \$150,000 for Visitor Centers is needed and a fraction of what could be wisely spent.

Medora is one piece of a growing tourism industry for North Dakota. The ND Heritage Center project will spur new tourism entrepreneurs; we've seen the positive effects when an anchor project is built. If you visited Medora last summer, you might have enjoyed the wonderful new Cedar Canyon Spa, a privately owned business located directly across for the newly expanded and renovated historic Rough Riders Hotel. It is an example of the trickle effect that occurs when investment is made in this industry industry. The Tourism Infrastructure and Expansion Grant Program will help give tourism entrepreneurs and their ideas a chance at success.

Please support HB 1018 fully along with TAP's recommended budget enhancements.

Respectfully,



Randy Hatzenbuehler

*HB 1018
Dept. of commerce
1/13/11
attachment #7*

**TESTIMONY
TO THE
HOUSE APPROPRIATIONS COMMITTEE
EDUCATION AND ENVIRONMENT DIVISION
OF THE
NORTH DAKOTA LEGISLATURE**

RE: HOUSE BILL 1013

**TESTIMONY
BY
KENT SATRANG
GENERAL MANAGER, PETRO SERVE USA
311 11th AVENUE SOUTH FARGO ND**

JANUARY 13, 2011

Good morning Chairman Skarphol and Members of the House Appropriations Committee on Education and Environment. My name is Kent Satrang. I reside in Fargo and I am the General Manager of Petro Serve USA. I stand in support of House Bill 1013. We have 20 locations in a dozen cities and our closest station is in the shadow of our state capital. Thanks in total to your leadership and vision you can drive over there tonight and see blender pumps in action. Because of your world class leadership the people of Bismarck-Mandan now have a choice at the gas pump.

You showed leading edge innovation and vision in the 61st session by a 93% vote in passing blender pump legislation. Nationally you put ND on the agricultural map, on the front page of Ethanol Producers Magazine and in the pages of major American newspapers. You authored the partnership of rural corn and soybean fields with the oil fields of western North Dakota. That blossomed our economy all the way from Williston to Wahpeton with the bookend sectors of oil and agriculture.

I am a past Industry Member of the Board of Directors of the ND Corn Growers, of the Cenex Retail Advisory Board and I am a current member of the Tesoro Jobber Council. I have been a Cenex Manager in the North Dakota petroleum business for over 30 years and my father started working in this business in the late 1940's in Rolette North Dakota.

I ask you to continue your incredibly successful bio-blender fund opportunity for three reasons:

1. It has been working just like you designed it. We currently have 117 ethanol blenders and 9 soy diesel blender pumps completed, in service and paid for. We had about 15 blenders before the program started and so we estimate 141 North Dakota blender pumps. This makes us by far the highest per capital state for bio-blenders. We have another 11 soy diesel applications and another 64 ethanol blender applications. This would bring our states total blender pumps to 216 blender pumps which will by far make us the highest number of blender pumps for any state in the nation. We believe it is no coincidence and thanks in great part to our state government's policies that we are the only state that can produce more ethanol gallons than the state uses per year in gasoline gallons. North Dakota's Legislature and Governor structured and authored this economic model and the business community has perfectly executed the first phase of your plan.
2. Blender pumps allow the driving public a safe and sound economic choice as to which fuel is economically and philosophically best in their minds. These pumps unlike most in America, are UL Approved and they offer 100% gas, E10 Super Unleaded, Premium, E30 and E85. We don't support ethanol mandates for E10 or E15. However by the same token we don't support a mandate where the gas pump can only sell gasoline and can't dispense mid-range ethanol blends either. As promised, choice at the pump did result in change in our states drivers with the cost of E85 selling below \$1.99 per gallon this past summer.
3. Lastly this has taken time exactly as we predicted. Independent stations and Cenex branded stations were very receptive to the blender pump program as was expected. Tesoro stations didn't participate because their corporate office mandates three, and not two grades (like Cenex) of branded gasolines. Tesoro did finally approve blender pumps under their branded canopies, but only at the 11th hour and they approved a pump that didn't really offer consumers a full choice. The result was really poor participation by Tesoro retailers. They are ready to install blenders now because a newly designed bio-blender model is being test marketed as we speak. This new model will open the doors for Tesoro branded stations to not be left behind in this innovative cutting edge program.

Progressive North Dakota gas station retailers support House Bill 1013 because it allows us an opportunity to partner Regional Petroleum Refiners, with local ethanol plants to help build a competitive pipeline to our states customers cars and it enhances energy independence here in the heartland of America. Retailers want the opportunity to upgrade to a UL approved pump and they want to be able to double their product offerings with a blender pump. These UL approved pumps and petroleum project upgrades such as pump sumps greatly reduce the risk of spills and leaks.

This is an opportunity to continue to develop this renewable market for the additional volume that our states new ethanol facilities have already created. I ask you to exercise your potential to continue to make ethanol, a North Dakota grown fuel, a North Dakota manufactured fuel, as common at the neighborhood gasoline pumps as unleaded, super unleaded or premium. Help our Corn and Soybean growers, our rural communities, our environment and most importantly American men and women in our Armed Forces to continue this blender pump legislation that sent a message heard all across America. You can make it possible to fill it up, with a fuel grown right here in North Dakota. I commit to you, that it is a mathematical certainty that choice created by bio-blender pumps will continue to result in change in all of our pockets.

Thank you for the opportunity to testify and I respectfully ask you to support House Bill 1013.



*HB 1018
Dept. of Commerce
1/13/11
Attachment # 8*

Testimony of

Economic Development Association of North Dakota

HB 1018

January 13, 2011

Chairman Skarpohl and members of the committee, my name is Cal Klewin. 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.

EDND has a long-standing and complementary relationship with the North Dakota Department of Commerce. We believe the Department of Commerce provides valuable tools, programs and resources for the economic developers in our state and you will have the opportunity to hear from a few of those developers in a moment.

While EDND is supportive of the continuation of all Department of Commerce programs, we want to take this opportunity to specifically express our support for two initiatives outlined in this bill.

EDND believes that creating a Division of Energy within the Department of Commerce will greatly enhance every community's ability to capitalize on the opportunities available in the energy industry. A Division of Energy can be a contact resource for energy developers seeking to develop energy projects in North Dakota.

Energy development, whether it is oil and gas, renewable fuels or wind, can offer communities jobs and business growth opportunities. This industry can often be very aggressive and fast-paced and can leave leadership in energy communities with troublesome issues. A Division of Energy within the Department of Commerce could be a resource for communities to access assistance, information and other tools on how to deal with development issues coming forth.

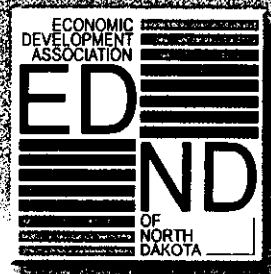
EDND has supported the Centers of Excellence program since its inception. We recognize the need to enhance and provide clarification to this program and support the changes outlined in this bill. Entrepreneurship and small business growth are crucial to North Dakota's economic future. Entrepreneurs and small businesses are leaders in the nation in employment growth.

We feel that the Centers provide a vehicle to leverage our resources and investment to assure accessible entrepreneur and small business assistance across every region of the state.

EDND supports HB1018.

Thank you. I would be happy to answer your questions.

Legislative Agenda 2011



North Dakota is well-positioned to take advantage of current state economic trends and global events to continue and expand efforts to create future economic opportunities. North Dakota's current financial strength, portfolio of economic development incentives, high-quality human capital, technology infrastructure and availability of natural resources are all in place to leverage these opportunities.

EDND recognizes factors such as safety, education, opportunity, and recreation and culture are what makes living, working, and conducting business in a community worthwhile and support legislation that enhances quality of life.

State of North Dakota economic development policy and resources should be limited to primary sector activities that create wealth for the state as a whole. The State of North Dakota should place the highest priority on the development of high-wage career opportunities that will retain state workforce and attract labor from areas outside the state.

State of North Dakota community development policy and resources should be focused on infrastructure, tourism and non-primary sector business activities that may improve a community's competitive position in capturing future revenue sources, or otherwise impact local quality of life.

LEGISLATIVE PRIORITIES

North Dakota has an effective economic development program that has brought success to our state. Our economy is strong, but needs further diversification. As North Dakota expands its economy into knowledge- and technology-based areas of the global marketplace, the state's economic development policy must also expand to support these opportunities. The Economic Development Association of North Dakota supports key legislative initiatives designed to support North Dakota's traditional manufacturing sector, to assist North Dakota companies in attracting out-of-state investment, and to assist the state in expanding and attracting new technology development throughout North Dakota.

Automation Tax Credit

North Dakota businesses are challenged by a highly competitive global business environment characterized by excess capacity in many industries and by historically low in-migration of skilled workers. This is a particularly difficult challenge for manufacturers. North Dakota needs a tool that will help our manufacturers realize efficiencies that will level the playing field for them in terms of overall productivity.

The proposed automation tax credit is supported by EDND because it will be a cost-effective way to realize an attractive competitive position for our manufacturing base.

Centers of Research Excellence, Entrepreneurship Excellence Grants and Workforce Excellence Grants

Three of the key issues facing North Dakota in terms of economic growth are the development of new and innovative products, the ability of individuals to commercialize those products, and the talent needed to create companies that will be successful in further development of those products

and marketing and distribution to customers.

EDND supports the development of these distinct Centers as proposed by the Interim Workforce Committee.

Angel Fund and Seed Capital Investment Tax Credit

The attraction of out-of-state investment in North Dakota ventures is critical to the growth of the State's economy. The State is uniquely positioned to address this long-standing challenge as North Dakota continues to expand its positive profile.

EDND supports strategic modifications to Angel Fund Investment Tax Credit legislation that will provide that these credits can be refundable to non-North Dakota investors in the State's network of Angel Funds. These modifications will increase the availability of critical funding for rapidly growing and early- to mid-stage companies in North Dakota. EDND also supports similar changes to existing Seed Capital Investment legislation to stimulate direct out-of-state investments into North Dakota ventures.

Value Statements

North Dakota currently has an excellent economic development program which has brought great success to our state. EDND supports continued use of the economic development tool chest and recognizes that enhancements are occasionally necessary. The economic development profession is one that seeks to put into action programs and policies that enhance the economic well-being and quality of life for our constituents. The value statements listed inside are intended to affirm the EDND's passion for improving the sustainability and growth of North Dakota's economy.

Economic Development Value Statements

Infrastructure Development

A new perspective is necessary for addressing infrastructure needs in North Dakota. Infrastructure investment across the state has for many decades been limited to maintaining the status quo and addressing a few targeted new investments. North Dakota now has turned the corner from being a state with a gradually diminishing population to a state with a growing population with sophisticated expectations. To continue to capture this growth North Dakota must meet those expectations.

Planning for perpetual growth, and budgeting for it, will challenge our decades-old behaviors. Judicious yet progressive investment strategies are needed to not only maintain existing physical infrastructure, but to build for future broad-based growth. Communities and counties need to develop comprehensive plans that will carry them to a more prosperous tomorrow. EDND believes statewide support is necessary to promote planning by local units of government.

Business Development & Entrepreneurship

Entrepreneurship and the successful growth of small businesses are important to North Dakota's economic future. EDND views entrepreneur assistance as crucial and supports consistent and stable funding to maintain or expand these services. By matching funding available from the federal government and by partnering with our higher education system North Dakota can leverage its investment to assure accessible entrepreneur/small business assistance across every region of the State. EDND supports providing the necessary funding to encourage entrepreneurship and small business development.

Business Financing

Appropriate financing tools are essential to the success of any business. North Dakota's menu of financing options has served the state well. We have worked over the years with those agencies in North Dakota, particularly the Bank of North Dakota, to sculpt detailed yet flexible financing options. Few changes are needed in this area. The array of business financing tools available from the Bank of North Dakota, the North Dakota Department of Commerce and others are appropriate and have the support of EDND.

PACE and Flex-PACE, business financing programs of the Bank of North Dakota, are tremendously successful tools for expanding and attracting businesses to North Dakota. The Bank of North Dakota has done an excellent job of delivering and customizing the PACE and Flex-PACE programs to meet the needs of businesses and localities. Continued management and promotion of the PACE and Flex-PACE programs by the Bank of North Dakota is encouraged and supported by EDND.

Tax Increment Financing (TIF) is an important and often misunderstood tool that is very valuable to the process of economic development nationwide. Wide-spread use of TIF as a familiar economic development tool for new and expanding businesses translates into a desire by those businesses to use TIF in North Dakota. As it stands in North Dakota, the TIF process reduces the uncertainty of proposed financing arrangements for companies considering new or expanded investment in our state. Proposal of changes to the existing TIF rules in North Dakota will diminish the desirability of North Dakota as a place to do business. EDND opposes changes to existing TIF legislation in North Dakota.

Pro-Business Climate

EDND is committed to improving the state's economic and business climate. We believe the best way to accomplish this is to support freedom of enterprise and allow the free market system to function in an attractive tax and regulatory climate.

Workforce Development

EDND supports workforce development and training programs that address the comprehensive workforce needs of North Dakota companies. As North Dakota companies face increasingly greater domestic and international competition, the state's workforce programs must support company's needs to increase throughput through greater efficiency and automation, as well as traditional workforce expansion initiatives. EDND supports modifications to programs such as Workforce 20/20 and North Dakota New Jobs Training Grant Program to reflect these needs. EDND also supports the continuation and expansion of Operation Intern as a means to introduce young North Dakotans to the vast array of career opportunities available in the State.

STATEMENTS

Community Development Value Statements

Community Investment

North Dakota communities have had a difficult time attracting the capital necessary to maintain and grow. There are few investment tools that allow North Dakota citizens to consolidate their capital and then invest jointly in projects that enable state growth and fill critical needs of our communities.

A Renaissance Zone can be a very important and beneficial tool for community redevelopment and economic investment if properly developed, implemented, and managed. Continued support of the Renaissance Zone will provide opportunities for business growth from within the community, attracting new business growth and community sustainability for both rural and urban areas.

Housing

EDND recognizes that the availability of housing, particularly affordable housing, is a fundamental element that provides North Dakota communities the ability to foster economic development. EDND supports the efforts of North Dakota communities and regions to advance legislation that will promote the development of affordable housing in areas where the lack of affordable housing is limiting primary sector growth.

Leadership Development

EDND recognizes the importance of leadership development and supports the continued funding for the Center for Community Vitality, NDSU Extension Service programs, and Rural Leadership North Dakota.

It is also important that professional development programs be accessible to economic development practitioners to increase their effectiveness and develop strong leadership in this profession. EDND supports a continued appropriation in the North Dakota Department of Commerce budget so that the department and the association can partner to provide training.

Quality of Life

EDND recognizes that the growth potential of North Dakota communities is frequently dependent upon the quality of life perceived to exist in those communities. This is also true on a broader geographic basis for all of the rural areas across North Dakota. EDND supports the development/maintenance of local amenities that support a pleasant and attractive living environment and local activities which people have the opportunity to enjoy.

Mission

It is the mission of the Economic Development Association of North Dakota to increase economic opportunities for residents of the state by supporting:

- primary sector growth.
- professionalism among economic development practitioners.
- cooperation among development organizations.

The Association will support the membership in furthering primary sector economic growth in the state of North Dakota.

EDND is the voice of the state's economic development community. It provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. EDND is a highly regarded source of information on economic development issues and connects legislators with professionals across the state.

Economic Development Association of North Dakota Executive Committee

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Stark Development Corporation
Dickinson, ND
Phone: 701-225-5997
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MS. MARIA EFFERTZ HANSON, Director
Black Butte Communications and Consulting
Velva, ND
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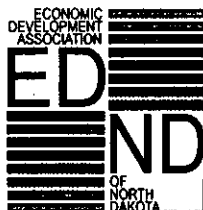
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Beulah, ND
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Economic Development Association of North Dakota
PO Box 2639 • Bismarck ND 58502
Phone: 701-222-0929 • Website: www.ednd.org



HB 1018
Dept. of Commerce
1/13/11
attachment #9

**Testimony of Connie Ova
Jamestown/Stutsman Development Corporation
HB 1018
January 13, 2011**

Chairman Skarphol and members of the House Appropriations Committee:

My name is Connie Ova. I am the CEO for the Jamestown/Stutsman Development Corporation and have served in this capacity since 2003. The Jamestown/Stutsman Development Corporation (JSDC) is dedicated to area economic development growth and diversification. JSDC was formally organized in 1991 to develop employment to improve business conditions and advance the interests of the City of Jamestown and Stutsman County, North Dakota by implementing and sustaining an organized effort to attract new businesses and industry, support existing businesses and industry, and encourage new business starts. Jamestown/Stutsman Development Corporation's focus is primary sector job creation.

The JSDC is a member of the Economic Development Association of North Dakota (EDND). We believe that EDND serves as the voice of the state's economic development community. Their membership base consists of a variety of jobs development associations, economic development corporations, communities, state agencies and private businesses. EDND's mission is to increase economic opportunities for residents of the state by supporting primary sector

HB 1018, Ova, Page 1

120 2nd St. | PO Box 293 | Jamestown, ND 58402 | 866.258.6861 | 701.252.6861

Job Growth & Business Development | Mission: Empowering the Catalyst



growth, professionalism among economic development practitioners and cooperation among development organizations. The association supports the membership, currently numbering in excess of 80, in furthering primary sector economic growth in the state of North Dakota.

The North Dakota Department of Commerce (ND DOC) is a vital partner of EDND and JSDC in the effort to grow our state and local economy.

As a member of EDND and as CEO for the Jamestown/Stutsman Development Corporation I am urging your support of HB 1018 to continue the excellent results provided by ND DOC since its inception in 2001.



I would like to highlight just a few key programs JSDC has used and urge you to continue to support. These include:

Business Attraction and Talent Development

JSDC consistently uses Workforce Enhancement Grants which includes Workforce 20/20 to assist our companies in training new and existing employees to upgrade their skills and increase their worth to those companies and the communities in which they work. We have also provided numerous loans through the New Jobs Training Grant and advocate

HB 1018, Ova, Page 2

120 2nd St. | PO Box 293 | Jamestown, ND 58402 | 866.258.6861 | 701.252.6861

Job Growth  Business  Entrepreneurship  Job Growth



both of these as tools to be continued. Operation Intern is widely used in our community and we are excited about the potential impact the Career Promotions and Career Advisors Programs will have on our youth.

The North Dakota Trade Office

The North Dakota Trade Office (NDTO) is assisting many of our local businesses and has provided the tools for those companies to expand their exports to foreign markets. With the assistance of NDTO one of our companies was named SBA Exporter of the Year! Increased funding for NDTO will assist in expanding their reach into more and more markets and provide the ability to work with more of our companies.

North Dakota Development Fund

Without the support and partnership of ND Development Fund many of our projects would not have been financed.

APUC

APUC provides grants needed to fund those items that JSDC does not or cannot fund which include feasibility studies. We have used this program for a wide variety of projects past, present and future.

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Child Care Grants & Loans

Although we have not utilized this locally to date, we have pending projects for updating and new facility construction for child care that could not be ventured without this opportunity.

Centers of Entrepreneurship Excellence Grants

Knowing the importance of growing our own and small business growth to a community, JSDC continues to strive to achieve our goal of identifying and supporting an entrepreneurship center in our region. We have a local partnership that has already received certification towards this objective and with the assistance of this grant program we believe our area will have a much needed Center of Entrepreneurship in the Jamestown/Stutsman region within the next year.

Marketing

Through firsthand experience I can testify that there have been numerous times during my tenure as CEO for JSDC that, when attending out of state conferences, questions and comments consisted of “where is North Dakota located?; “is that where the “faces” are” and “I’ve never been to North Dakota” with the implication that they never wanted to be in North Dakota either. Or, working with primary sector companies from out of state it



was apparent that it wasn't that they did not want to do business in North Dakota but that North Dakota was not nor had not ever been on their radar screen. I have always known that lack of adequate funding for continual communication on our part was a major reason for that lack of awareness. Now, thanks in part to energy, oil and a positive bank account, North Dakota is on the map. But, for the most part, I truly believe it is as a direct result of marketing through ND Department of Commerce, ND Tourism and the substantial increase in funding for public relations. This effort needs to be continued and enhanced. The Jamestown/Stutsman Development Corporation has seen a remarkable increase in tourism as a direct result of our own Buffalo City Tourism Foundation created in 2003 and specifically tasked with marketing and public relations. We have also seen increased interest in business expansion and relocation because North Dakota is now on the "radar screen".

Partner Programs

JSDC has benefitted from use of Partners in Marketing to update our website, assist with trade missions and conferences. Partnering with ND DOC at conferences provides a cost effective means of showcasing communities across the state. It also affords a means by which those communities that don't have the staff to man a booth and also walk the trade



show to be able to do both with more bodies provided by ND DOC as well as other communities.

Energy Division in ND Department of Commerce

I am totally in support of this initiative and think it is an excellent use of taxpayer dollars and would be of benefit to our region and to the entire state. Please allow me to read an editorial dated 1/11/2011 from the Bismarck Tribune that says it all very succinctly.

(attached to this document)

In the interest of time I will stop here and not elaborate on all of the items contained in HB 1018 that are vitally important to our local communities. I will conclude with the statement that there are very few programs offered through ND DOC that the Jamestown/Stutsman Development Corporation have not used or at minimum reviewed and stored for later use.

I sincerely believe that in the North Dakota Department of Commerce we have a world class array of economic development programs and services. This department is indeed capable of assisting with the new challenges and bright future for progress in North Dakota.

Please support HB 1018 and continue that significant role that ND DOC plays in North Dakota's growth.

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Dept. of Commerce
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Testimony to the ND House of Representatives

Committee on Appropriations

Education and Environment Division

By Eric Johnson, CEO, Avenet LLC

January 13, 2010

Chairman Skarphol and Members of the Committee,

I am Eric Johnson, CEO of Avenet LLC, and I thank you for the opportunity to testify.

Senator Tony Grindberg requested that I testify and provide the committee background information on an initiative contained in Senate Bill No. 2056. The bill was introduced by the Workforce Committee and relates to the Department of Commerce, workforce development, economic development and higher education.

By way of background, I'm a North Dakota native, NDSU graduate and currently the CEO of Avenet LLC, a Web solutions company based in Minneapolis. While our headquarters are in Minneapolis, I want to note that Avenet's leadership team includes several North Dakota natives with strong ties to our home state, and that we have had several employees and contractors based in North Dakota for over 10 years.

Avenet developed and deployed the award-winning electronic portfolio system (www.efoliomn.com) for the Minnesota State College and University system (MnSCU). Designed to help the state's students and workers advance their education and careers, eFolioMinnesota was the nation's first statewide electronic portfolio system. The system is used by K-12 and higher education schools across Minnesota, including both MnSCU and the University of Minnesota, and has won two national awards for technology innovation.

Avenet also developed and deployed eFolioPA, an initiative sponsored by the Pennsylvania Department of Labor & Industry. This is the first state-wide initiative in the US designed to leverage electronic portfolio technology to create a stronger, seamless bridge between higher education and workforce/economic development systems. Although still in its early stages, eFolioPA has been featured as one of two innovative workforce initiatives in a symposium sponsored by Stanford University and a higher education technology consortium in the UK.

Our company is currently working on deploying our eFolio system for the University System of Ohio, one of the nation's largest higher education systems.

We believe these groundbreaking projects have direct application and great value to the State of North Dakota. One of North Dakota's greatest assets is its highly educated and trained people – the knowledge workforce. An 'eFolioND' project could be an innovative initiative to help transition knowledge workers - students, workers and professionals - into jobs and careers that maximize their skills and talents and position North Dakota to meet the workforce and economic development challenges of tomorrow.

As background, electronic portfolios, or eFolios, are multimedia web sites for organizing, managing and showcasing education, skills, career achievements and experience. eFolio's have been described as "the next generation of resumes", "resumes on steroids" and "Facebook Professional". An eFolio allows the user to organize and display his or her skills, knowledge, and experience beyond the confines of a traditional resume. With eFolio's, individuals can utilize multiple media formats to more clearly demonstrate competencies, creating opportunities for use within both education and workforce system.

Traditional resumes and online resume-driven job banks fail to adequately showcase individuals' work products and educational knowledge that are essential to the demonstration of skills in the knowledge-based economy. In contrast, ePortfolios, with familiar Web2.0 and social networking capabilities are more rapidly embraced by students and graduates, increasingly used by employers as an additional tool to appraise job applicants, and required by educators to evaluate and assess program outcomes.

Benefits to ND Higher Education and K-12

An *eFolioND* system could be utilized by higher education institutions across the state to meet their growing needs for online student and faculty portfolios. Through a statewide approach, all students and faculty in North Dakota could utilize a single state-of-the-art ePortfolio system rather than licensing and implementing multiple systems, resulting in significant cost avoidance to these institutions while providing a consistent, yet flexible, integrated system. Moreover, by utilizing a lifelong, statewide ePortfolio system, rather than separate institution-sponsored systems, the higher education system would facilitate the effective integration of future workers into the workforce system, and enhance the ability of state and local economic development officials to effectively market the state's highly educated workforce.

A Groundbreaking Tool for Workforce & Economic Development

As envisioned, *eFolioND* would provide access to lifelong personal ePortfolio accounts and services to all students, job-seekers and professionals seeking to advance their careers in North Dakota. It could also be made available to job-seekers residing outside the state who may wish to relocate or return. Further, this application would be complementary to and could integrate with existing Web based tools already provided by the Department of Commerce and ND's workforce system.

By utilizing a new Web 2.0 eFolio approach that appeals to students, the State could dramatically increase the number of students, alumni, job-seekers and professionals in its 'job bank'. Using this secure, integrated system, economic development officials and employers could search online 24/7/365 to determine the workforce potential by geographic region, skill, education, experience and other factors. To enhance such data, the ePortfolio system can also be utilized to build a "talent bank" to showcase former North Dakotans and ND graduates who have migrated to other states but who desire to return if suitable employment opportunities arise. This approach can help leverage a large, educated "hidden" labor force that has always been viewed as a tremendous asset.

The *eFolioND* system we envision will enable job-seekers, students and professionals to showcase their education and skills to potential employers. In addition, it can provide employers an online portal to rapidly access North Dakota's highly skilled workforce and give state and local economic development officials a unique tool to efficiently market their skilled workforce to prospective employers and companies considering location or expansion in North Dakota.

We look forward to the opportunity to discuss this further with the Committee and its members and would be glad to provide Members a demonstration of the eFolio technology.

Thank you again the opportunity to testify.

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attachment # 11
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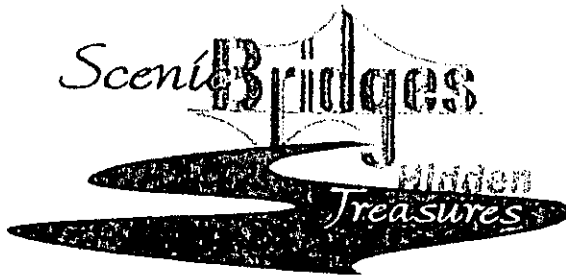
North Dakota University System
HB 1018 – House Appropriations - Education &
Environmental Division

Thursday, January 13, 2011

William Goetz, Chancellor

Good morning Chairman Skarphol and members of the House Appropriations – Education and Environmental Division. For the record, my name is William Goetz, Chancellor, North Dakota University System.

- On behalf of the NDUS I offer support for HB 1018, in particular the proposed changes to the Centers of Excellence program.
- The “next generation” Centers of Excellence program proposed by this bill would create three distinct types of centers: Centers of Research Excellence, Centers of Entrepreneurial Excellence, and Centers of Workforce Excellence.
- The University System supports this concept because it aligns very closely with our three overall sectors in higher education: research universities, regional universities, and community colleges. This is a good fit with their distinct missions and the unique contributions each type of campus can offer.
- Through its Strategic Plan, the NDUS is committed to increasing economic development of the state. The plan includes measurable objectives that relate to the three types of centers:
 - Centers of Research Excellence: Research universities will demonstrate overall progress on specified metrics, including knowledge transfer and commercialization.
 - Centers of Workforce Excellence: Increase the numbers of businesses served by TrainND workforce training.
 - Centers of Entrepreneurial Excellence: Increase the numbers of students participating in entrepreneurial resources and activity.
- The NDUS Strategic Plan directly aligns with the following goals in the state’s Economic Development Strategic Plan:
 - Create, attract and retain quality jobs and workforce in targeted industries and high-demand occupations.
 - Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.
 - Enhance the state education and training system’s ability to meet business and workforce needs of the future.



HB 1018 1/13/11
Dept. of Commerce
Attachment #12
Convention & Visitors Bureau
250 Main St W - P.O. Box 724
Valley City, ND 58072-0724
(701) 845-1891
www.hellovalley.com

January 10, 2011

Appropriations-Education and Environment Committee
Bob Skarphol, Chairman
600 East Boulevard Avenue
Bismarck, ND 58505

Chairman Skarphol and Committee Members,

We are asking for your support of HB 1018 with the addition of \$1.15 million to the Tourism budget to finance Visitor Information Centers, provide for extra marketing opportunities and to solidify the Tourism Infrastructure and Expansion Grant program.

Providing for tourism expansion is not only good for the economy, it enhances the quality of life for North Dakota residents, too. Our citizens enjoy the amenities as much as visitors do. By funding tourism opportunities you are giving Economic Developers tools to lure additional businesses to our state. Recent studies have shown that quality of life issues are important to young workers and their families. Let's provide a recreation rich environment for our visitors and residents.

We need to market North Dakota! We have found in Valley City that if we can get visitors to the region they spend a lot of money. These are new dollars added to our economy that our specialty shops need to survive. Our CVB has a limited budget (\$60,000) and need the help of State Tourism to reach a wide audience. Tourism has responded with cooperative marketing programs that make it possible for us to advertise in magazines like Midwest Living. We would love to do more cooperative marketing- please give Tourism the opportunity to help small towns advertise by expanding their marketing program.

Invest in North Dakota's future. Please support HB 1018 with the additional dollars for Tourism. Thank you.

Mary Lee Nielson, Marketing Coordinator
Valley City Convention & Visitors Bureau



HB 1018
Dept. of commerce
1/13/11
attachment #13

January 6, 2011

Dear Members of the Senate Appropriations Committee,

Please accept this letter as my testimony in favor of increasing the allocations of the North Dakota Tourism Division to include an enhancement of \$1.15 million. By doing so, it would increase the marketing budget by \$600,000, help fund Visitor Center Information Centers and increase the money allocated for the small project and large project infrastructure grant programs. Fully funding this department will enhance our ability to market our state and grow our market share of tourism dollars.

As a smaller convention and visitor's bureau in North Dakota, we depend on the cooperative advertising options given to us by the state. We also rely heavily on the infrastructure grants that are given out at the state level. Advertising costs are on the rise and technology is advancing. It is vital to North Dakota's tourism industry to keep up with trends and stay competitive. In the past two years, I've seen advancement in the hunting and fishing industry with the help of the North Dakota Tourism department. They have partnered with television personalities such as Jason Mitchell and have extended the marketing efforts into Wisconsin, Illinois, and Iowa, just to name a few. Hunting and Fishing is the key to our success and the new money allocated to the North Dakota Tourism Division will keep these efforts going at full strength, and continue our tourism entities in this region, among others, to maintain and grow as well.

Another vital component used by the Devils Lake Tourism Convention & Visitors Bureau is the cooperative advertising in the visitor centers around our state. My CVB alone produces an additional 20,000 brochures to accommodate these areas of advertising. The additional allocation of funds will provide security of an organized system, keep our visitor guides maintained and into the hands of those that need and want to read them. Besides the Devils Lake CVB, the motels, resorts, guides services and restaurants, among others, heavily rely on our Visitor Guide to be in the most visitor centers as possible. We could not do this without the help of the North Dakota division.

Again, I ask for your support of tourism, and that you vote to increase the Tourism Division's budget by an additional \$1.15 million. With tourism being the second largest economic impact in North Dakota, many jobs and families rely on the help from North Dakota.

Thank you for your time and consideration.

Sincerely,

Suzie Baisch

Suzie Baisch

Executive Director

Testimony of Julie Rygg
Greater Grand Forks Convention & Visitor Bureau Executive Director
House Bill 1018
January 13, 2011

HB 1018
Dept. of Commerce
1/13/11
Attachment # 14
GREATER
Grand Forks
CONVENTION & VISITORS BUREAU

Chairman and members of the House Appropriations and Government Operations Committee:

Please accept this written testimony, on behalf of the Greater Grand Forks Convention & Visitors Bureau (GGFCVB), as a request for your support of \$1.15 million in North Dakota Tourism Division budget enhancements for the 2011-2013 biennium in the following ways:

- Increase the tourism marketing budget by \$600,000.
- Move \$100,000 appropriated for the USS ND in 2009-2011 into a fund for Visitor Information Centers (VIC), and add \$50,000 to it for a total of \$150,000 for VICs.
- Move \$2 million earmarked for specific infrastructure projects in 2009-2011 into a large infrastructure grant program, and add \$500,000 for small project infrastructure grants.

At a time when advertising costs are rising and technology is advancing rapidly, it is crucial our state's tourism industry meet and exceed those demands in order to stay competitive. Promotions and cooperative programs will eventually have to be cut if the tourism marketing budget continues to remain flat.

The GGFCVB utilizes a number of the cooperative advertising programs offered by State Tourism, particularly those in Canada. These programs allow us to stretch our dollars further and better promote our community. In a city that has a population of just over 50,000, we are filling world-class venues as well as small, independent businesses. This cannot be achieved without marketing dollars and support from the State.

Visitor Information Centers (VIC) are also a very important part of tourism in the state of North Dakota. Even though many visitors now plan their trips electronically, they still utilize VICs during travel, and these centers can and do make the difference of a visitor just passing through and one that decides to stay longer in our great state. Currently the Greater Grand Forks VIC sees 20,000-22,000 visitors come through our doors each year.

Again, I ask for your support of tourism, and that you vote to increase the Tourism Division's budget as mentioned above. It is imperative for the success and survival of North Dakota's tourism industry. In fact, many experts believe tourism plays a crucial role in staving off hard economic times. If travel can be stimulated, it will undoubtedly help to benefit the whole economy on local, state and national levels.

Thank you for your time and consideration.

simplygrand

4251 Gateway Drive, Grand Forks, ND 58203
701.746.0444 (ph) 800.866.4566 (toll free) 701.746.0775 (fax)
www.visitgrandforks.com

**Buffalo City Tourism Foundation
404 Louis L'Amour Lane
Jamestown, ND 58401**

*HB 1018
Dept. of Commerce
1/13/11
Attachment #15*

January 7, 2011

House Appropriations Committee
State Capitol
600 East Boulevard
Bismarck, ND 58505

Regarding: HB1018

Honorable Chairman Bob Skarphol and Committee Members,

As the Executive Director for Tourism in Jamestown, North Dakota, it has been my privilege and honor to watch the growth and development of tourism in our city and state over the last seven years. I have witnessed not only a growth in the number of guests (tourists) visiting us, but a growing sense of pride in our city and state.

We have gained some much-needed momentum over these years thanks to the diligent work and partnerships formed with the Tourism Division of the ND Department of Commerce. After all, it is no small feat to be named America's Friendliest State and Most Affordable Vacation State. So, how do we continue this national notoriety and forward momentum in the years to come?

Exposure does that. Designations like these are nothing more than a quick flash in the pan if we don't now use them to our advantage through increased marketing dollars, improvements to our present Visitor Information Centers and improvements to our attractions.

I and the Buffalo City Tourism Foundation Board of Directors urge your support to increase the ND Tourism budget as proposed.

Thank you for this opportunity to share my opinions with you on this important issue. Good luck in the new session.

Respectfully,

Nina Sneider, Executive Director
Buffalo City Tourism Foundation



HB 1018
Dept. of Commerce
1/13/11
Attachment #16

Good Morning,

January 13, 2011

Thank you for the opportunity to provide testimony this morning my name is Doug Hevenor and I am the CEO of the International Peace Garden.

I am here to speak to HB 2018 in support of the North Dakota Tourism Department's requested \$1.15 million in the Tourism Division budget enhancements, including an additional \$600,000 for marketing, \$150,000 for Visitor Information Centers, and \$2.5 million for the Tourism Infrastructure and Expansion Grant program.

The Governor definitely got it right by including Tourism as one of top five ways to increase jobs within the state but how does one accomplish the task with no new funding and without enhancing the budget?

Over the past several years Tourism has proven that has become a major player in generating revenue within the State of North Dakota. Increases in dollars spent directly in marketing by the tourism department will correlate directly with increased revenues for private enterprise within the State.

We must continue to grow tourism and in order to succeed we must promote our State by accessing new and non-traditional vacation markets. Getting the word out is not an easy task we will need to support on-line marketing, face to face interactions at trade shows, and get out a speak at conferences and conventions. Tourism is doing a fantastic job now but we need to do more and more costs money.

Improvements to existing visitor's centers will encourage more state visitor travel and encourage visitors to stay longer in turn increasing revenue for hoteliers, and retail merchants. The longer we can encourage visitors to stay with us the greater the potential for earned revenue.

In order to continue to lead tourism within the United States we need to ensure that our tourism infrastructure is maintained and expanded. By doing this we ensure that our message is getting out and that visitors receive real value when the spend time in our State.

The Grant program is vital and essential for improving attractions and facilities especially in rural areas located in smaller markets throughout the State. In many cases without these grants these areas to do not have access to funds that can improve their infrastructure.

Please work together to add \$1.15 million in the Tourism Division budget enhancements to the North Dakota Tourism Department.

Respectfully,

D Hevenor, CEO
10939 Highway 281
Dunseith, ND 58329-9445
(888) 432-6733

HB 1018
Dept. of Commerce
1/13/11
attachment #17

McHenry County Jobs Development Authority

PO Box 408 * Velva ND 58790 * 701-626-2551 * www.mchenrycountynd.com

**Testimony of Maria Effertz Hanson
McHenry County Jobs Development Authority
HB 1018
January 13, 2011**

Representative Skarphol and members of the committee my name is Maria Effertz Hanson and I am here today supporting the budget for the Department of Commerce. I am here today on behalf of McHenry County and as a member of the Economic Development Association of North Dakota.

The people and programs at the Department of Commerce have been an integral part of rural North Dakota's success. I have personally utilized many of their programs and direct our businesses and communities to Department of Commerce for technical support, planning and funding.

I am highlighting a couple of the programs which have provided the resources and assistance to help our rural county reach audiences, retain and recruit new businesses and employees.

The county and communities have utilized the Partners in Marketing program to reach global audiences through a variety of means. We now have professional marketing materials that showcase the opportunities for small businesses and families. This program helped fund our projects, and provided technical assistance and networking opportunities that stretched our minimal marketing dollars.

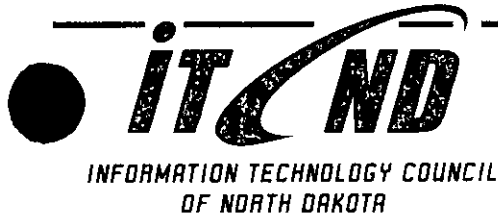
The Department of Commerce carries a broad mission that assists a variety of programs in rural North Dakota. We have utilized the Agriculture Products Utilization funds for business development and in combination with research and programming. The childcare grant has helped meet some of the demand in rural areas for quality care, but there is still a large need. The North Dakota Trade Office is important to our area as our location near the Port of North Dakota will be an opportunity for future growth in value added agriculture production to a worldwide audience.

We are fortunate to be near a higher education university and have utilized two of the Centers for Excellence outcomes (NDSU Bio Fuels and Minot State University Entrepreneurship Center) and we intend to further partner with Centers for Excellence to help train our citizens and utilize the resources to grow our businesses.

As an energy county with resources in wind, agriculture including biodiesel, and nontraditional resources, we look forward to having a designated person and department with the new Energy Division that would be familiar with the truly diverse energy opportunities we have in North Dakota.

These are just a few of the programs we utilize on a frequent basis. The assistance we receive from the Department of Commerce allows rural counties and communities, such as ours, to recruit new people, employees, and businesses and showcase our part of the state to the world.

Thank you and I would be happy to answer any questions.



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HB 1018
Dept of Commerce
1/13/11
Attachment # 18

Testimony of Gary Inman

Senior Vice President of Information Technology, State Bank and Trust
In Support of HB 1018
January 13, 2011

Chairman Skarphol and members of the Education and Environment Division of the House
Appropriations Committee:

My name is Gary Inman, and I am the Senior Vice President of Information Technology of State Bank and Trust in Fargo. I also serve as the president of the Information Technology Council of North Dakota (ITCND). It is on behalf of ITCND that I am voicing support of HB 1018, specifically as it relates to the continued funding of the Operation Intern and Innovate ND programs and the reorganization and funding of the Centers of Excellence program.

ITCND was created in 2000 by North Dakota business, government and university leaders who recognized the need to strengthen the state's information technology infrastructure and reposition the state as a national leader in IT. ITCND has nearly 100 member organizations, with representatives from both the public and private sector.

State Bank and Trust is just one of 35 companies using the Operation Intern program to hire interns in the area of information technology. This program has allowed our company to provide two internships, which we might not have been able to offer without the incentive. With these internships we are able to advance two internal initiatives by dedicating these resources to the projects.

According to the *2011 State of the IT Industry Guide*, North Dakota's IT industry will need to replace nearly 40 percent of its current workforce within the next decade. The development of a high-quality workforce is vital to the future growth of North Dakota's IT industry. A key component in this process is engaging students in IT careers by providing internship opportunities, which many times lead to full-time, permanent employment.

ITCND also supports removal of the language limiting the use of the program to only new or expanded internships, which is in SB 2056. Without this change, several businesses are only able to use the program one year and are not encouraged to hire an intern in future years because the program no longer applies to them.

One of ITCND's goals is business development and entrepreneurship, which is why we also support the continued funding for the Innovate ND program and the funding for the reorganized Centers of Excellence program. IT entrepreneurs have been the beneficiaries of both of these programs in the past, allowing them to start or expand their innovative business ventures.

We thank you for your support of Operation Intern, Innovate ND and the Centers of Excellence programs in the past, and hope you will support their continued funding.



ND PETROLEUM MARKETERS ASSOCIATION

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*HB 1018
Rpt. of Commerce
Attachment #19
1/13/11*

Testimony HB 1018

January 18, 2011 – House Appropriations Committee

Chairman Skarphol & members of the committee:

For the record, my name is Mike Rud. I'm the President of the North Dakota Petroleum Marketers Association. NDPMA members would like to propose a different use for the remaining blender pump funds in HB 1018.

In 2009, NDPMA supported the passage of blender pump legislation. This has been a very successful and useful program for North Dakota Gas retailers looking to sell higher blends of renewable fuels.

However, NDPMA's main concern continues to be infrastructure compatibility with higher blends of ethanol. While many studies continue to be conducted on how vehicles and gas pumps will respond to higher blends of ethanol, little or no research is being done on what effect higher blends are having or may have on such items as gasoline storage tanks and

underground piping, along with other pieces of infrastructure associated with the retail gas industry.

In light of these concerns, **NDPMA is proposing any money set aside for biofuels incentives in HB 1018 be used to offset the cost of petroleum distribution infrastructure, rather than just blender pump expansion.** We have several reasons for such a plan.

The best way to grow the sale of renewable fuels in the state is to take away any concerns of marketer liability should a petroleum release occur. Infrastructure is the number one issue holding many marketers back from expanding into the renewable fuels retail sector. Of particular concern to NDPMA is the compatibility of underground piping with ethanol blends greater than an E-10. Marketers can basically guarantee equipment will be compatible with higher blends of ethanol by installing new equipment. Two percent or \$20,000 per retail site as HB 1018 language currently reads, would go a long way towards helping a gas retailer replace piping and other components with products capable of handling higher blends of ethanol gas.

There are other forms of money available to a marketer to offset the costs. The tax extensions recently passed by Congress provide a \$30,000 credit to retailers installing

renewable infrastructure. In meetings with the USDA, NDPMA has learned there's as much as 400 million dollars potentially available for retail renewable fuels expansion.

In conclusion, NDPMA feels we need to continue to grow renewable fuel sales opportunities in the state. We just need to do it the right way so as to protect the gas retailer, the general public and the environment. The best way to accomplish this is to make the remaining ARRA and state biofuels monies available for all retail gas infrastructure improvements, not just blender pumps.

Thank you for your time and consideration on this matter. I would be happy to answer any questions you might have at your convenience.

ND PETROLEUM MARKETERS
ASSOCIATION

MIKE RUD
PRESIDENT

ND RETAIL ASSOCIATION



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HB 1018
Dept of Commerce
1/13/11
attachment # 20

Testimony of Tracy Potter on HB 1018
Division of Tourism Budget within Department of Commerce

Chairman Skarpohl and Members of the Education and Environment Division of the House Appropriations Committee, thank you for receiving these remarks.

I am Tracy Potter, president and executive director of the Fort Abraham Lincoln Foundation and also president of the Missouri Riverboat, Inc., which operates the Lewis and Clark Riverboat. Our non-profit foundation operates Five Nations Arts in Mandan and the interpretive programs at Fort Lincoln State Park.

At Fort Lincoln, I am pleased to report, the guest registers reveal that 70% of our visitors are from out of state. Some are lured here as a destination because of their interest in the 7th Cavalry or the Mandan Indians. More are traveling through or are here for another reason and find time to visit Fort Lincoln, where we hope to hold them long enough to encourage them to buy another meal in a local restaurant or spend another night in a local hotel. In any case they bring new money into our state and leave some of it here.

We are one (or two or three) of the partners of North Dakota Tourism. The Theodore Roosevelt Medora Foundation, the Lewis and Clark Fort Mandan Foundation, and other non-profit and for-profit businesses across the state deliver the experiences that North Dakota Tourism promises in its advertising. The state Tourism office is our joint marketing agency, doing for all of us together what we are unable to do for ourselves - that is, make major investments in media markets in other states.

The partnership works well for the state. Tourists come here and spend hundreds of millions of dollars in restaurants, hotels, and gift shops all across North Dakota. None of our businesses individually can afford to advertise on television in the Twin Cities or Winnipeg, for example. But when the state Tourism office gets them into the state, we can keep them here longer with the experiences and the sites we offer.

But marketing is expensive and getting more so. But it's also effective. I'd like to give one example.

Just before North Dakota Tourism started its first television ad campaign in the Twin Cities in 1989, we did a baseline survey of attitudes Minnesotans held toward North Dakota. A key question was, "What is the first thing that comes to mind when I say the words North Dakota?"

The number one answer was: "Can't think of anything at all," followed by adjectives like cold and flat.

We spent \$250,000 that year and re-surveyed. The top numbers had barely moved. But we kept at it, showing beautiful scenes of the Bad Lands, and the Custer House and other attractions. In the fourth year, the number one thing those Minnesotans thought of when they heard the question was "beautiful scenery." Marketing works. Or it can work, if adequately funded.

The North Dakota Tourism Division under Sara Otte-Coleman delivers for North Dakota. Always under-funded, it has still achieved success at luring visitors to our state from surrounding states and even international destinations.

You hear in virtually every pitch from agencies that this or that appropriation will actually save the state money. In the case of tourism marketing, you're not saving money, you're making money ... adding to the economic vitality of an industry that is ultimately sustainable, helping small mom and pop businesses from Fort Ransom to Crosby, creating jobs and, not incidentally, raising sales tax revenue for the state. Every dollar invested in North Dakota Tourism brings a return of many dollars. Certainly, there is some point of diminishing returns, but we haven't seen any sign of it yet.

Please make the investment to keep building this industry that is not subject to boom and bust, that weathers droughts and that is clean and sustainable. Thank you for your consideration of these comments.

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce
 Biennium: 2011-2013

Bill#: HB1018

Program: Commerce Administration			Reporting Level: 00-601-200-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Salaries and Wages								
Salaries - Permanent	1,312,023	1,436,806	231,400	16.1%	1,668,206	231,400	16.1%	1,668,206
Temporary Salaries	142,696	130,000	36,612	28.2%	166,612	36,612	28.2%	166,612
Overtime	11,969	1,000	(1,000)	(100.0%)	0	(1,000)	(100.0%)	0
Fringe Benefits	429,894	615,773	(39,797)	(6.5%)	575,976	(39,797)	(6.5%)	575,976
Salary Increase	0	0	0	0.0%	0	75,345	100.0%	75,345
Benefit Increase	0	0	0	0.0%	0	12,041	100.0%	12,041
Health Increase	0	0	0	0.0%	0	20,189	100.0%	20,189
Retirement Increase	0	0	0	0.0%	0	17,241	100.0%	17,241
EAP Increase	0	0	0	0.0%	0	40	100.0%	40
Total	1,896,582	2,183,579	227,215	10.4%	2,410,794	352,071	16.1%	2,535,650
Salaries and Wages								
General Fund	1,896,582	2,183,579	227,215	10.4%	2,410,794	352,071	16.1%	2,535,650
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	1,896,582	2,183,579	227,215	10.4%	2,410,794	352,071	16.1%	2,535,650
Operating Expenses								
Travel	137,563	140,043	(1,718)	(1.2%)	138,325	(1,718)	(1.2%)	138,325
Supplies - IT Software	25,083	16,685	0	0.0%	16,685	0	0.0%	16,685
Supply/Material-Professional	11,258	19,984	(5,289)	(26.5%)	14,695	(5,289)	(26.5%)	14,695
Food and Clothing	1,306	3,000	0	0.0%	3,000	0	0.0%	3,000
Miscellaneous Supplies	23,095	24,643	0	0.0%	24,643	0	0.0%	24,643
Office Supplies	69,973	26,308	(2,000)	(7.6%)	24,308	(2,000)	(7.6%)	24,308
Postage	67,454	85,428	(10,000)	(11.7%)	75,428	(10,000)	(11.7%)	75,428
Printing	53,463	55,071	(5,000)	(9.1%)	50,071	(5,000)	(9.1%)	50,071
IT Equip Under \$5,000	41,996	34,135	1,201	3.5%	35,336	1,201	3.5%	35,336
Other Equip Under \$5,000	844	3,000	0	0.0%	3,000	0	0.0%	3,000
Office Equip & Furn Supplies	41,465	9,428	0	0.0%	9,428	0	0.0%	9,428
Insurance	1,863	14,325	0	0.0%	14,325	0	0.0%	14,325
Rentals/Leases-Equip & Other	6,837	11,228	(4,800)	(42.8%)	6,428	(4,800)	(42.8%)	6,428
Rentals/Leases - Bldg/Land	154,991	168,929	17,278	10.2%	186,207	17,278	10.2%	186,207
Repairs	10,207	13,260	(9,260)	(69.8%)	4,000	(9,260)	(69.8%)	4,000
IT - Data Processing	56,851	44,946	1,800	4.0%	46,746	1,800	4.0%	46,746
IT - Communications	34,547	31,083	1,431	4.6%	32,514	1,431	4.6%	32,514
IT Contractual Svcs and Rprs	142,440	48,357	15,000	31.0%	63,357	15,000	31.0%	63,357
Professional Development	205,032	182,786	(5,209)	(2.8%)	177,577	(5,209)	(2.8%)	177,577
Operating Fees and Services	883,222	1,471,118	24,500	1.7%	1,495,618	24,500	1.7%	1,495,618

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Commerce Administration			Reporting Level: 00-601-200-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Fees - Professional Services	1,061,682	68,758	2,000	2.9%	70,758	2,000	2.9%	70,758
Total	3,031,172	2,472,515	19,934	0.8%	2,492,449	19,934	0.8%	2,492,449
Operating Expenses								
General Fund	2,873,245	2,263,015	29,434	1.3%	2,292,449	29,434	1.3%	2,292,449
Federal Funds	0	9,500	(9,500)	(100.0%)	0	(9,500)	(100.0%)	0
Special Funds	157,927	200,000	0	0.0%	200,000	0	0.0%	200,000
Total	3,031,172	2,472,515	19,934	0.8%	2,492,449	19,934	0.8%	2,492,449
Capital Assets								
Equipment Over \$5000	24,765	0	0	0.0%	0	0	0.0%	0
Total	24,765	0	0	0.0%	0	0	0.0%	0
Capital Assets								
General Fund	24,765	0	0	0.0%	0	0	0.0%	0
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	24,765	0	0	0.0%	0	0	0.0%	0
Discretionary Grants								
Professional Development	5,000	0	0	0.0%	0	0	0.0%	0
Operating Fees and Services	10,000	0	0	0.0%	0	0	0.0%	0
Grants, Benefits & Claims	1,476,369	1,463,282	(535,200)	(36.6%)	928,082	(535,200)	(36.6%)	928,082
Total	1,491,369	1,463,282	(535,200)	(36.6%)	928,082	(535,200)	(36.6%)	928,082
Discretionary Grants								
General Fund	1,491,369	1,463,282	(535,200)	(36.6%)	928,082	(535,200)	(36.6%)	928,082
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	1,491,369	1,463,282	(535,200)	(36.6%)	928,082	(535,200)	(36.6%)	928,082
North Dakota Trade Office								
Operating Fees and Services	1,500,000	1,991,719	0	0.0%	1,991,719	561,281	28.2%	2,553,000
Grants, Benefits & Claims	0	72,281	0	0.0%	72,281	(72,281)	(100.0%)	0
Total	1,500,000	2,064,000	0	0.0%	2,064,000	489,000	23.7%	2,553,000
North Dakota Trade Office								
General Fund	1,500,000	2,064,000	0	0.0%	2,064,000	489,000	23.7%	2,553,000

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Commerce Administration			Reporting Level: 00-601-200-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	1,500,000	2,064,000	0	0.0%	2,064,000	489,000	23.7%	2,553,000
Partner Programs								
Operating Fees and Services	100,000	100,000	0	0.0%	100,000	100,000	100.0%	200,000
Fees - Professional Services	0	950,000	0	0.0%	950,000	0	0.0%	950,000
Grants, Benefits & Claims	0	972,044	0	0.0%	972,044	0	0.0%	972,044
Total	100,000	2,022,044	0	0.0%	2,022,044	100,000	4.9%	2,122,044
Partner Programs								
General Fund	100,000	2,022,044	0	0.0%	2,022,044	100,000	4.9%	2,122,044
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	100,000	2,022,044	0	0.0%	2,022,044	100,000	4.9%	2,122,044
Total Expenditures	8,043,888	10,205,420	(288,051)	(2.8%)	9,917,369	425,805	4.2%	10,631,225
Funding Sources								
General Fund								
Total	7,885,961	9,995,920	(278,551)	(2.8%)	9,717,369	435,305	4.4%	10,431,225
Federal Funds								
E037 DOE2000	0	9,500	(9,500)	(100.0%)	0	(9,500)	(100.0%)	0
Total	0	9,500	(9,500)	(100.0%)	0	(9,500)	(100.0%)	0
Special Funds								
330 Economic Dev. Fund 330	157,927	200,000	0	0.0%	200,000	0	0.0%	200,000
Total	157,927	200,000	0	0.0%	200,000	0	0.0%	200,000
Total Funding Sources	8,043,888	10,205,420	(288,051)	(2.8%)	9,917,369	425,805	4.2%	10,631,225
FTE Employees	11.01	14.13	0.04	0.3%	14.17	0.04	0.3%	14.17

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Innovation and Strategic Initiatives			Reporting Level: 00-601-250-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Salaries and Wages								
Salaries - Permanent	227,689	294,985	(793)	(0.3%)	294,192	(793)	(0.3%)	294,192
Temporary Salaries	612	0	0	0.0%	0	0	0.0%	0
Overtime	4,363	0	0	0.0%	0	0	0.0%	0
Fringe Benefits	81,078	126,422	(15,802)	(12.5%)	110,620	(15,802)	(12.5%)	110,620
Salary Increase	0	0	0	0.0%	0	13,371	100.0%	13,371
Benefit Increase	0	0	0	0.0%	0	2,261	100.0%	2,261
Health Increase	0	0	0	0.0%	0	4,366	100.0%	4,366
Retirement Increase	0	0	0	0.0%	0	3,060	100.0%	3,060
EAP Increase	0	0	0	0.0%	0	10	100.0%	10
Total	313,742	421,407	(16,595)	(3.9%)	404,812	6,473	1.5%	427,880
Salaries and Wages								
General Fund	313,742	421,407	(16,595)	(3.9%)	404,812	6,473	1.5%	427,880
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	313,742	421,407	(16,595)	(3.9%)	404,812	6,473	1.5%	427,880
Operating Expenses								
Travel	9,120	42,710	(11,553)	(27.0%)	31,157	(11,553)	(27.0%)	31,157
Supplies - IT Software	0	1,000	0	0.0%	1,000	0	0.0%	1,000
Supply/Material-Professional	148	0	0	0.0%	0	0	0.0%	0
Miscellaneous Supplies	100	500	0	0.0%	500	0	0.0%	500
Office Supplies	210	500	200	40.0%	700	200	40.0%	700
Postage	1,653	2,000	0	0.0%	2,000	0	0.0%	2,000
Printing	4,017	500	2,500	500.0%	3,000	2,500	500.0%	3,000
IT Equip Under \$5,000	1,334	3,200	(1,600)	(50.0%)	1,600	(1,600)	(50.0%)	1,600
Rentals/Leases-Equip & Other	94	0	0	0.0%	0	0	0.0%	0
Rentals/Leases - Bldg/Land	18,005	8,928	10,381	116.3%	19,309	10,381	116.3%	19,309
IT - Data Processing	6,280	6,237	2,413	38.7%	8,650	2,413	38.7%	8,650
IT - Communications	5,545	10,060	658	6.5%	10,718	658	6.5%	10,718
IT Contractual Svcs and Rprs	5,416	5,000	0	0.0%	5,000	0	0.0%	5,000
Professional Development	7,070	16,500	2,700	16.4%	19,200	2,700	16.4%	19,200
Operating Fees and Services	308,551	955,099	(399,599)	(41.8%)	555,500	(399,599)	(41.8%)	555,500
Fees - Professional Services	3,078	3,000	(600)	(20.0%)	2,400	(600)	(20.0%)	2,400
Total	370,621	1,055,234	(394,500)	(37.4%)	660,734	(394,500)	(37.4%)	660,734
Operating Expenses								
General Fund	245,621	530,234	(19,500)	(3.7%)	510,734	(19,500)	(3.7%)	510,734

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Innovation and Strategic Initiatives			Reporting Level: 00-601-250-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	125,000	525,000	(375,000)	(71.4%)	150,000	(375,000)	(71.4%)	150,000
Total	370,621	1,055,234	(394,500)	(37.4%)	660,734	(394,500)	(37.4%)	660,734
Grants								
Grants, Benefits & Claims	0	1,000,000	0	0.0%	1,000,000	0	0.0%	1,000,000
Total	0	1,000,000	0	0.0%	1,000,000	0	0.0%	1,000,000
Grants								
General Fund	0	1,000,000	0	0.0%	1,000,000	0	0.0%	1,000,000
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	0	1,000,000	0	0.0%	1,000,000	0	0.0%	1,000,000
Centers of Excellence Grants								
Fees - Professional Services	0	50,000	(50,000)	(100.0%)	0	(50,000)	(100.0%)	0
Grants, Benefits & Claims	0	19,450,000	(19,450,000)	(100.0%)	0	(6,450,000)	(33.2%)	13,000,000
Total	0	19,500,000	(19,500,000)	(100.0%)	0	(6,500,000)	(33.3%)	13,000,000
Centers of Excellence Grants								
General Fund	0	19,500,000	(19,500,000)	(100.0%)	0	(6,500,000)	(33.3%)	13,000,000
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	0	19,500,000	(19,500,000)	(100.0%)	0	(6,500,000)	(33.3%)	13,000,000
Total Expenditures	684,363	21,976,641	(19,911,095)	(90.6%)	2,065,546	(6,888,027)	(31.3%)	15,088,614
Funding Sources								
General Fund								
Total	559,363	21,451,641	(19,536,095)	(91.1%)	1,915,546	(6,513,027)	(30.4%)	14,938,614
Special Funds								
330 Economic Dev. Fund 330	125,000	525,000	(375,000)	(71.4%)	150,000	(375,000)	(71.4%)	150,000
Total	125,000	525,000	(375,000)	(71.4%)	150,000	(375,000)	(71.4%)	150,000
Total Funding Sources	684,363	21,976,641	(19,911,095)	(90.6%)	2,065,546	(6,888,027)	(31.3%)	15,088,614

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Innovation and Strategic Initiatives

Reporting Level: 00-601-250-00-00-00-00-00000000

Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
FTE Employees	3.00	3.00	0.00	0.0%	3.00	0.00	0.0%	3.00

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: North Dakota Tourism			Reporting Level: 00-601-300-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Salaries and Wages								
Salaries - Permanent	983,354	1,063,682	48,070	4.5%	1,111,752	48,070	4.5%	1,111,752
Temporary Salaries	59,678	45,000	12,720	28.3%	57,720	12,720	28.3%	57,720
Overtime	12,067	5,000	(5,000)	(100.0%)	0	(5,000)	(100.0%)	0
Fringe Benefits	348,528	455,863	(39,197)	(8.6%)	416,666	(39,197)	(8.6%)	416,666
Salary Increase	0	0	0	0.0%	0	50,529	100.0%	50,529
Benefit Increase	0	0	0	0.0%	0	8,545	100.0%	8,545
Health Increase	0	0	0	0.0%	0	16,012	100.0%	16,012
Retirement Increase	0	0	0	0.0%	0	11,562	100.0%	11,562
EAP Increase	0	0	0	0.0%	0	31	100.0%	31
Total	1,403,627	1,569,545	16,593	1.1%	1,586,138	103,272	6.6%	1,672,817
Salaries and Wages								
General Fund	1,403,627	1,569,545	16,593	1.1%	1,586,138	103,272	6.6%	1,672,817
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	1,403,627	1,569,545	16,593	1.1%	1,586,138	103,272	6.6%	1,672,817
Operating Expenses								
Travel	151,548	202,890	(17,203)	(8.5%)	185,687	(17,203)	(8.5%)	185,687
Supplies - IT Software	2,758	2,000	12,000	600.0%	14,000	12,000	600.0%	14,000
Supply/Material-Professional	1,975	4,050	(1,900)	(46.9%)	2,150	(1,900)	(46.9%)	2,150
Food and Clothing	365	1,150	0	0.0%	1,150	0	0.0%	1,150
Miscellaneous Supplies	57,125	241,250	(1,850)	(0.8%)	239,400	(1,850)	(0.8%)	239,400
Office Supplies	13,273	16,000	(1,500)	(9.4%)	14,500	(1,500)	(9.4%)	14,500
Postage	404,841	404,000	(20,000)	(5.0%)	384,000	(20,000)	(5.0%)	384,000
Printing	694,532	688,300	(10,650)	(1.5%)	677,650	(10,650)	(1.5%)	677,650
IT Equip Under \$5,000	2,463	22,000	(3,000)	(13.6%)	19,000	(3,000)	(13.6%)	19,000
Office Equip & Furn Supplies	0	12,000	0	0.0%	12,000	0	0.0%	12,000
Insurance	1,555	1,900	(540)	(28.4%)	1,360	(540)	(28.4%)	1,360
Rentals/Leases-Equip & Other	2,900	5,200	920	17.7%	6,120	920	17.7%	6,120
Rentals/Leases - Bldg/Land	107,295	107,300	5,176	4.8%	112,476	5,176	4.8%	112,476
Repairs	189	1,500	(56)	(3.7%)	1,444	(56)	(3.7%)	1,444
IT - Data Processing	26,070	36,900	5,600	15.2%	42,500	5,600	15.2%	42,500
IT - Communications	35,024	40,000	0	0.0%	40,000	0	0.0%	40,000
IT Contractual Svcs and Rprs	29,607	53,000	8,403	15.9%	61,403	8,403	15.9%	61,403
Professional Development	52,956	65,500	1,250	1.9%	66,750	1,250	1.9%	66,750
Operating Fees and Services	4,640,797	4,745,739	47,350	1.0%	4,793,089	47,350	1.0%	4,793,089
Fees - Professional Services	934,342	1,033,650	(24,000)	(2.3%)	1,009,650	(24,000)	(2.3%)	1,009,650

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Biennium: 2011-2013

Time: 10:35:04

Program: North Dakota Tourism

Reporting Level: 00-601-300-00-00-00-00000000

Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Total	7,159,615	7,684,329	0	0.0%	7,684,329	0	0.0%	7,684,329
Operating Expenses								
General Fund	7,083,751	7,321,329	0	0.0%	7,321,329	0	0.0%	7,321,329
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	75,864	363,000	0	0.0%	363,000	0	0.0%	363,000
Total	7,159,615	7,684,329	0	0.0%	7,684,329	0	0.0%	7,684,329
Grants								
Grants, Benefits & Claims	258,143	2,315,800	(2,100,000)	(90.7%)	215,800	(2,100,000)	(90.7%)	215,800
Total	258,143	2,315,800	(2,100,000)	(90.7%)	215,800	(2,100,000)	(90.7%)	215,800
Grants								
General Fund	233,126	2,315,800	(2,100,000)	(90.7%)	215,800	(2,100,000)	(90.7%)	215,800
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	25,017	0	0	0.0%	0	0	0.0%	0
Total	258,143	2,315,800	(2,100,000)	(90.7%)	215,800	(2,100,000)	(90.7%)	215,800
Total Expenditures	8,821,385	11,569,674	(2,083,407)	(18.0%)	9,486,267	(1,996,728)	(17.3%)	9,572,946
Funding Sources								
General Fund								
Total	8,720,504	11,206,674	(2,083,407)	(18.6%)	9,123,267	(1,996,728)	(17.8%)	9,209,946
Special Funds								
443 Department of Tourism Fund 443	100,881	363,000	0	0.0%	363,000	0	0.0%	363,000
Total	100,881	363,000	0	0.0%	363,000	0	0.0%	363,000
Total Funding Sources	8,821,385	11,569,674	(2,083,407)	(18.0%)	9,486,267	(1,996,728)	(17.3%)	9,572,946
FTE Employees	11.00	10.75	0.00	0.0%	10.75	0.25	2.3%	11.00

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: ND Workforce Development			Reporting Level: 00-601-400-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Salaries and Wages								
Salaries - Permanent	437,252	568,563	58,149	10.2%	626,712	58,149	10.2%	626,712
Temporary Salaries	47,846	3,030	65,454	2,160.2%	68,484	65,454	2,160.2%	68,484
Fringe Benefits	151,053	243,670	(9,176)	(3.8%)	234,494	(9,176)	(3.8%)	234,494
Salary Increase	0	0	0	0.0%	0	28,484	100.0%	28,484
Benefit Increase	0	0	0	0.0%	0	4,816	100.0%	4,816
Health Increase	0	0	0	0.0%	0	8,731	100.0%	8,731
Retirement Increase	0	0	0	0.0%	0	6,519	100.0%	6,519
EAP Increase	0	0	0	0.0%	0	20	100.0%	20
Total	636,151	815,263	114,427	14.0%	929,690	162,997	20.0%	978,260
Salaries and Wages								
General Fund	349,501	480,923	16,355	3.4%	497,278	44,530	9.3%	525,453
Federal Funds	286,650	334,340	98,072	29.3%	432,412	118,467	35.4%	452,807
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	636,151	815,263	114,427	14.0%	929,690	162,997	20.0%	978,260
Operating Expenses								
Travel	123,840	203,200	7,250	3.6%	210,450	7,250	3.6%	210,450
Supplies - IT Software	6,255	3,665	0	0.0%	3,665	0	0.0%	3,665
Supply/Material-Professional	5,685	3,612	(55)	(1.5%)	3,557	(55)	(1.5%)	3,557
Food and Clothing	760	0	0	0.0%	0	0	0.0%	0
Miscellaneous Supplies	783	2,100	1,010	48.1%	3,110	1,010	48.1%	3,110
Office Supplies	10,158	5,186	4,700	90.6%	9,886	4,700	90.6%	9,886
Postage	5,645	6,372	(800)	(12.6%)	5,572	(800)	(12.6%)	5,572
Printing	1,999	9,729	(3,800)	(39.1%)	5,929	(3,800)	(39.1%)	5,929
IT Equip Under \$5,000	7,167	10,786	(2,200)	(20.4%)	8,586	(2,200)	(20.4%)	8,586
Office Equip & Furn Supplies	630	4,172	0	0.0%	4,172	0	0.0%	4,172
Insurance	0	537	389	72.4%	926	389	72.4%	926
Rentals/Leases-Equip & Other	1,315	1,872	2,100	112.2%	3,972	2,100	112.2%	3,972
Rentals/Leases - Bldg/Land	33,026	35,171	8,707	24.8%	43,878	8,707	24.8%	43,878
Repairs	0	800	(400)	(50.0%)	400	(400)	(50.0%)	400
IT - Data Processing	7,180	7,256	7,836	108.0%	15,092	7,836	108.0%	15,092
IT - Communications	10,211	6,764	7,765	114.8%	14,529	7,765	114.8%	14,529
IT Contractual Svcs and Rprs	751	6,531	(2,188)	(33.5%)	4,343	(2,188)	(33.5%)	4,343
Professional Development	55,335	38,568	2,246	5.8%	40,814	2,246	5.8%	40,814
Operating Fees and Services	317,488	354,161	(49,213)	(13.9%)	304,948	50,787	14.3%	404,948
Fees - Professional Services	7,133	253,107	(40,200)	(15.9%)	212,907	(40,200)	(15.9%)	212,907
Operating Budget Adjustment	0	0	0	0.0%	0	125,000	100.0%	125,000

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: ND Workforce Development			Reporting Level: 00-601-400-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Total	595,361	953,589	(56,853)	(6.0%)	896,736	168,147	17.6%	1,121,736
Operating Expenses								
General Fund	292,671	388,645	(2)	0.0%	388,643	224,998	57.9%	613,643
Federal Funds	241,402	389,944	(56,851)	(14.6%)	333,093	(56,851)	(14.6%)	333,093
Special Funds	61,288	175,000	0	0.0%	175,000	0	0.0%	175,000
Total	595,361	953,589	(56,853)	(6.0%)	896,736	168,147	17.6%	1,121,736
Grants								
Grants, Benefits & Claims	969,508	1,000,000	200,000	20.0%	1,200,000	350,000	35.0%	1,350,000
Total	969,508	1,000,000	200,000	20.0%	1,200,000	350,000	35.0%	1,350,000
Grants								
General Fund	0	0	0	0.0%	0	150,000	100.0%	150,000
Federal Funds	948,174	1,000,000	200,000	20.0%	1,200,000	200,000	20.0%	1,200,000
Special Funds	21,334	0	0	0.0%	0	0	0.0%	0
Total	969,508	1,000,000	200,000	20.0%	1,200,000	350,000	35.0%	1,350,000
Workforce Enhancement Fund								
Grants, Benefits & Claims	0	1,000,000	(1,000,000)	(100.0%)	0	1,000,000	100.0%	2,000,000
Total	0	1,000,000	(1,000,000)	(100.0%)	0	1,000,000	100.0%	2,000,000
Workforce Enhancement Fund								
General Fund	0	1,000,000	(1,000,000)	(100.0%)	0	1,000,000	100.0%	2,000,000
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	0	1,000,000	(1,000,000)	(100.0%)	0	1,000,000	100.0%	2,000,000
Economic Develop Initiatives								
Salaries - Permanent	86,184	0	0	0.0%	0	0	0.0%	0
Fringe Benefits	27,349	0	0	0.0%	0	0	0.0%	0
Travel	13,914	0	0	0.0%	0	0	0.0%	0
Miscellaneous Supplies	130	0	0	0.0%	0	0	0.0%	0
Postage	138	0	0	0.0%	0	0	0.0%	0
Printing	657	0	0	0.0%	0	0	0.0%	0
IT Equip Under \$5,000	3,111	0	0	0.0%	0	0	0.0%	0
Rentals/Leases-Equip & Other	160	0	0	0.0%	0	0	0.0%	0
Rentals/Leases - Bldg/Land	4,230	0	0	0.0%	0	0	0.0%	0

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: ND Workforce Development			Reporting Level: 00-601-400-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
IT - Data Processing	830	0	0	0.0%	0	0	0.0%	0
IT - Communications	2,294	0	0	0.0%	0	0	0.0%	0
Professional Development	1,957	0	0	0.0%	0	0	0.0%	0
Operating Fees and Services	600,082	0	0	0.0%	0	0	0.0%	0
Total	741,036	0	0	0.0%	0	0	0.0%	0
Economic Develop Initiatives								
General Fund	741,036	0	0	0.0%	0	0	0.0%	0
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	741,036	0	0	0.0%	0	0	0.0%	0
Total Expenditures	2,942,056	3,768,852	(742,426)	(19.7%)	3,026,426	1,681,144	44.6%	5,449,996
Funding Sources								
General Fund								
Total	1,383,208	1,869,568	(983,647)	(52.6%)	885,921	1,419,528	75.9%	3,289,096
Federal Funds								
A048 Workforce Development	218,203	216,681	15,982	7.4%	232,663	21,876	10.1%	238,557
A060 WFD NDCNCS	1,241,223	1,507,603	225,239	14.9%	1,732,842	239,740	15.9%	1,747,343
A066 WIA Talent Initiatives	16,800	0	0	0.0%	0	0	0.0%	0
Total	1,476,226	1,724,284	241,221	14.0%	1,965,505	261,616	15.2%	1,985,900
Special Funds								
330 Economic Dev. Fund 330	82,622	175,000	0	0.0%	175,000	0	0.0%	175,000
Total	82,622	175,000	0	0.0%	175,000	0	0.0%	175,000
Total Funding Sources	2,942,056	3,768,852	(742,426)	(19.7%)	3,026,426	1,681,144	44.6%	5,449,996
FTE Employees	6.00	6.00	0.00	0.0%	6.00	0.00	0.0%	6.00

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Economic Development and Finance			Reporting Level: 00-601-500-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Salaries and Wages								
Salaries - Permanent	1,495,350	1,656,732	165,684	10.0%	1,822,416	165,684	10.0%	1,822,416
Temporary Salaries	6,323	0	0	0.0%	0	0	0.0%	0
Overtime	17	0	0	0.0%	0	0	0.0%	0
Fringe Benefits	470,260	710,028	(97,650)	(13.8%)	612,378	(97,650)	(13.8%)	612,378
Salary Increase	0	0	0	0.0%	0	82,829	100.0%	82,829
Benefit Increase	0	0	0	0.0%	0	14,005	100.0%	14,005
Health Increase	0	0	0	0.0%	0	21,833	100.0%	21,833
Retirement Increase	0	0	0	0.0%	0	18,952	100.0%	18,952
EAP Increase	0	0	0	0.0%	0	45	100.0%	45
Total	1,971,950	2,366,760	68,034	2.9%	2,434,794	205,698	8.7%	2,572,458
Salaries and Wages								
General Fund	1,421,344	1,724,399	64,969	3.8%	1,789,368	166,130	9.6%	1,890,529
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	550,606	642,361	3,065	0.5%	645,426	39,568	6.2%	681,929
Total	1,971,950	2,366,760	68,034	2.9%	2,434,794	205,698	8.7%	2,572,458
Operating Expenses								
Travel	191,393	305,397	6,943	2.3%	312,340	6,943	2.3%	312,340
Supplies - IT Software	3,197	6,600	1,400	21.2%	8,000	1,400	21.2%	8,000
Supply/Material-Professional	73,036	98,719	(9,368)	(9.5%)	89,351	(9,368)	(9.5%)	89,351
Miscellaneous Supplies	3,056	9,279	(3,000)	(32.3%)	6,279	(3,000)	(32.3%)	6,279
Office Supplies	9,538	9,184	(6,064)	(66.0%)	3,120	(6,064)	(66.0%)	3,120
Postage	8,533	10,998	(1,835)	(16.7%)	9,163	(1,835)	(16.7%)	9,163
Printing	3,713	6,882	0	0.0%	6,882	0	0.0%	6,882
IT Equip Under \$5,000	5,347	13,292	(2,792)	(21.0%)	10,500	(2,792)	(21.0%)	10,500
Office Equip & Furn Supplies	689	0	0	0.0%	0	0	0.0%	0
Insurance	3,094	3,399	(939)	(27.6%)	2,460	(939)	(27.6%)	2,460
Rentals/Leases-Equip & Other	3,623	3,106	1,654	53.3%	4,760	1,654	53.3%	4,760
Rentals/Leases - Bldg/Land	117,450	112,280	(2,523)	(2.2%)	109,757	(2,523)	(2.2%)	109,757
Repairs	150	0	0	0.0%	0	0	0.0%	0
IT - Data Processing	57,041	30,008	(2,225)	(7.4%)	27,783	(2,225)	(7.4%)	27,783
IT - Communications	24,317	26,420	270	1.0%	26,690	270	1.0%	26,690
IT Contractual Svcs and Rprs	39,969	50,500	2,650	5.2%	53,150	2,650	5.2%	53,150
Professional Development	97,004	118,800	4,100	3.5%	122,900	4,100	3.5%	122,900
Operating Fees and Services	98,790	209,891	6,576	3.1%	216,467	6,576	3.1%	216,467
Fees - Professional Services	6,268	22,700	(1,000)	(4.4%)	21,700	(1,000)	(4.4%)	21,700
Total	746,208	1,037,455	(6,153)	(0.6%)	1,031,302	(6,153)	(0.6%)	1,031,302

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Economic Development and Finance			Reporting Level: 00-601-500-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Operating Expenses								
General Fund	746,160	969,911	290	0.0%	970,201	290	0.0%	970,201
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	48	67,544	(6,443)	(9.5%)	61,101	(6,443)	(9.5%)	61,101
Total	746,208	1,037,455	(6,153)	(0.6%)	1,031,302	(6,153)	(0.6%)	1,031,302
ND Development Fund								
Grants, Benefits & Claims	3,000,000	1,299,700	(1,299,700)	(100.0%)	0	(899,700)	(69.2%)	400,000
Total	3,000,000	1,299,700	(1,299,700)	(100.0%)	0	(899,700)	(69.2%)	400,000
ND Development Fund								
General Fund	3,000,000	1,299,700	(1,299,700)	(100.0%)	0	(899,700)	(69.2%)	400,000
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	3,000,000	1,299,700	(1,299,700)	(100.0%)	0	(899,700)	(69.2%)	400,000
Economic Develop Initiatives								
IT Contractual Svcs and Rprs	15,000	0	0	0.0%	0	0	0.0%	0
Operating Fees and Services	135,542	186,846	0	0.0%	186,846	0	0.0%	186,846
Fees - Professional Services	30,000	0	0	0.0%	0	0	0.0%	0
Total	180,542	186,846	0	0.0%	186,846	0	0.0%	186,846
Economic Develop Initiatives								
General Fund	142,798	186,846	0	0.0%	186,846	0	0.0%	186,846
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	37,744	0	0	0.0%	0	0	0.0%	0
Total	180,542	186,846	0	0.0%	186,846	0	0.0%	186,846
Agric. Products Util. Comm. (APUC)								
Salaries - Permanent	192,336	200,241	2,167	1.1%	202,408	2,167	1.1%	202,408
Fringe Benefits	64,054	85,818	(12,090)	(14.1%)	73,728	(12,090)	(14.1%)	73,728
Travel	29,073	33,000	1,460	4.4%	34,460	1,460	4.4%	34,460
Supplies - IT Software	619	500	250	50.0%	750	250	50.0%	750
Supply/Material-Professional	1,058	600	1,400	233.3%	2,000	1,400	233.3%	2,000
Miscellaneous Supplies	217	3,350	(850)	(25.4%)	2,500	(850)	(25.4%)	2,500
Office Supplies	980	1,000	1,000	100.0%	2,000	1,000	100.0%	2,000
Postage	699	1,188	12	1.0%	1,200	12	1.0%	1,200

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Economic Development and Finance			Reporting Level: 00-601-500-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Printing	1,816	5,000	(2,500)	(50.0%)	2,500	(2,500)	(50.0%)	2,500
IT Equip Under \$5,000	3,298	2,000	1,200	60.0%	3,200	1,200	60.0%	3,200
Rentals/Leases - Bldg/Land	10,480	10,277	1,723	16.8%	12,000	1,723	16.8%	12,000
Salary Increase	0	0	0	0.0%	0	8,538	100.0%	8,538
Benefit Increase	0	0	0	0.0%	0	1,444	100.0%	1,444
Health Increase	0	0	0	0.0%	0	2,912	100.0%	2,912
Retirement Increase	0	0	0	0.0%	0	1,954	100.0%	1,954
EAP Increase	0	0	0	0.0%	0	5	100.0%	5
IT - Data Processing	2,152	5,852	0	0.0%	5,852	0	0.0%	5,852
IT - Communications	4,673	4,828	0	0.0%	4,828	0	0.0%	4,828
Professional Development	8,707	15,000	0	0.0%	15,000	0	0.0%	15,000
Operating Fees and Services	412	9,195	(3,695)	(40.2%)	5,500	(3,695)	(40.2%)	5,500
Fees - Professional Services	0	5,000	0	0.0%	5,000	0	0.0%	5,000
Grants, Benefits & Claims	1,717,641	3,051,104	(699,116)	(22.9%)	2,351,988	(699,116)	(22.9%)	2,351,988
Transfers Out	5,000	0	0	0.0%	0	0	0.0%	0
Total	2,043,215	3,433,953	(709,039)	(20.6%)	2,724,914	(694,186)	(20.2%)	2,739,767
Agric. Products Util. Comm. (APUC)								
General Fund	1,469,988	2,145,669	(459,039)	(21.4%)	1,686,630	(444,186)	(20.7%)	1,701,483
Federal Funds	70,078	300,000	0	0.0%	300,000	0	0.0%	300,000
Special Funds	503,149	988,284	(250,000)	(25.3%)	738,284	(250,000)	(25.3%)	738,284
Total	2,043,215	3,433,953	(709,039)	(20.6%)	2,724,914	(694,186)	(20.2%)	2,739,767
Equine Processing Study								
Travel	0	2,000	(2,000)	(100.0%)	0	(2,000)	(100.0%)	0
Fees - Professional Services	0	48,000	(48,000)	(100.0%)	0	(48,000)	(100.0%)	0
Total	0	50,000	(50,000)	(100.0%)	0	(50,000)	(100.0%)	0
Equine Processing Study								
General Fund	0	50,000	(50,000)	(100.0%)	0	(50,000)	(100.0%)	0
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	0	50,000	(50,000)	(100.0%)	0	(50,000)	(100.0%)	0
Economic Development Grants								
Grants, Benefits & Claims	50,000	0	0	0.0%	0	0	0.0%	0
Total	50,000	0	0	0.0%	0	0	0.0%	0

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Biennium: 2011-2013

Time: 10:35:04

Program: Economic Development and Finance			Reporting Level: 00-601-500-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Economic Development Grants								
General Fund	50,000	0	0	0.0%	0	0	0.0%	0
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	50,000	0	0	0.0%	0	0	0.0%	0
Total Expenditures	7,991,915	8,374,714	(1,996,858)	(23.8%)	6,377,856	(1,444,341)	(17.2%)	6,930,373
Funding Sources								
General Fund								
Total	6,830,290	6,376,525	(1,743,480)	(27.3%)	4,633,045	(1,227,466)	(19.2%)	5,149,059
Federal Funds								
A053 APUC Rural Business Enterp. Grants	70,078	300,000	0	0.0%	300,000	0	0.0%	300,000
Total	70,078	300,000	0	0.0%	300,000	0	0.0%	300,000
Special Funds								
224 Alcohol Motor Vehicle Fuel Fund 224	503,149	988,284	(250,000)	(25.3%)	738,284	(250,000)	(25.3%)	738,284
330 Economic Dev. Fund 330	588,398	709,905	(3,378)	(0.5%)	706,527	33,125	4.7%	743,030
Total	1,091,547	1,698,189	(253,378)	(14.9%)	1,444,811	(216,875)	(12.8%)	1,481,314
Total Funding Sources	7,991,915	8,374,714	(1,996,858)	(23.8%)	6,377,856	(1,444,341)	(17.2%)	6,930,373
FTE Employees	17.00	16.84	0.16	1.0%	17.00	0.16	1.0%	17.00

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Division of Community Services			Reporting Level: 00-601-600-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Salaries and Wages								
Salaries - Permanent	1,690,416	1,999,832	(127,710)	(6.4%)	1,872,122	(127,710)	(6.4%)	1,872,122
Temporary Salaries	7,374	9,200	(9,200)	(100.0%)	0	3,280	35.7%	12,480
Overtime	953	0	0	0.0%	0	0	0.0%	0
Fringe Benefits	553,972	655,254	2,276	0.3%	657,530	3,524	0.5%	658,778
Salary Increase	0	0	0	0.0%	0	83,429	100.0%	83,429
Benefit Increase	0	0	0	0.0%	0	14,031	100.0%	14,031
Health Increase	0	0	0	0.0%	0	24,936	100.0%	24,936
Retirement Increase	0	0	0	0.0%	0	19,093	100.0%	19,093
EAP Increase	0	0	0	0.0%	0	45	100.0%	45
Total	2,252,715	2,664,286	(134,634)	(5.1%)	2,529,652	20,628	0.8%	2,684,914
Salaries and Wages								
General Fund	851,074	1,160,657	(141,856)	(12.2%)	1,018,801	(71,005)	(6.1%)	1,089,652
Federal Funds	1,314,572	1,499,249	(108,607)	(7.2%)	1,390,642	(31,013)	(2.1%)	1,468,236
Special Funds	87,069	4,380	115,829	2,644.5%	120,209	122,646	2,800.1%	127,026
Total	2,252,715	2,664,286	(134,634)	(5.1%)	2,529,652	20,628	0.8%	2,684,914
Operating Expenses								
Travel	147,148	199,227	(18,020)	(9.0%)	181,207	(17,335)	(8.7%)	181,892
Supplies - IT Software	8,140	42,400	(25,275)	(59.6%)	17,125	(25,275)	(59.6%)	17,125
Supply/Material-Professional	9,216	16,101	(5,288)	(32.8%)	10,813	(5,288)	(32.8%)	10,813
Miscellaneous Supplies	1,784	20,000	11,500	57.5%	31,500	11,500	57.5%	31,500
Office Supplies	4,367	12,128	(1,278)	(10.5%)	10,850	(1,168)	(9.6%)	10,960
Postage	13,320	19,860	(6,235)	(31.4%)	13,625	(6,235)	(31.4%)	13,625
Printing	12,933	28,360	(1,400)	(4.9%)	26,960	(1,400)	(4.9%)	26,960
IT Equip Under \$5,000	2,844	14,300	(4,100)	(28.7%)	10,200	(4,100)	(28.7%)	10,200
Other Equip Under \$5,000	67	0	0	0.0%	0	0	0.0%	0
Office Equip & Furn Supplies	4,066	2,500	6,800	272.0%	9,300	6,800	272.0%	9,300
Insurance	2,085	2,684	1,316	49.0%	4,000	1,316	49.0%	4,000
Rentals/Leases-Equip & Other	2,974	0	3,000	100.0%	3,000	3,000	100.0%	3,000
Rentals/Leases - Bldg/Land	98,055	93,450	5,133	5.5%	98,583	5,133	5.5%	98,583
Repairs	73	0	1,020	100.0%	1,020	1,020	100.0%	1,020
IT - Data Processing	61,121	34,100	28,795	84.4%	62,895	28,795	84.4%	62,895
IT - Communications	20,724	25,090	(4,166)	(16.6%)	20,924	(4,116)	(16.4%)	20,974
IT Contractual Svcs and Rprs	19,725	2,000	1,500	75.0%	3,500	1,500	75.0%	3,500
Professional Development	76,587	53,180	(1,730)	(3.3%)	51,450	(1,730)	(3.3%)	51,450
Operating Fees and Services	62,100	339,046	(38,040)	(11.2%)	301,006	(32,275)	(9.5%)	306,771
Fees - Professional Services	202,878	391,024	(137,882)	(35.3%)	253,142	(137,882)	(35.3%)	253,142

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Division of Community Services			Reporting Level: 00-601-600-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Total	750,207	1,295,450	(184,350)	(14.2%)	1,111,100	(177,740)	(13.7%)	1,117,710
Operating Expenses								
General Fund	169,256	412,977	(22,376)	(5.4%)	390,601	(15,766)	(3.8%)	397,211
Federal Funds	513,931	732,284	(57,780)	(7.9%)	674,504	(57,780)	(7.9%)	674,504
Special Funds	67,020	150,189	(104,194)	(69.4%)	45,995	(104,194)	(69.4%)	45,995
Total	750,207	1,295,450	(184,350)	(14.2%)	1,111,100	(177,740)	(13.7%)	1,117,710
Capital Assets								
Equipment Over \$5000	0	25,000	4,018	16.1%	29,018	4,018	16.1%	29,018
Motor Vehicles	0	0	35,000	100.0%	35,000	35,000	100.0%	35,000
IT Equip/Software Over \$5000	0	0	6,000	100.0%	6,000	6,000	100.0%	6,000
Total	0	25,000	45,018	180.1%	70,018	45,018	180.1%	70,018
Capital Assets								
General Fund	0	0	0	0.0%	0	0	0.0%	0
Federal Funds	0	25,000	45,018	180.1%	70,018	45,018	180.1%	70,018
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	0	25,000	45,018	180.1%	70,018	45,018	180.1%	70,018
Grants								
Grants, Benefits & Claims	35,132,965	69,695,258	(12,133,064)	(17.4%)	57,562,194	(11,633,064)	(16.7%)	58,062,194
Transfers Out	813,463	0	0	0.0%	0	0	0.0%	0
Total	35,946,428	69,695,258	(12,133,064)	(17.4%)	57,562,194	(11,633,064)	(16.7%)	58,062,194
Grants								
General Fund	550,964	6,996,579	(6,531,579)	(93.4%)	465,000	(6,031,579)	(86.2%)	965,000
Federal Funds	31,833,677	56,499,679	(5,626,485)	(10.0%)	50,873,194	(5,626,485)	(10.0%)	50,873,194
Special Funds	3,561,787	6,199,000	25,000	0.4%	6,224,000	25,000	0.4%	6,224,000
Total	35,946,428	69,695,258	(12,133,064)	(17.4%)	57,562,194	(11,633,064)	(16.7%)	58,062,194
Federal Stimulus Funds - 2009								
Salaries - Permanent	0	545,000	(545,000)	(100.0%)	0	(545,000)	(100.0%)	0
Temporary Salaries	0	80,000	(80,000)	(100.0%)	0	146,800	183.5%	226,800
Overtime	0	5,000	(5,000)	(100.0%)	0	(5,000)	(100.0%)	0
Fringe Benefits	0	196,000	(196,000)	(100.0%)	0	(173,320)	(88.4%)	22,680
Travel	0	65,100	(65,100)	(100.0%)	0	(65,100)	(100.0%)	0
Supplies - IT Software	0	15,100	(15,100)	(100.0%)	0	(15,100)	(100.0%)	0

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Time: 10:35:04

Biennium: 2011-2013

Program: Division of Community Services			Reporting Level: 00-601-600-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Supply/Material-Professional	0	5,000	(5,000)	(100.0%)	0	(5,000)	(100.0%)	0
Miscellaneous Supplies	0	100	(100)	(100.0%)	0	(100)	(100.0%)	0
Office Supplies	0	1,100	(1,100)	(100.0%)	0	(1,100)	(100.0%)	0
Postage	0	1,000	(1,000)	(100.0%)	0	(1,000)	(100.0%)	0
Printing	0	500	(500)	(100.0%)	0	(500)	(100.0%)	0
IT Equip Under \$5,000	0	9,000	(9,000)	(100.0%)	0	(9,000)	(100.0%)	0
Other Equip Under \$5,000	0	10,000	(10,000)	(100.0%)	0	(10,000)	(100.0%)	0
Office Equip & Furn Supplies	0	2,000	(2,000)	(100.0%)	0	(2,000)	(100.0%)	0
Rentals/Leases - Bldg/Land	0	10,000	(10,000)	(100.0%)	0	(10,000)	(100.0%)	0
IT - Communications	0	6,000	(6,000)	(100.0%)	0	(6,000)	(100.0%)	0
IT Contractual Svcs and Rprs	0	60,000	(60,000)	(100.0%)	0	(60,000)	(100.0%)	0
Professional Development	0	10,200	(10,200)	(100.0%)	0	(10,200)	(100.0%)	0
Operating Fees and Services	0	320,000	(320,000)	(100.0%)	0	471,000	147.2%	791,000
Fees - Professional Services	0	10,000	(10,000)	(100.0%)	0	(10,000)	(100.0%)	0
Grants, Benefits & Claims	0	68,117,393	(68,117,393)	(100.0%)	0	(44,661,123)	(65.6%)	23,456,270
Total	0	69,468,493	(69,468,493)	(100.0%)	0	(44,971,743)	(64.7%)	24,496,750

Federal Stimulus Funds - 2009

General Fund	0	0	0	0.0%	0	0	0.0%	0
Federal Funds	0	69,468,493	(69,468,493)	(100.0%)	0	(44,971,743)	(64.7%)	24,496,750
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	0	69,468,493	(69,468,493)	(100.0%)	0	(44,971,743)	(64.7%)	24,496,750

Total Expenditures

38,949,350	143,148,487	(81,875,523)	(57.2%)	61,272,964	(56,716,901)	(39.6%)	86,431,586
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Funding Sources**General Fund**

Total	1,571,294	8,570,213	(6,695,811)	(78.1%)	1,874,402	(6,118,350)	(71.4%)	2,451,863
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Federal Funds

E011 CDBG 1994	10,038,332	11,276,181	(21,381)	(0.2%)	11,254,800	(15,464)	(0.1%)	11,260,717
E012 Home 1994	4,653,156	7,393,541	25,531	0.3%	7,419,072	40,972	0.6%	7,434,513
E013 SEP Admin 2001	594,208	1,043,188	(702,899)	(67.4%)	340,289	(694,416)	(66.6%)	348,772
E018 CSBG 2001	6,302,711	6,849,494	(40,577)	(0.6%)	6,808,917	(40,577)	(0.6%)	6,808,917
E030 Shelter Plus Care	533,435	500,000	(50,000)	(10.0%)	450,000	(50,000)	(10.0%)	450,000
E035 ESGP 2000	532,776	521,699	(34,115)	(6.5%)	487,584	(32,701)	(6.3%)	488,998
E037 DOE2000	6,225,013	5,782,759	43,033	0.7%	5,825,792	48,123	0.8%	5,830,882

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Biennium: 2011-2013

Time: 10:35:04

Program: Division of Community Services			Reporting Level: 00-601-600-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
E040 Homeless Mis Supportive Housing Pro	136,578	135,682	(128,847)	(95.0%)	6,835	(128,847)	(95.0%)	6,835
E050 LHP 2000	2,449,574	5,754,759	(1,982)	0.0%	5,752,777	3,109	0.1%	5,757,868
E053 SAA	40	0	0	0.0%	0	0	0.0%	0
E056 IC 1999	424,097	482,186	38,690	8.0%	520,876	65,461	13.6%	547,647
E061 Shopp Heating & Oil Prog.	1,072	6,064	0	0.0%	6,064	0	0.0%	6,064
E064 EERE	15,278	0	0	0.0%	0	0	0.0%	0
E065 CF&N	0	30,000	0	0.0%	30,000	0	0.0%	30,000
E078 CDFD 1997	93,828	15,000,000	(3,893,810)	(26.0%)	11,106,190	(3,892,630)	(26.0%)	11,107,370
E104 LHP EF 2003	690,209	2,837,780	(37,780)	(1.3%)	2,800,000	(37,780)	(1.3%)	2,800,000
E106 SEP Sp-Rebuild Amer	19,776	0	0	0.0%	0	0	0.0%	0
E119 LHP Cooling 98	7,030	1,270,000	(1,270,000)	(100.0%)	0	(1,070,000)	(84.3%)	200,000
E139 SSEP	27,574	25,587,000	(25,587,000)	(100.0%)	0	(16,587,000)	(64.8%)	9,000,000
E181 Community Services Block Grt.	0	142,879	56,283	39.4%	199,162	64,490	45.1%	207,369
E189 SCSBG	98,157	4,853,305	(4,853,305)	(100.0%)	0	(4,853,305)	(100.0%)	0
E309 SHPRP	6,695	2,571,000	(2,571,000)	(100.0%)	0	(1,321,000)	(51.4%)	1,250,000
E379 SDOEWX	812,641	25,318,330	(25,318,330)	(100.0%)	0	(16,218,330)	(64.1%)	9,100,000
E901 SEECBG	0	9,990,000	(9,990,000)	(100.0%)	0	(5,193,250)	(52.0%)	4,796,750
E902 SEEARP	0	615,000	(615,000)	(100.0%)	0	(615,000)	(100.0%)	0
E903 SSGR	0	263,858	(263,858)	(100.0%)	0	(113,858)	(43.2%)	150,000
Total	33,662,180	128,224,705	(75,216,347)	(58.7%)	53,008,358	(50,642,003)	(39.5%)	77,582,702
Special Funds								
342 Intergovernmental Assist. Fund 342	3,715,876	6,353,569	36,635	0.6%	6,390,204	43,452	0.7%	6,397,021
Total	3,715,876	6,353,569	36,635	0.6%	6,390,204	43,452	0.7%	6,397,021
Total Funding Sources	38,949,350	143,148,487	(81,875,523)	(57.2%)	61,272,964	(56,716,901)	(39.6%)	86,431,586
FTE Employees	17.99	17.28	(0.20)	(1.2%)	17.08	(0.20)	(1.2%)	17.08

RECOMMENDATION DETAIL BY PROGRAM

601 Department of Commerce

Bill#: HB1018

Date: 01/13/2011

Biennium: 2011-2013

Time: 10:35:04

Program: Division of Energy			Reporting Level: 00-601-800-00-00-00-00000000					
Description	Expenditures Prev Biennium 2007-2009	Present Budget 2009-2011	2011-2013 Requested		Requested Budget 2011-2013	2011-2013 Recommended		Executive Recommendation 2011-2013
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
Division of Energy								
Salaries - Permanent	0	0	0	0.0%	0	264,000	100.0%	264,000
Fringe Benefits	0	0	0	0.0%	0	85,075	100.0%	85,075
Salary Increase	0	0	0	0.0%	0	11,999	100.0%	11,999
Benefit Increase	0	0	0	0.0%	0	2,029	100.0%	2,029
Health Increase	0	0	0	0.0%	0	2,911	100.0%	2,911
Retirement Increase	0	0	0	0.0%	0	2,746	100.0%	2,746
EAP Increase	0	0	0	0.0%	0	6	100.0%	6
Operating Budget Adjustment	0	0	0	0.0%	0	250,925	100.0%	250,925
Total	0	0	0	0.0%	0	619,691	100.0%	619,691
Division of Energy								
General Fund	0	0	0	0.0%	0	619,691	100.0%	619,691
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	0	0	0	0.0%	0	0	0.0%	0
Total	0	0	0	0.0%	0	619,691	100.0%	619,691
Total Expenditures	0	0	0	0.0%	0	619,691	100.0%	619,691
Funding Sources								
Total	0	0	0	0.0%	0	619,691	100.0%	619,691
Total Funding Sources	0	0	0	0.0%	0	619,691	100.0%	619,691
FTE Employees	0.00	0.00	0.00	0.0%	0.00	2.00	100.0%	2.00

Center of Excellence Program

* Total of \$20,000,000

Center of Excellence

Commission

Center of Research Excellence

* Total of \$13,000,000

Eminent Researcher Grant Program

* up to \$2,000,000 per biennium

Center of Excellence Commission includes 6 members. 3 from the Foundation and 3 from the Board of Higher Education.

Center of Workforce Excellence Council includes private sector members of the Workforce Council, Director of Career & Technical Education and the Workforce Division Director.

Center of Entrepreneurship

Excellence

* Total of \$5,000,000

Center of Excellence Infrastructure Grants

* up to \$3,000,000 per biennium

AB
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Center of Workforce Excellence

Council

Center of Workforce

Excellence

* Total of \$2,000,000

Center of Research Excellence requires \$2 matching funds for \$1 state funds. Matching funds must include at least \$1 each, \$.50 from the private sector or in-kind, must have itemized value.

Eminent Researcher Grant program permits grants up to 50% of the cost of the researcher.

Center of Entrepreneurship guidelines to be developed.

CENTERS OF EXCELLENCE UPDATE AS OF JUNE 30, 2010

*HB 1018
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11/31/11
Attachment #2*

Center	Award	Approval Dates Budget Section	Launch Date	Years of Operation	Private Sector	Center
COE Commission Approved Centers						
National Energy Center of Excellence	\$3,000,000	12/15/2005	02/2006	4	100	1
Center for Advanced Electronics Design and Manufacturing	\$3,000,000	12/15/2005	02/2006	4	4	2
National Center for Hydrogen Technology	\$2,500,000	12/15/2005	02/2006	4	0	28.6
Dakota Center for Technology Optimized Agriculture	\$450,000 \$400,000	12/15/2005 10/30/2007	02/2006 06/2010	4	10	1
Center for Agbiotechnology: Oilseed Development	\$2,000,000 \$1,500,000	3/8/2006 10/30/2007	05/2006 08/2009	4	0	5.75
Center for Surface Protection	\$2,000,000 \$2,000,000	3/8/2006 10/30/2007	05/2006 07/2008	4	0	7
Center of Excellence in Life Sciences and Advanced Technologies	\$3,500,000	3/8/2006	03/2007	3	6	9.95
Unmanned Aircraft Systems Center of Excellence	\$1,000,000 \$1,500,000	3/8/2006 10/30/2007	05/2006 03/2008	4	23	11
Enterprise University	\$1,000,000	3/8/2006	05/2006	4	64	0
Petroleum Safety and Technology Center	\$400,000	3/8/2006	05/2006	4	167	0
Strom Center for Entrepreneurship and Innovation	\$1,150,000	6/14/2006	10/2006	3	159.5	0
Center for Integrated Electronic Systems	\$2,050,000	9/25/2008	06/2009	1	7	4
SUNRISE BioProducts	\$2,950,000	9/25/2008	06/2009	1	0	10.2
Petroleum Research, Education, & Entrepreneurship Center	\$3,000,000	9/25/2008	06/2009	1	0	4.25
Center for Biopharmaceutical Research and Production	\$2,000,000 \$3,015,000	9/25/2008 12/8/2010	06/2009 NA	1	0	1
COE for Passive Therapeutics	\$2,650,000	9/25/2008	06/2009	1	17.5	4.45
COE in Space Technology and Operations	\$1,000,000	9/25/2008	06/2009	1	0	0
Entrepreneurial Center for Horticulture	\$400,000	9/25/2008	NA	NA	NA	NA
Center for Advanced Technology Development and Commercialization	\$3,900,000	6/22/2010	NA	NA	NA	NA
Center for Sensors, Communications and Control	\$2,800,000	6/22/2010	01/2011	0	0	0

Legislatively Approved Centers

Center for Innovation	\$800,000	NA	01/2005	5	179	16
Technology Incubator	\$1,250,000	NA	03/2007	3	191	0
Beef Systems Center of Excellence	\$800,000	NA	10/2007	2	NA	NA

COE Enhancement Grants

COE
Commission

UAS Research, Education & Training Enhancement Grant	\$2,754,000	12/10/2009	06/2010	0	0	0
Research 1 Expansion Enhancement Grant	\$4,000,000	12/10/2009	01/2011	0	0	0
Materials and Nanotechnology Centre Enhancement Grant	\$1,000,000	12/10/2009	NA	NA	NA	NA
GFAFB Realignment Business Transition Enhancement Grant	\$200,000	5/19/2010	NA	NA	NA	NA

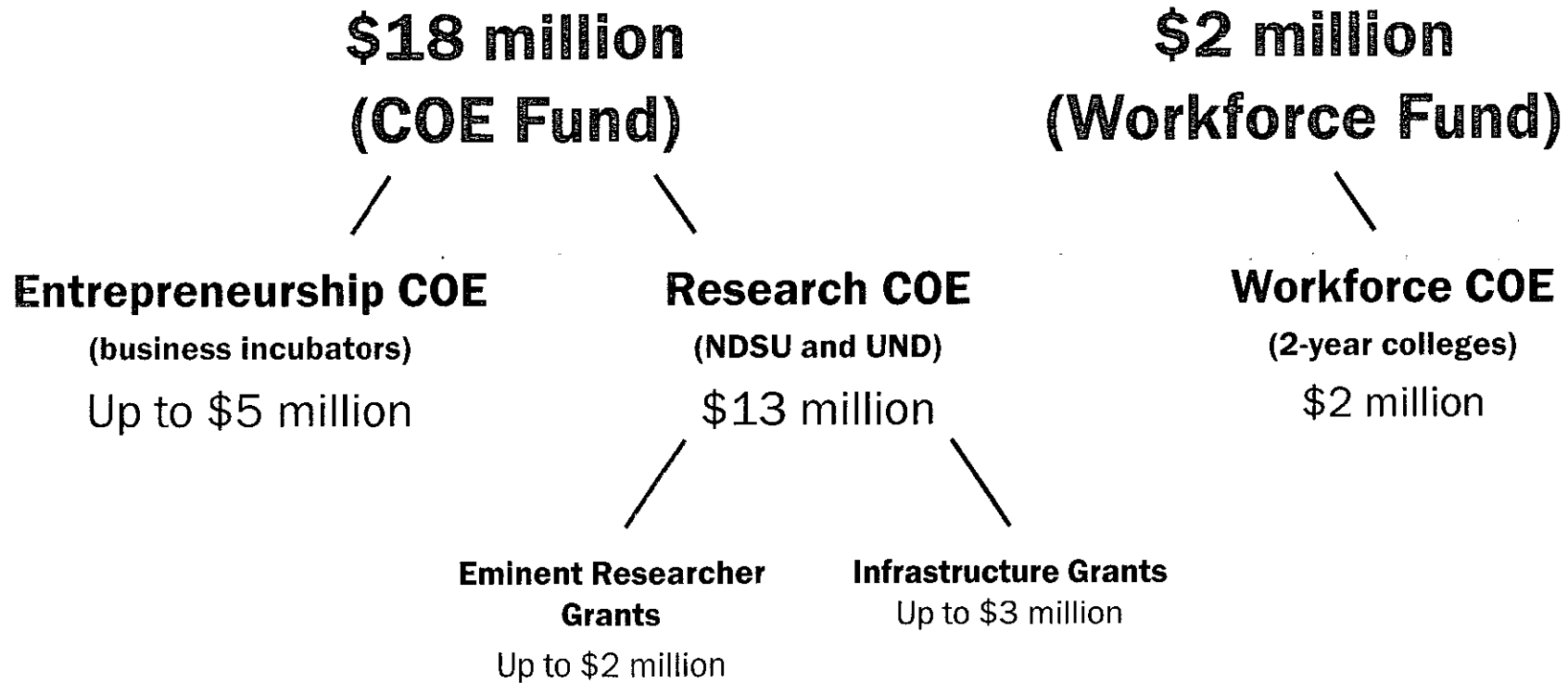
Total \$59,969,000

928	106.2
1034.2	

Note: "Launch Date" means the date a center was issued its first disbursement of Centers of Excellence award funds.
 Note: "Years of Operation" means the number of full fiscal years a center has been in operation.
 Note: Job creation results reported above are duplicated. As of June 30, 2010, the total number of unduplicated jobs created by Centers of Excellence are funded by a combination of Centers of Excellence, federal, and private funding.
 Note: In addition to jobs created, centers and their partners have employed interns and undergraduate and graduate students. These positions are not included in the job creation totals listed above.
 Note: The Beef Systems Center of Excellence did not report job creation totals. This center is not subject to N.D.C.C. § 1 the post-award monitoring requirements - see SB 2020 from the 2009 Legislative Session.

CENTERS OF EXCELLENCE PROGRAM

2011-2013: \$20 million



-
1. The Center of Excellence Commission oversees the COE Fund (proposed at \$18 million).
 2. The Workforce COE Council oversees the Workforce Fund (proposed at \$2 million).
 3. Unused funds for the Entrepreneurship COE, Eminent Researcher Grants and the Infrastructure Grants may be made available for Research COE Grants.

HB 1018
Dept. of Commerce
2/2/11
Attachment #1

Comparison of Centers of Excellence Proposals

Proposed Program	Formerly Known As / Similar Program	HB 1018 Funding Level	SB 2057 Funding Level
Research COE	Centers of Excellence	At least \$8 million	\$10 million
Infrastructure Grants	COE Enhancement Grants	Up to \$3 million	\$4 million
Eminent Researcher Recruitment Grants	N/A	Up to \$2 million	\$2 million
Entrepreneurship COE	Technology-based Entrepreneurship Grants*	Up to \$5 million	\$5 million
Workforce COE	Workforce Enhancement Grants	\$2 million	\$2 million
		Total	
		\$20 million	\$23 million

* HB 1018 also includes \$1 million for Technology-based Entrepreneurship Grants

HB 1018

Section 3 extends the expiration of financing to early childhood facilities from the Development Fund from July 31, 2011, to July 31, 2013.

~~Sections 4 through 8 extend the expiration of the centers of excellence program from July 31, 2011, to July 31, 2021.~~

~~Section 8 amends North Dakota Century Code Section 15-69-05 to provide an alternative review methodology other than requiring an annual audit on centers of excellence programs and to remove the limit on the amount available for administrative expenses from the centers of excellence fund.~~

~~Section 9 changes the purpose of the centers of excellence fund to include implementing and administering the centers of excellence, centers of research excellence, and centers of entrepreneurship excellence programs.~~

Sections 10 and 33 reestablish the biofuel blender pump incentive program that expired on November 30, 2010. The program is to be administered by the Department of Commerce to provide cost-share grants up to \$5,000 per pump to motor fuel retailers for the installation of biofuel blender pumps and associated equipment at retail locations. Section 33 of House Bill No. 1018 establishes an expiration date of July 31, 2013, for Section 10.

~~Section 11 creates a new chapter to Title 54 to establish a centers of research excellence grant program and eminent researcher recruitment grant program.~~

Section 12 amends Section 54-44.5-09 to establish the office of renewable energy and efficiency within the Department of Commerce rather than in the Division of Community Services.

Section 13 creates a new section to Chapter 54-60 to create an internship fund and provide a continuing appropriation.

~~Section 14 creates a new section to Chapter 54-60 to create a centers of entrepreneurship excellence grants program.~~

~~Sections 15 through 17 amend Section 54-60-21 to reestablish the Workforce Enhancement Council as the Centers of Workforce Excellence Council.~~

Sections 18, 19, and 22 through 24 allow unexpended amounts from the following 2009-11 biennium appropriations to continue into the 2011-13 biennium:

- Agricultural Products Utilization Commission (2009 S.L., ch. 46, §1)
- Discretionary funds (line item 2009 S.L., ch. 46, §1)
- Technology-based entrepreneurship grant program (grants line item 2009 S.L., ch. 46, §1)
- Early childhood facility grants (2009 S.L., ch. 108, §6)
- Biofuel blender pump incentive program (2009 S.L., ch. 46, §§1 and 2)

Sections 20 and 21 allow unexpended amounts from the following 2009-11 biennium appropriations to continue into the 2011-13 biennium and be transferred into the listed fund:

- Internships (operating expenses line item 2009 S.L., ch. 46, §1) transfers to the internship fund at the end of the 2011-13 biennium.
- Great Plains Applied Energy Research Center (2009 S.L., ch. 46, §1) transfers remaining \$5 million to the centers of excellence fund on June 30, 2011, for the purpose of providing funding for centers of research excellence and centers of entrepreneurship excellence (up to \$5 million) awarded projects.

Sections 25 through 28 provide for the following transfers:

- 25 --Centers of workforce excellence line item in Section 1 of House Bill No. 1018 to the centers of workforce excellence fund.
- 26 --Centers of excellence line item in Section 1 of House Bill No. 1018 to the centers of excellence fund for the purpose of implementing and administering the centers of research excellence grants (up to \$2 million for eminent researcher recruitment grants) and centers of research excellence infrastructure grants.
- 27 --Workforce enhancement fund to the centers of workforce excellence fund.
- 28 --North Dakota Development Fund line item (\$400,000) in Section 1 of House Bill No. 1018 to the North Dakota Development Fund for the purpose of providing financing to early childhood facilities.

Section 29 provides that the Department of Commerce may spend 70 percent of funding appropriated to the North Dakota Trade Office (\$2,553,000) without requiring matching funds from the Trade Office. Additional amounts may be spent only to the extent that the Trade Office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department for the 2011-13 biennium.

~~Section 30 allows the department to use up to \$3 million from the centers of excellence fund for centers of research excellence infrastructure grants in the 2011-13 biennium.~~

Section 31 provides \$150,000 for providing grants to individuals seeking a child development associate credential (up to \$1,200) in the 2011-13 biennium.

Section 32 provides grants to early childhood facilities (\$920,338) of up to \$5,000 for infrastructure and \$10,000 for technical assistance or a business plan and requires \$1 match for every \$3 grant funds.

Section 34 declares funding of \$900,000 in the operating expenses line item in Section 1 relating to the Operation Intern program and Sections 10, 13, and 21 are declared to be an emergency.

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attachment #26
2/7/11

2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed - upon procedures engagement. ~~If a center of excellence has expended substantially all of the funding from the department prior to the halfway point a full audit is required.~~ A center may use funds distributed to the center under this chapter to pay for audits and agreed - upon procedures engagements required under this subsection.

~~At a minimum the independent audit firm conducting the agreed - upon procedures engagement will conduct the following steps and provide related comments in their report:~~

- ~~a. Verify the accuracy of jobs claimed as created by the center of excellence, identifying private sector jobs from jobs created within the university.~~
- ~~b. Verify matching requirements in North Dakota Century Code 15-69-05 and any other matching requirement promulgated by the commission are met.~~
- ~~c. Verify whether funding was used for infrastructure, to supplant funding for current operations or to pay indirect costs prohibited by North Dakota Century Code 15-69-05.~~
- ~~d. Verify that the center of excellence met the timelines set forth in their application for funding and whether any changes were properly set forth in their functional review.~~
- ~~e. Evaluate if the center of excellence's scope of activities matches the scope included in the application for funding if these are not the same, did the center of excellence identify this in their functional review.~~
- ~~f. Review a reasonable sample of expenditures and determine if they were properly approved, properly supported with documentation, and were made in accordance with the scope described in the application for funding.~~

- g. Trace a sample of labor charged to the funding to supporting effort-reporting documentation.
- h. Review business incentive agreements, as defined in North Dakota Century Code 54-60.1-02, provided a business and valued at \$25,000 or more to report any noted instances of noncompliance with North Dakota Century Code 54.60.1.
- i. Include a comparison of the budget submitted with the centers application for funding to actual expenditures and provide an explanation of any significant differences.

CHAPTER 15-69 CENTERS OF EXCELLENCE

15-69-01. (Effective through July 31, 2011) Definitions. In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Foundation" means the North Dakota economic development foundation.
5. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Tourism;
 - e. Value-added agriculture; or
 - f. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

15-69-02. (Effective through July 31, 2011) Centers of excellence.

1. The board shall establish a centers of excellence program relating to economic development. Workforce may not be the primary need addressed by a center. Through the program the commission shall make funding award recommendations for commission-approved applications to the board, the foundation, the emergency commission, and the budget section of the legislative management. A center must be an institution of higher education under the control of the board or a nonprofit university-related or college-related foundation of an institution of higher education under the control of the board. In order to be considered for center designation, the institution of higher education or nonprofit foundation must be working in partnership with the private sector. In addition to any center designated under this chapter, the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation are centers.
2. A commission funding award recommendation must be for a specified amount. Designation of a center occurs upon board, foundation, and budget section approval of a commission funding award recommendation. In considering whether to designate a center, the board, foundation, and budget section may not modify the commission recommendation. The budget section may not take action on an original commission funding award recommendation until the emergency commission reviews the commission recommendation and makes a recommendation to the budget section. Upon receipt of a commission funding

award recommendation, the budget section shall approve the recommendation, reject the recommendation, or rerefer the recommendation to the commission with recommended modifications. If the commission receives a rereferred recommendation from the budget section, the commission shall determine whether to modify the recommendation or whether to retain the recommendation and provide additional information with the recommendation.

- a. If within thirty days of the budget section rereferring a recommendation the commission makes a determination of whether to modify the recommendation or to retain the recommendation and within the same thirty days the emergency commission meets to review the modified recommendation or the retained recommendation accompanied by additional information, the emergency commission shall approve or reject the recommendation. If within the thirty days following the budget section rereferral the emergency commission acts under this subdivision, the determination of the emergency commission is final and the recommendation is approved or rejected.
 - b. If thirty days expire following the budget section's rereferral and the process under subdivision a is not completed timely, the commission shall submit to the budget section the modified recommendation or the retained recommendation. Upon receipt of the recommendation under this subdivision, the budget section shall approve or reject the recommendation. The budget section may not rerefer a recommendation received under this subdivision.
3. A center that receives funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent designation.
 4. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

15-69-03. (Effective through July 31, 2011) Centers of excellence commission. The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

15-69-04. (Effective through July 31, 2011) Application - Eligibility requirements.

1. The department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of

the board may be submitted to the department of commerce for each round of center funding.

2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
3. In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
 - f. Foster and practice entrepreneurship;
 - g. Promote the commercialization of new products and services in industry clusters;
 - h. Become financially self-sustaining; and
 - i. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
4. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center.
3. Before the commission directs the department of commerce to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.
4. The commission shall direct the department of commerce to distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department of commerce withhold all or a portion of any undistributed funds pending commission review of the changes.
6. The commission may use funds appropriated for the centers of excellence program to pay for the commission's administrative expenses, which may include contracting for independent, expert reviews of complete applications and centers of excellence forums. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.

15-69-06. Centers of excellence fund - Continuing appropriation. The centers of excellence fund is a special fund in the state treasury. All moneys in the centers of excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

Suggestions for Consideration Relating to HB1060

1. Items which could be included in the legislation that would be required to be included in "agreed upon procedures engagements".

"At a minimum the independent audit firm conducting the agreed upon procedures engagement will conduct the following steps and comment on them in their report:

- a) Verify the accuracy of jobs claimed as created by the center of excellence through their functional reviews or any other form of reporting. These job created totals should be specifically presented in the agreed upon procedures report identifying those private sector jobs separately from those created within the university.
- LAW b) Determine whether all matching requirements listed in NDCC 15-69-05 (including in-lieu of cash contributions and in-kind contributions) and any other matching requirements promulgated by the Centers of Excellence Commission were met and are properly supported;
- LAW c) Determine whether any of the funding was used for infrastructure, to supplant funding for current operations or to pay indirect costs prohibited by ND 15-69-05;
- d) Evaluate whether the center of excellence met timelines set forth in their application for funding and whether any changes were properly set forth in their functional review;
- e) Evaluate if the center of excellence's scope of activities matches the scope included in the application for funding. If these are not the same, did the center of excellence identify this in their functional review;
- f) Review a reasonable sample of expenditures and determine if they were properly approved, properly supported with documentation and were made in accordance with the scope described in the application for funding;
- g) Trace a sample of labor charged to the funding to supporting effort-reporting documentation;
- LAW h) Review business incentive agreements (as defined in NDCC Chapter 54-60.1-02) provided to a business and valued at \$25,000 or more to report any noted instances of noncompliance with Chapter NDCC 54-60.1 and;
- i) Include a comparison of budget (submitted with application for funding) and actual expenditures and an explanation of any significant differences.

Note: This language or similar language could be inserted into the bill which will require all agreed upon procedures engagements at a minimum to include the

above steps. The current agreed upon engagements include many of these steps already. Including these into statute would ensure that future engagements continue to include this work.

2. Lines 14-17 require a full audit be completed at the halfway point and at the end of the post award monitoring period (6-10 years). A concern with this is that center of excellence may expend all of the funding awarded within the first couple of years. Therefore it's possible the center of excellence would not receive a complete audit until years after the funding has been expended which would appear to limit the usefulness of the audit.

A suggestion would be to require an audit when the center of excellence has expended substantially all of the funding from the Department of Commerce. Thus if center of excellence expended substantially all of the funding awarded by the Department of Commerce by year 2 of existence, a full audit would be required to be obtained at the end of year 2 rather than an agreed upon procedures engagement. If the legislature and the Department of Commerce feel that a full audit should also be completed at the end of the post award monitoring period, that part of the bill language could remain the same.

3. Lines 17-18. It appears the language allows the center of excellence to use funds distributed to the center to pay for audits, but it doesn't say that the funds can be used to pay for agreed upon procedures engagements. The language should be changed to allow for payment for those types of engagements also.

4/3/10/8
attachment #26
2/7/11

2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed - upon procedures engagement. If a center of excellence has expended substantially all of the funding from the department prior to the halfway point a full audit is required. A center may use funds distributed to the center under this chapter to pay for audits and agreed - upon procedures engagements required under this subsection.

At a minimum the independent audit firm conducting the agreed - upon procedures engagement will conduct the following steps and provide related comments in their report:

- a. Verify the accuracy of jobs claimed as created by the center of excellence, identifying private sector jobs from jobs created within the university.
- b. Verify matching requirements in North Dakota Century Code 15-69-05 and any other matching requirement promulgated by the commission are met.
- c. Verify whether funding was used for infrastructure, to supplant funding for current operations or to pay indirect costs prohibited by North Dakota Century Code 15-69-05.
- d. Verify that the center of excellence met the timelines set forth in their application for funding and whether any changes were properly set forth in their functional review.
- e. Evaluate if the center of excellence's scope of activities matches the scope included in the application for funding if these are not the same, did the center of excellence identify this in their functional review.
- f. Review a reasonable sample of expenditures and determine if they were properly approved, properly supported with documentation, and were made in accordance with the scope described in the application for funding.

- g. Trace a sample of labor charged to the funding to supporting effort-reporting documentation.
- h. Review business incentive agreements, as defined in North Dakota Century Code 54-60.1-02, provided a business and valued at \$25,000 or more to report any noted instances of noncompliance with North Dakota Century Code 54.60.1.
- i. Include a comparison of the budget submitted with the centers application for funding to actual expenditures and provide an explanation of any significant differences.

CHAPTER 15-69 CENTERS OF EXCELLENCE

15-69-01. (Effective through July 31, 2011) Definitions. In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Foundation" means the North Dakota economic development foundation.
5. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Tourism;
 - e. Value-added agriculture; or
 - f. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

15-69-02. (Effective through July 31, 2011) Centers of excellence.

1. The board shall establish a centers of excellence program relating to economic development. Workforce may not be the primary need addressed by a center. Through the program the commission shall make funding award recommendations for commission-approved applications to the board, the foundation, the emergency commission, and the budget section of the legislative management. A center must be an institution of higher education under the control of the board or a nonprofit university-related or college-related foundation of an institution of higher education under the control of the board. In order to be considered for center designation, the institution of higher education or nonprofit foundation must be working in partnership with the private sector. In addition to any center designated under this chapter, the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation are centers.
2. A commission funding award recommendation must be for a specified amount. Designation of a center occurs upon board, foundation, and budget section approval of a commission funding award recommendation. In considering whether to designate a center, the board, foundation, and budget section may not modify the commission recommendation. The budget section may not take action on an original commission funding award recommendation until the emergency commission reviews the commission recommendation and makes a recommendation to the budget section. Upon receipt of a commission funding

award recommendation, the budget section shall approve the recommendation, reject the recommendation, or rerefer the recommendation to the commission with recommended modifications. If the commission receives a rereferred recommendation from the budget section, the commission shall determine whether to modify the recommendation or whether to retain the recommendation and provide additional information with the recommendation.

- a. If within thirty days of the budget section rereferring a recommendation the commission makes a determination of whether to modify the recommendation or to retain the recommendation and within the same thirty days the emergency commission meets to review the modified recommendation or the retained recommendation accompanied by additional information, the emergency commission shall approve or reject the recommendation. If within the thirty days following the budget section rereferral the emergency commission acts under this subdivision, the determination of the emergency commission is final and the recommendation is approved or rejected.
 - b. If thirty days expire following the budget section's rereferral and the process under subdivision a is not completed timely, the commission shall submit to the budget section the modified recommendation or the retained recommendation. Upon receipt of the recommendation under this subdivision, the budget section shall approve or reject the recommendation. The budget section may not rerefer a recommendation received under this subdivision.
3. A center that receives funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent designation.
 4. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

15-69-03. (Effective through July 31, 2011) Centers of excellence commission. The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

15-69-04. (Effective through July 31, 2011) Application - Eligibility requirements.

1. The department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of

the board may be submitted to the department of commerce for each round of center funding.

2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
3. In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
 - f. Foster and practice entrepreneurship;
 - g. Promote the commercialization of new products and services in industry clusters;
 - h. Become financially self-sustaining; and
 - i. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
4. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center.
3. Before the commission directs the department of commerce to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.
4. The commission shall direct the department of commerce to distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department of commerce withhold all or a portion of any undistributed funds pending commission review of the changes.
6. The commission may use funds appropriated for the centers of excellence program to pay for the commission's administrative expenses, which may include contracting for independent, expert reviews of complete applications and centers of excellence forums. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.

15-69-06. Centers of excellence fund - Continuing appropriation. The centers of excellence fund is a special fund in the state treasury. All moneys in the centers of excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

						2009-11 Appropriation				2011-13 Executive Budget Recommendation			
Division	Program Area		Grants	Required Match	Loans	General Fund	Federal Funds	Special Funds	Total	General Fund	Federal Funds	Special Funds	Total
Administration													
Partner Programs													
	Small Business Development Centers	x	no			767,044			767,044	767,044			767,044
	Center for Technology and Business/Rural Technology	x	no			205,000			205,000	205,000			205,000
Office of Innovation and Entrepreneurship													
	Centers of Excellence	x	yes			19,500,000			19,500,000	13,000,000		2	13,000,000
	Technology-based entrepreneurship grant program	x	no			1,000,000			1,000,000	1,000,000			1,000,000
	North Dakota Trade Office	x	yes			2,064,000			2,064,000	2,553,000			2,553,000
Discretionary Funds													
	Partners in Marketing	x	yes			250,000			250,000	250,000			250,000
	Tourism Infrastructure Grants	x	yes			50,000			50,000	50,000			50,000
	Project/Grant funds	x	varies			628,083			628,083	628,082			628,082
Tourism													
	USS Bismarck	x	no			100,000			100,000				
	Lewis and Clark Foundation	x	yes			1,500,000			1,500,000				
	Theodore Roosevelt Medora Foundation	x	yes			500,000			500,000				
	Marketing Grants	x	yes			165,800			165,800	165,800			165,800
	Tourism Infrastructure Grants	x	yes			50,000			50,000	50,000			50,000
Workforce Development													
	AmeriCorps	x	yes				1,000,000		1,000,000		1,200,000		1,200,000
	Early Childhood Education												
	Child Development Certification Grants	x	no							150,000			150,000
	Workforce Enhancement Grants (Workforce Centers of Excellence)												
	Workforce Enhancement Fund	x	yes			1,000,000			1,000,000	2,000,000			2,000,000
Economic Development													
	Economic Development Initiatives												
	Tourism Infrastructure Grants	x	yes			50,000			50,000	50,000			50,000
	North Dakota Development Fund												
	Childcare Services Development												
	Childcare Loan Program			X		1,250,000			1,250,000	400,000			400,000
	Agriculture Products Utilization Commission	x	yes			1,303,781	300,000	550,000	2,153,781	1,313,704	300,000	738,284	2,351,988
Community Services													
	Community Development	x	yes			840,000	34,080,000	5,000,000	39,920,000	840,000	29,910,000	5,000,000	35,750,000
	Office of Renewable Energy and Energy Efficiency	x	yes			6,031,579	15,643,421	1,175,000	22,850,000		14,179,500	1,200,000	15,379,500
	Self-Sufficiency												
	Community Service Block Grant (CSBG)	x	no			125,000	6,776,258	24,000	6,925,258	125,000	6,783,694	24,000	6,932,694

¹Alcohol Motor Vehicle Fuel Fund

²Governors recommendation does not appropriate special funds for Centers of Excellence but instead authorizes carryover authority of 5,000,000

LISTING OF PROPOSED CHANGES TO HOUSE BILL NO. 1018

Department - Department of Commerce

Proposed funding changes:

Description	FTE	General Fund	Special Funds	Total
1 Add funding for tourism infrastructure grants (Approved by Committee)		\$1,000,000		\$1,000,000
2 Add funding for a Minot Air Force Base Re-alignment grant (Approved by Committee)		\$250,000		\$250,000
3 Remove funding for centers of excellence (Approved by Committee)		(\$13,000,000)		(\$13,000,000)
4 Provide funding for a grant program to replace Centers of Excellence			To be determined	
5 Add funding for the recruitment, training, and retention of childcare service providers to provide grants pursuant to: NDCC 50-11.1-14.1 (Approved by Committee)		\$3,615,759		\$3,615,759
Total proposed funding changes		<u>(\$8,134,241)</u>	<u>\$0</u>	<u>(\$8,134,241)</u>

HB 1018
Feb. 15, 2011
Handout # 1

1 Add a section to create a new section to NDCC Chapter 54-60 relating to innovation 2020 awards (HB 1058) (Approved by Committee)

Innovation 2020 award

- 1 The department may administer the innovation 2020 award program to provide proof-of-concept funding to a qualified entrepreneur to assist in moving a new technology from academia into the commercialization cycle.
- 2 The following provisions apply to an award under this section:
 - a An applicant must be an individual who is associated with a North Dakota institution of higher education as a student, an employee, or other relationship the department may authorize.
 - b The applicant must have an early-stage technology with high commercial potential.
 - c The department shall establish the qualified uses of funds received under this section.
 - d As a term for receipt of funds under this section, the recipient shall agree to the department's repayment terms equal to two times the amount of the award.
 - e The department's repayment terms may include the department taking an equity position in providing a loan to, or using any other innovative financing mechanism to provide the funds to the recipient. The terms of repayment may be conditioned on the new technology becoming income-generating.
 - f An award under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
 - g An award under this section is not a business incentive under chapter 54-60.1.

2 Add a section to create a new section to NDCC Chapter 10-30.5 relating to a technology award grant program (HB 1059) (Approved by Committee)

Technology award equity investment program

- 1 The corporation may administer a technology award equity investment program that provides matching equity investments to technology-based businesses.
- 2 The following provisions apply to technology award equity investments:
 - a An applicant must:
 - 1 Be a North Dakota business that is at the startup stage;
 - 2 Be a primary sector business in the technology field; and
 - 3 Have a legal structure that was established following comprehensive vetting, development of proof of concept, and a completed business plan.
 - b Before funds are distributed under this section, the recipient shall provide the corporation with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. Matching funds must come from a North Dakota angel fund certified under section 57-38-01.26 must be cash, and may not be in-kind assets.
 - c An equity investment under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
 - d An award equity investment under this section is not a business incentive under chapter 54-60.1.

3 Remove sections 4, 5, 9, 11, 14, 15, 16, 17, 25, 27 and 30 relating to centers of excellence (Approved by Committee)

4 Approve amendment 11.8160.1002 relating to centers of excellence (Approved by Committee)

5 Amend Section 21 to re-allocate Great Plains Applied Energy Research Center funding as follows (Approved by Committee):

\$ 600,000 Acquisition of Anti-Ballistic Missile (ABM) site at the Stanley R. Mickelson Safeguard Complex (SRMSC) in Nekoma

6 Amend Section 10 to permit costs associated with the piping system and storage components of biofuel blender pumps eligible for cost-share grants. (Approved by Committee)

7 Re-allocate funding for the recruitment, training, and retention of childcare service providers to provide grants pursuant to: NDCC 50-11.1-14.1 (Approved by Committee)

Section 28 - Development Loan Fund	\$ 150,000
Section 32 - Grants for early childhood facilities	400,000
Section 31 - Child Development	150,000
Section 12 - Division of Energy	619,241
Section 21 - Re-allocate Great Plains Applied Energy Research Center funding	65,000
	<hr/>
	\$ 1,384,241

LISTING OF PROPOSED CHANGES TO HOUSE BILL NO. 1018

Department - Department of Commerce

Proposed funding changes:

Description	FTE	General Fund	Special Funds	Total
1 Add funding for tourism infrastructure grants (Approved by Committee)		\$1,000,000		\$1,000,000
2 Add funding for a Minot Air Force Base Re-alignment grant (Approved by Committee)		\$250,000		\$250,000
3 Remove funding for centers of excellence		(\$13,000,000)		(\$13,000,000)
4 Provide funding for a grant program to replace Centers of Excellence			To be determined.	
5 Add funding for the recruitment, training, and retention of childcare service providers			To be determined.	
Total proposed funding changes		<u>(\$11,750,000)</u>	<u>\$0</u>	<u>(\$11,750,000)</u>

HB 1018
attachment
2/11/11

Other proposed changes:

1 Add a section to create a new section to NDCC Chapter 54-60 relating to innovation 2020 awards (HB 1058) (Approved by Committee)

Innovation 2020 award.

1. The department may administer the innovation 2020 award program to provide proof of concept funding to a qualified entrepreneur to assist in moving a new technology from academia into the commercialization cycle.
2. The following provisions apply to an award under this section:
 - a. An applicant must be an individual who is associated with a North Dakota institution of higher education as a student, an employee, or other relationship the department may authorize.
 - b. The applicant must have an early - stage technology with high commercial potential.
 - c. The department shall establish the qualified uses of funds received under this section.
 - d. As a term for receipt of funds under this section, the recipient shall agree to the department's repayment terms equal to two times the amount of the award.
 - e. The department's repayment terms may include the department taking an equity position in, providing a loan to, or using any other innovative financing mechanism to provide the funds to the recipient. The terms of repayment may be conditioned on the new technology becoming income-generating.
 - f. An award under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
 - g. An award under this section is not a business incentive under chapter 54 - 60.1.

2 Add a section to create a new section to NDCC Chapter 10-30.5 relating to a technology award grant program (HB 1059) (Approved by Committee)

Technology award equity investment program.

1. The corporation may administer a technology award equity investment program that provides matching equity investments to technology-based businesses.
2. The following provisions apply to technology award equity investments:
 - a. An applicant must:
 1. Be a North Dakota business that is at the startup stage;
 2. Be a primary sector business in the technology field; and
 3. Have a legal structure that was established following comprehensive vetting, development of proof of concept, and a completed business plan.
 - b. Before funds are distributed under this section, the recipient shall provide the corporation with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. Matching funds must come from a North Dakota angel fund certified under section 57-38-01.26 must be cash, and may not be in-kind assets
 - c. An equity investment under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
 - d. An award equity investment under this section is not a business incentive under chapter 54 - 60.1.

3 Remove sections 4, 5, 9, 11, 14, 15, 16, 17, 25, 27 and 30 relating to centers of excellence (Approved by Committee)

*Section 7 and 26 may also be removed

4 Other centers of excellence changes:

Amend Section 8 to incorporate State Auditor's Office suggestions and to continue Subsection 5 of Section 7 for monitoring purposes

5 Amend Section 21 to re-allocate Great Plains Applied Energy Research Center funding as follows (Approved by Committee):

\$ 4,335,000 National Energy Center of Excellence on Bismarck State College- Workfloor
\$ 600,000 Acquisition of Anti-Ballistic Missile (ABM) site at the Stanley R. Mickelson Safeguard Complex (SRMSC) in Nekoma

6 Amend Section 10 to permit costs associated with the piping system and storage components of biofuel blender pumps eligible for cost-share grants.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1018

Page 1, line 1, remove the third "the"

Page 1, line 2, after "enact" insert "section 15-69-07,"

Page 1, line 3, after the second "to" insert "the centers of excellence program,"

Page 1, line 6, remove "15-69-02, 15-69-03,"

Page 1, line 6, remove "15-69-06,"

Page 1, line 9, after the first semicolon insert "to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program,"

Page 2, line 3, replace "Centers of workforce excellence" with "Workforce enhancement grants"

Page 2, remove line 6

Page 2, line 11, replace "\$37,051,658" with "\$24,051,658"

Page 2, line 11, replace "\$134,724,431" with "\$121,724,431"

Page 2, line 13, replace "\$18,083,191" with "\$5,083,191"

Page 2, line 13, replace "\$46,089,494" with "\$33,089,494"

Page 2, line 20, replace "Transfer to centers of workforce excellence fund" with "Workforce enhancement grants"

Page 2, line 29, replace "13,000,000" with "0"

Page 3, line 2, replace "\$40,792,088" with "\$27,792,088"

Page 3, line 4, replace "\$16,295,338" with "\$3,295,338"

Page 5, remove lines 8 through 29

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 30

Page 9, remove lines 1 through 31

Page 10, remove lines 1 through 31

Page 11, replace lines 1 through 10 with:

"SECTION 4. AMENDMENT. Section 15-69-01 of the North Dakota Century Code is amended and reenacted as follows:

15-69-01. (~~Effective through July 31, 2011~~) Definitions.

In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Department" means the department of commerce.
5. "Foundation" means the North Dakota economic development foundation.
6. ~~"Industry cluster" means one of the following industries:~~
 - a. ~~Advanced manufacturing;~~
 - b. ~~Energy;~~
 - c. ~~Information and technology;~~
 - d. ~~Tourism;~~
 - e. ~~Value-added agriculture; or~~
 - f. ~~An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.~~
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

SECTION 5. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. ~~(Effective through July 31, 2011) Application—Eligibility requirements~~Centers of excellence program.

4. ~~The department of commerce shall provide center application forms; accept applications; review applications for completeness and compliance with board and commission policy; forward complete applications to the commission in accordance with guidelines established by the commission; and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of the board may be submitted to the department of commerce for each round of center funding.~~
2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to administer the centers of excellence program; distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.

3. ~~In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:~~
 - a. ~~Use university or college research to promote private sector job growth and expansion of knowledge based industries or use university or college research to promote the development of new products, high tech companies, or skilled jobs in this state;~~
 - b. ~~Create high value private sector employment opportunities in this state;~~
 - c. ~~Provide for public private sector involvement and partnerships;~~
 - d. ~~Leverage other funding, including cash from the private sector;~~
 - e. ~~Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;~~
 - f. ~~Foster and practice entrepreneurship;~~
 - g. ~~Promote the commercialization of new products and services in industry clusters;~~
 - h. ~~Become financially self sustaining; and~~
 - i. ~~Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.~~
4. ~~In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.~~
5. ~~For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.~~

SECTION 6. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.

2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the ~~commission's~~department's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Effective on the effective date of this Act, the department shall assume the postaward monitoring duties previously fulfilled by the commission and the center shall provide the department, rather than the commission, with the information necessary to monitor the postaward activities of the center.
3. Before the ~~commission directs the~~ department of commerce to ~~distribute~~distributes funds awarded under this chapter, the center shall provide the ~~commission~~department with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. ~~In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.~~
4. The ~~commission shall direct the~~ department of commerce to ~~shall~~ distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The ~~commission~~department may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, the ~~commission may direct that the~~ department of commerce may withhold all or a portion of any undistributed funds pending ~~commission~~department review of the changes.
6. The ~~commission~~department may use funds ~~appropriated for~~available within the centers of excellence program fund to pay for the ~~commission's~~department's administrative expenses, ~~which may include contracting for independent, expert reviews of complete applications and centers of excellence forums related to this program.~~ The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium."

Page 11, after line 18, insert:

"SECTION 8. Section 15-69-07 of the North Dakota Century Code is created and enacted as follows:

15-69-07. Centers of excellence postaward monitoring.

1. For no fewer than six years and no more than ten years following center designation, the department shall monitor a center's activities in order to determine whether the center is having the desired economic impact.
2. Instead of requiring annual audits under subsection 2 of section 15-69-05, the department may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under subsection 2 of section 15-69-05.
3. At a minimum, an agreed-upon procedures engagement under subsection 2 must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center;
 - h. Verification business incentive agreements comply with section 54-60.1; and
 - i. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences."

Page 23, after line 7, insert:

"SECTION 32. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 33. EFFECTIVE DATE. Section 32 of this Act becomes effective on August 1, 2023."

Page 23, line 8, replace "10" with "9"

Page 23, line 11, replace "10, 13, and 21" with "9, 12, and 20"

Renumber accordingly

NOTE: This set of amendments does not address centers of excellence program references in other sections of this Act because the committee has approved a separate set of amendments that removes these conflicting sections from the bill.

HB1018 Childcare Funding:

Development Loan Fund
 Grants for early childhood facilities
 Grants pursuant to NDCC 50-11.1-14.1

250,000 Section 28
 100,000 Section 32
 5,000,000 New Section

Source of funding for grants pursuant to NDCC 50-11.1-14.1:

Development Loan Fund	150,000	Section 28
Grants for early childhood facilities	400,000	Section 32
Child Development	150,000	Section 31
Division of Energy	619,241	Section 12
COE- Eminent Researcher Recruitment Grant	2,000,000	From Centers of Excellence \$13 general fund appropriation Section 1
Re-allocate Great Plains Applied Energy Research Center funding	65,000	Section 21
Remaining GF Appropriation	1,615,759	New Section
TOTAL	5,000,000	

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Grants for early childhood facilities	400,000	Section 32
Child Development	150,000	Section 31
Division of Energy	619,241	Section 12
COE- Eminent Researcher Recruitment Grant	2,000,000	From Centers of Excellence \$13 general fund appropriation Section 1
Re-allocate Great Plains Applied Energy Research Center funding	65,000	Section 21
Re-allocate biofuel blender bumps	740,000	Section 10
Remaining GF Appropriation	875,759	New Section
TOTAL	5,000,000	

HB 1018
 Feb 14, 2011
 Handout # 3

Date: 2/14/11
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations – Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Martinson Seconded By Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman Bob Skarphol	X		Clark Williams	X	
Vice Chair Hawken	X				
Mark Dosch		X			
Rep. Martinson:	X				
David Monson	X				

Total (Yes) 5 No 1

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To Add \$5M

Date: 2/14/11
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1018

House Appropriations – Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Dosch Seconded By Rep. Martinson

Representatives	Yes	No	Representatives	Yes	No
Chairman Bob Skarphol	X		Clark Williams	X	
Vice Chair Hawken	X				
Mark Dosch	X				
Rep. Martinson:	X				
David Monson	X				

Total (Yes) 6 No 0

Absent 0

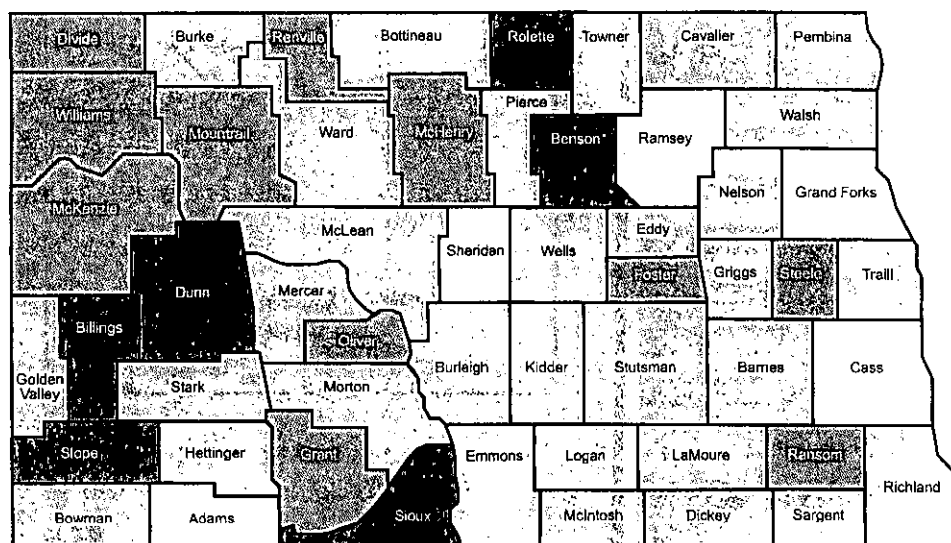
Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To Add \$5M

HB 1018
Feb. 14, 2011
Handout #2

Growing Child Care in North Dakota

Prepared by North Dakota Child Care Resource & Referral



North Dakota's child care shortage permeates the state

- 0 to 10%
 - 11 to 25%
 - 26 to 49%
 - 50% or more
- Counties over 50% continue to experience shortages for infants.

North Dakota's child care shortage permeates the state. Child care industry standards suggest that a county's child care supply meet at least 50% of demand. As you can see on the map shown here, few counties meet this standard.

North Dakota's thriving economy is driving the need for more child care.

Options to meet the need the need for child care are not keeping up with demand. An intentional approach is needed if the supply of child care is going to meet the growing demand for care.

Recruitment, Training and Retention Progress Report

North Dakota's 2009 legislature passed one-time child care funding of \$3.6 million for recruitment, training and retention to address the state's child care shortage.

Recruiting New Child Care Business

- ND currently has 1,422 child care businesses caring for 33,100 children. ND must add 8,000 spaces to reach 50% capacity
- By June 30, 2011, CCR&R projects to recruit 120 new child care businesses, an addition of 1,370 spaces
- To-date, CCR&R has recruited 109 new businesses, an addition of 1,710 potential spaces.

Training the Child Care Workforce

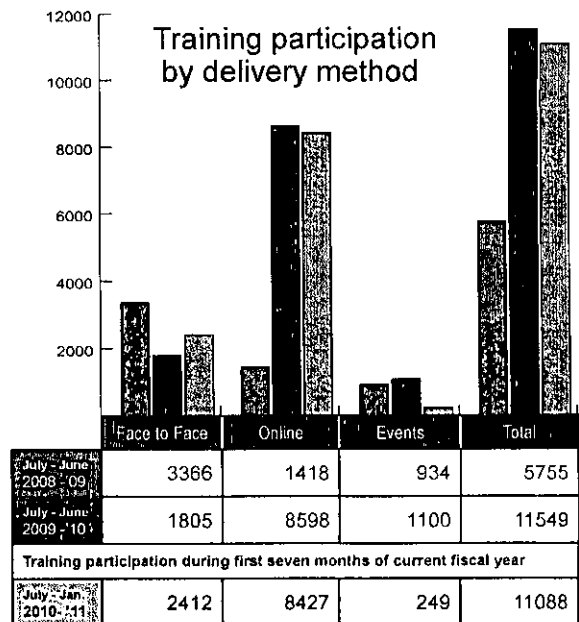
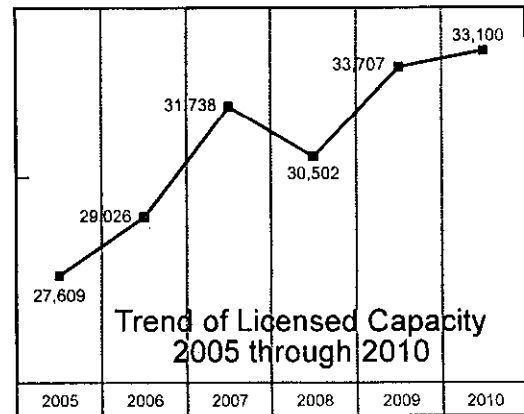
- CCR&R expanded on-line training to give the 4,800 child care workers the ability to access quality, affordable training.
- In 2010, CCR&R doubled training numbers from 5,755 to 11,549 participants (duplicated numbers)
- 190 scholarships have been awarded to individuals seeking their Child Development Associate Credential.

Retaining Child Care Business

- Annually, 17% (approximately 225) of child care businesses close
- By June 30, 2011, CCR&R projects to support 110 child care businesses (caring for 2,280 children) through training, technical assistance and incentives
- To date, CCR&R has worked with 153 existing child care businesses caring for 4,295 children

Recruitment, Training and Retention Participation (as of January 31, 2011).

County	RECRUITMENT		RETENTION		TRAINING
	Child Care Businesses Recruited	Potential Increase in Licensed Capacity	Child Care Businesses Enrolled	Capacity Retained	Workforce Training Participants (unduplicated)
Adams	0	0	0	0	5
Barnes	1	7	3	100	38
Benson	0	0	0	0	16
Billings	0	0	0	0	0
Bottineau	0	0	1	18	28
Bowman	0	0	0	0	15
Burke	1	18	2	36	11
Burlington	16	143	14	440	605
Cass	34	735	45	1,401	1560
Cavaler	0	0	0	0	28
Dickey	1	49	4	85	34
Divide	0	0	0	0	24
Dunn	0	0	0	0	12
Eddy	1	7	1	18	15
Emmons	0	0	0	0	7
Foster	7	7	0	0	16
Golden Valley	0	0	0	0	0
Grand Forks	3	21	16	589	429
Grant	0	0	0	0	7
Griggs	2	14	0	0	19
Hettinger	0	0	0	0	6
Kidder	0	0	1	18	16
Lamoure	0	0	4	66	9
Logan	1	7	0	0	8
McHenry	1	7	0	0	28
*Magic Fund	1	7			
McIntosh	1	7	1	18	11
McKenzie	1	7	0	0	25
*Star Fund	2	14			
McLean	2	14	1	10	27
Mercer	2	14	1	18	13
Morton	4	28	5	68	168
Mountrail	2	57	2	36	30
Nelson	1	7	2	25	14
Oliver	0	0	0	0	9
Pembina	0	0	2	36	23
Pierce	0	0	0	0	16
Ramsey	2	25	3	110	143
Ransom	4	43	1	15	17
Renville	0	0	0	0	8
Richland	0	0	3	39	93
Rolette	1	18	1	18	18
Sargent	1	7	0	0	11
Sheridan	0	0	0	0	5
Sloux	0	0	0	0	13
Slope	0	0	0	0	0
Stark	5	35	6	97	119
Steele	0	0	1	18	8
Stutsman	6	45	7	79	131
Towner	0	0	2	33	14
Trall	0	0	1	18	34
Walsh	0	0	2	32	30
Ward	7	252	19	499	400
*Magic Fund	10	73	11	269	
Wells	0	0	1	12	22
Williams	2	14	1	60	70
*Star Fund	4	28	2	14	
TOTAL	120	1,710	166	4,295	4,395



NORTH DAKOTA
CCR&R
CHILD CARE RESOURCE & REFERRAL

Child Care Resource & Referral is a program of Lutheran Social Services in western North Dakota and Lakes and Prairies Community Action Partnership in eastern North Dakota.

HB 1018

Handout
1/24/11

North Dakota Workforce Delivery System

The North Dakota Workforce Delivery System is a partnership of entities delivering federal and state funded workforce development and workforce training programs. State agencies and educational institutions, tribal entities, and other stakeholders partner to leverage funds and coordinate effort. Because programs reference common terminology such as "workforce development" and "workforce training," the partners have adopted specific definitions to clarify terminology.

Workforce Development refers to education and training whereby students or individuals are direct customers of the service delivery system. This includes education and training provided to and through: 1) K-12, post-secondary, and proprietary institutions; 2) displaced, disadvantaged or underemployed workers; and 3) the existing employed workforce served through life-long learning and continuing education.

Workforce Training refers to the more immediate service relationships involved in responding to business and industry needs. It is business and industry driven and often involves customized or contracted training. The business is usually the direct client of the services delivered.

***The Differentiation.** The key factor in differentiating workforce development from workforce training is the primary customer being served. Workforce development is oriented toward meeting the education and training needs of individuals, including providing continuing education and life-long learning. Workforce training is oriented toward serving the training needs of business and industry.

Employability Development Services refers to the provision of various services designed to ensure that individuals with employment barriers receive the necessary assessment, information, services, and supports to facilitate their integration into the labor force. Employability development services can include:

- Assisting individuals in assessing their education, skills and competencies to help them form employment goals.
- Assisting individuals in development of employability plans and assistance in implementation of these plans.
- Providing services and referring individuals to other programs including training, education and financial assistance programs.
- Providing case management services.

North Dakota's workforce development and workforce training programs include a number of specific federally funded programs complemented by state-funded programs. The state-funded programs fill gaps in workforce training and are targeted toward addressing employer needs for keeping their workforce highly trained and globally competitive.

Workforce enhancement fund - The Legislative Assembly provided for the transfer of \$1 million from the general fund to the workforce enhancement fund. The Department of Commerce administers the workforce enhancement fund, providing grants to higher education institutions assigned primary responsibility for workforce training in the state. The grants are to be used to create or enhance training programs that address workforce needs of private sector companies. A grant may be used for curriculum development, equipment, recruitment of participants, and training and certification for instructors but may not be used to supplant funding for current operations. The higher education institution must provide detailed documentation of private sector participation, including the availability of \$1 of matching funds for each dollar of state funds.

As of April 2010 the department has awarded four workforce enhancement grants totaling \$831,222. The State College of Science was awarded a grant of \$265,000 for the college's automotive diagnostic certification center. Funding is for diagnostic equipment, software and consulting, a training platform, instructor training, and curriculum development. Bismarck State College was awarded a grant of \$199,106 for the college's welding partnership program. Funding is for three virtual welding simulator training units and related training and instruction costs. Bismarck State College was also awarded a grant of \$102,116 for an electronics and telecommunications project. Funding is for equipment, material and supplies, and instructor and curriculum development. Williston State College was awarded a grant of \$265,000 for a transportation initiative project. Funding is for equipment and instructor certification.

AB1018
Handout
1/24/11

PROGRAM	FUND SOURCE	CURRENT ALLOCATION	CYCLE	ADMINISTERING AGENCY	MATCH/OTHER CONTRIBUTION	BENEFICIARY	PURPOSE	WORKFORCE DEVELOPMENT / WORKFORCE TRAINING	PARTNERSHIPS/ LEVERAGE
Workforce 20/20	State	\$1,512,491	Biennial	Job Service North Dakota	Program covers no more than 50% of training costs.	Employers/ Incumbent Workers	Assist employers with the cost of upgrading worker skills. Targets manufacturing, new technology.	Training	Shared Business Referrals Among Partners
ND New Jobs Training	Reimbursement Based on Employee State Income Tax Paid	\$2,680,173	Biennial	Job Service North Dakota	Program assists with training costs through tax reimbursement.	Primary Sector Employers	Requires new job creation	Training	Shared Business Referrals Among Partners
Workforce Enhancement Grants	State and Private Sector	\$1,000,000	Biennial	Department of Commerce	Dollar-for-dollar from private sector required	Training Quadrant Institutions (employers, incumbent workers, post-secondary and secondary students via training provided)	Responsiveness to employer training needs and to rapidly changing technology	Training	
TrainND	Four Sources: Business Training Revenue, State Funds, Business Contributions, College Contributions	\$3,000,000	Biennial	Career and Technical Education/North Dakota University System	Funded primarily from business training revenue; business training revenue plus college contributions and business contributions constituted 72% of TrainND funding in 2006-2009.	Training Quadrant Institutions; Employers (via training provided)	"To serve the work force needs of business and industry and to serve as a broker in arranging the delivery of training." (from HB 1443, 1999)	Training	Shared Business Referrals Among Partners
Adult Education	Federal, State, Local	Federal - \$925,000; State - \$925,000; Local - varies from site to site	Annual; Biennial	ND Department of Public Instruction	None	Students needing GED or remediation for employment, post secondary; ESL services; citizenship; employment assistance	Education for adult learners beyond the age of 16	Development	Joint assessment, case management and funding assistance with Workforce Investment Act when appropriate

PROGRAM	FUND SOURCE	CURRENT ALLOCATION	CYCLE	ADMINISTERING AGENCY	MATCH/OTHER CONTRIBUTION	BENEFICIARY	PURPOSE	WORKFORCE DEVELOPMENT / WORKFORCE TRAINING	PARTNERSHIPS/ LEVERAGE
Vocational Rehabilitation	Federal 78.7 State match 21.3	\$ 12,927,576	Annual	Department of Human Service - Vocational Rehabilitation	State match = 21.3%	Persons with a physical or mental impairment that creates an impediment to employment	Rehabilitation to include counseling and guidance, mental and physical restoration, training to include academic and supports on the job to include job coach and OJT.	Development, Employability Development Services	Joint assessment, case management and funding assistance with Workforce Investment Act when appropriate
Workforce Investment Act	Federal	\$ 5,108,295	Annual	Job Service North Dakota	None	Eligible Job Seekers	Training, support, other assistance for employment preparation. Funds directed at economically disadvantaged youth, economically disadvantaged adults, and dislocated workers	Development, Employability Development Services	Joint assessment, case management, and funding with Vocational Rehabilitation, Adult Education when appropriate
Trade Adjustment Assistance	Federal	\$ 825,648	Annual	Job Service North Dakota	None	Eligible Job Seekers	Training, support, other assistance for reemployment	Development	

**HB1018 Commerce Department
Partner Programs**

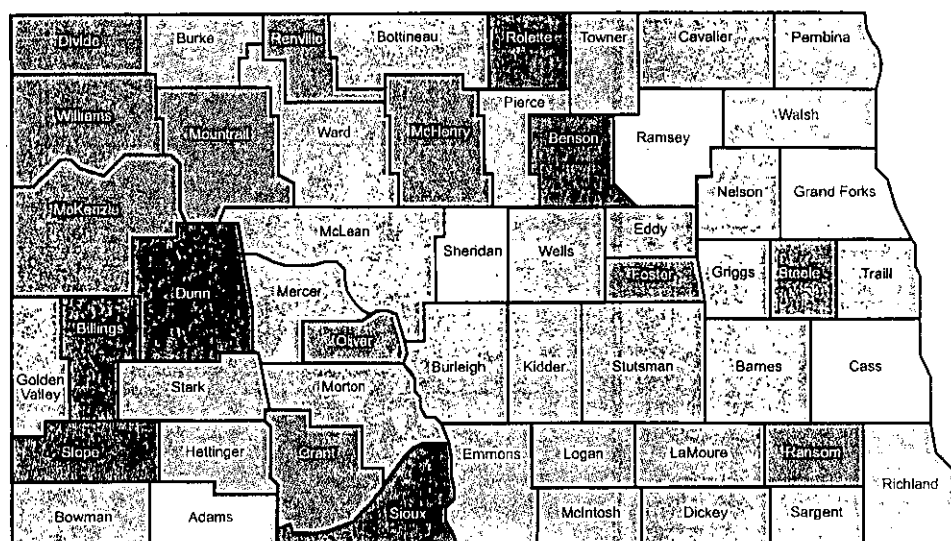
	2009-11 General Fund Appropriation	2011-13 General Fund Recommendation	Program Description
Partner Programs			
American Indian Business Development Office	\$ 100,000	\$ 200,000	Connects American Indian business owners with more avenues to grow their businesses and create new jobs on and off various reservations located throughout the state
Center for Technology and Rural Development	\$ 205,000	\$ 205,000	Partners with individuals, businesses, communities, and local and state agencies, job development authorities and nonprofit organization to provide simplified technology curriculum, training and services
Small Business Development Center Grants	\$ 767,044	\$ 767,044	Provides high-quality assistance to help individuals start, manage and grow their businesses resulting in job creation, retention and economic development.
Manufacturing Extension Partnership	\$ 950,000	\$ 950,000	Provides manufacturers quick, cost-effective solutions to challenges.
Total Partner Programs	\$ 2,022,044	\$ 2,122,044	

HB1018 Commerce Department
Changes in Operating Expenses
Green Sheet Item #12

AA2 - Operation Changes	Commerce Administration	Innovation & Strategic Initiatives	ND Tourism	Workforce Development	Economic Development and Finance	Community Services	Total
Appropriation Line							
Operating Expenses		(375,000)			14,681	(141,309)	(501,628)
Grants						(5,633,064)	(5,633,064)
Total	-	(375,000)	-	-	14,681	(5,774,373)	(6,134,692)
General Fund					14,681	(12,125)	2,556
Federal Funds						(5,695,083)	(5,695,083)
Special Funds		(375,000)				(67,165)	(442,165)
Total	-	(375,000)	-	-	14,681	(5,774,373)	(6,134,692)

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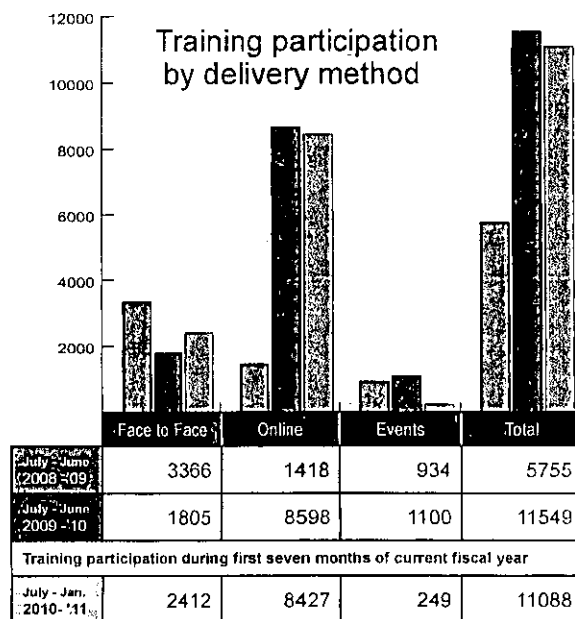
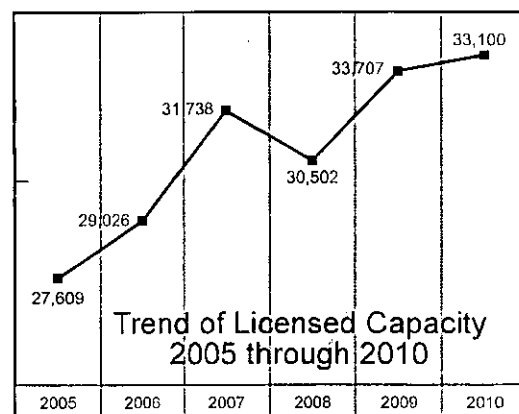
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Bowman	0	0	0	0	5
Burke	1	18	2	36	11
Burleigh	1	143	14	440	605
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Dunn	0	0	0	0	12
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Emmons	0	0	0	0	7
Foster	1	7	0	0	16
Golden Valley	0	0	0	0	0
Grand Forks	3	21	16	569	429
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Griggs	2	14	0	0	19
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Ramsey	2	25	3	110	143
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Renville	0	0	0	0	8
Richland	0	0	3	39	93
Rolette	1	18	1	18	16
Sargent	1	7	0	0	11
Sheridan	0	0	0	0	5
Sioux	0	0	0	0	13
Slope	0	0	0	0	0
Stark	5	35	6	97	119
Steele	0	0	1	18	18
Stutsman	6	45	7	79	131
Towner	0	0	2	33	14
Trail	0	0	1	18	34
Walsh	0	0	2	32	30
Ward	7	252	19	499	400
*Magic Fund	10	73	11	269	
Wells	0	0	1	12	22
Williams	2	14	1	60	70
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TOTAL	120	1710	166	4295	4395



NORTH DAKOTA
CCR&R
CHILD CARE RESOURCE & REFERRAL

Child Care Resource & Referral is a program of Lutheran Social Services in western North Dakota and Lakes and Prairies Community Action Partnership in eastern North Dakota.

HB 1018
Feb. 18, 2011.
Attachment 2



0 | SRMSC Redevelopment Study

SRMSC Redevelopment Strategy

Final Report Summary

March 12, 2010 Proposed Recommendation

Systems Engineering and Technology, LLC | www.seatecslc.com | 425.373.1005 | busey@seatecslc.com

Introduction



Background

- Army decision that Stanley R. Mickelson Safeguard Complex (SRMSC) is excess property. Cavalier County Job Development Authority (CCJDA)/University of North Dakota (UND) partnership focused on Unmanned Aircraft Systems (UAS). Economic Development Act (EDA) grant to prepare strategy.
- Study contract executed by consulting firm SeaTec from October 2009 through Feb 2010.

Purposes

- Communicate SRMSC Redevelopment Study results
- Obtain feedback and buy-in
- Identify near-term funding needs
- Agree on next steps

Agenda Topics

- SRMSC Redevelopment Strategy
- Site Condition Assessment Findings
- Future State Vision
- SRMSC Site Redevelopment Timeline
- Economic Model
- Near-term funding needs
- Next Steps

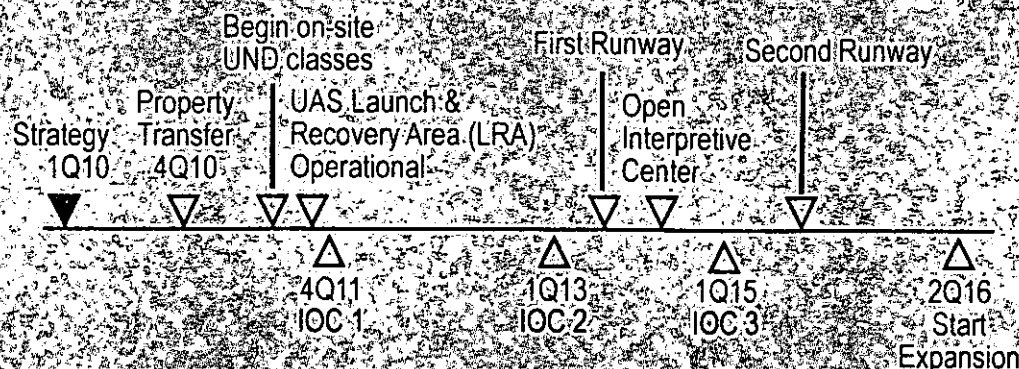
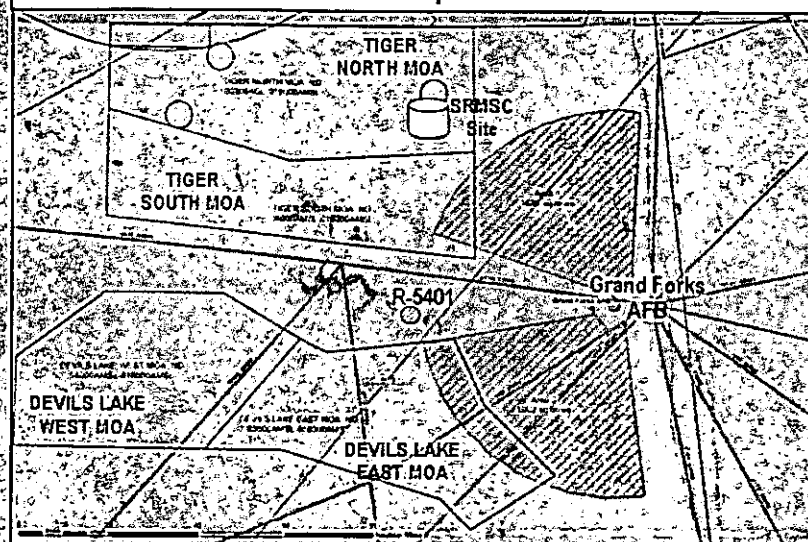
SRMSC Redevelopment Strategy – At A Glance



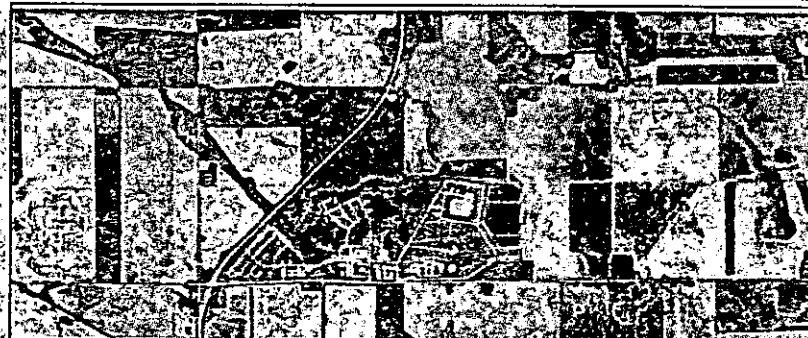
2 | SRMSC Redevelopment Study

- Redevelop SRMSC to support three missions
 - Technology (UAS and non-UAS)
 - Education – *UND School of Aviation & Aerospace*
 - Historical preservation
- Lead engagement with Federal Aviation Administration (FAA) and Department of Defense (DoD) to ensure appropriate timely and safe airspace policy changes
- Improve and expand the existing infrastructure to match customer/user demand
- Preserve the historical significance for public access
- Run SRMSC as an innovative non-profit public business

NOTIONAL UAS Operations Areas



IOC 1: Start Civil Small UAS operations
 IOC 2: Start Civil Small / Medium Altitude Long Endurance (MALE) operations
 IOC 3: Start Civil & Commercial Small / MALE / High Altitude Long Endurance (HALE) operations



Study Team



3 | SRMSC Redevelopment Study

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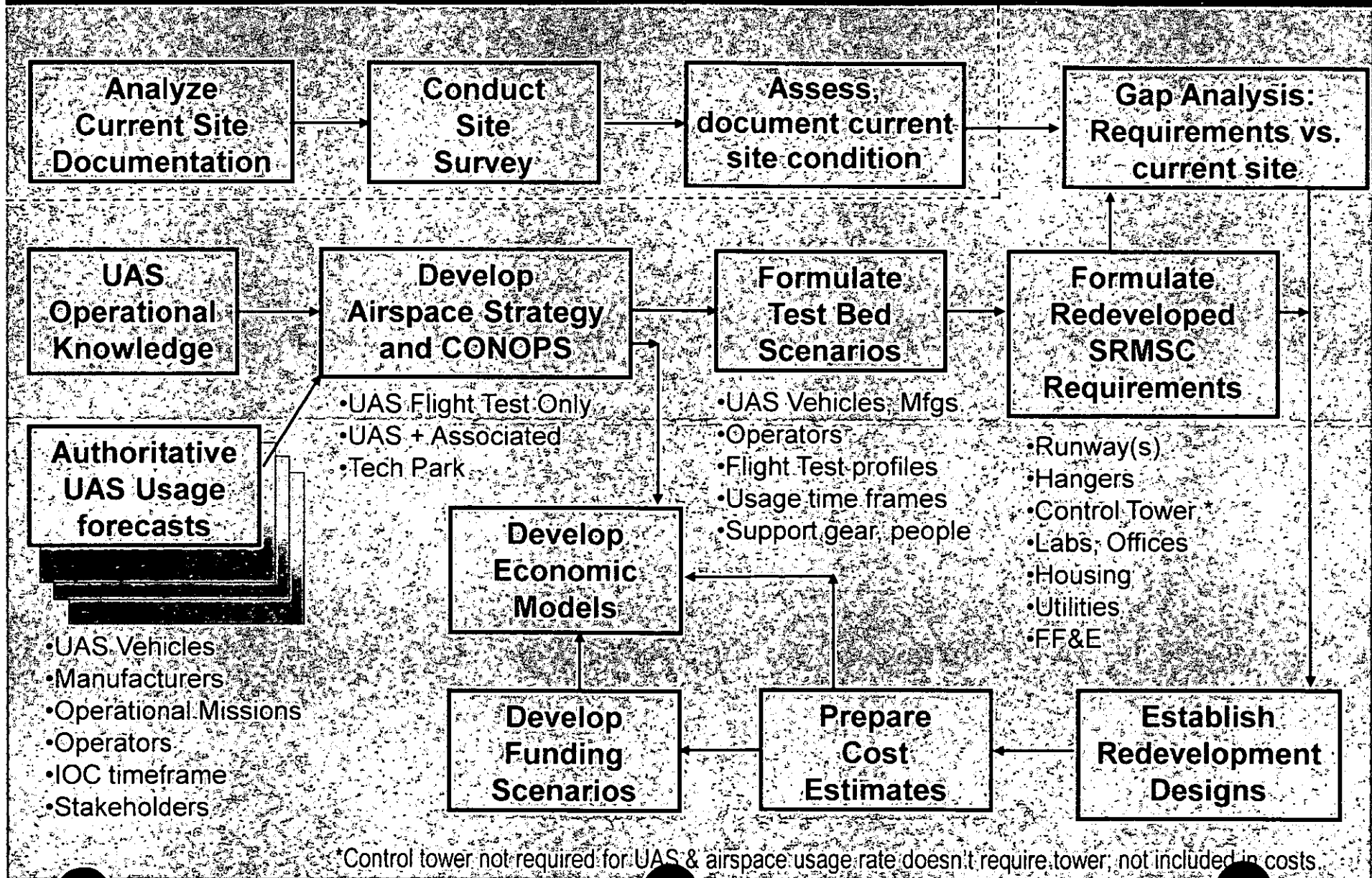
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SRMSC Redevelopment Study – Task Flow



4 | SRMSC Redevelopment Study



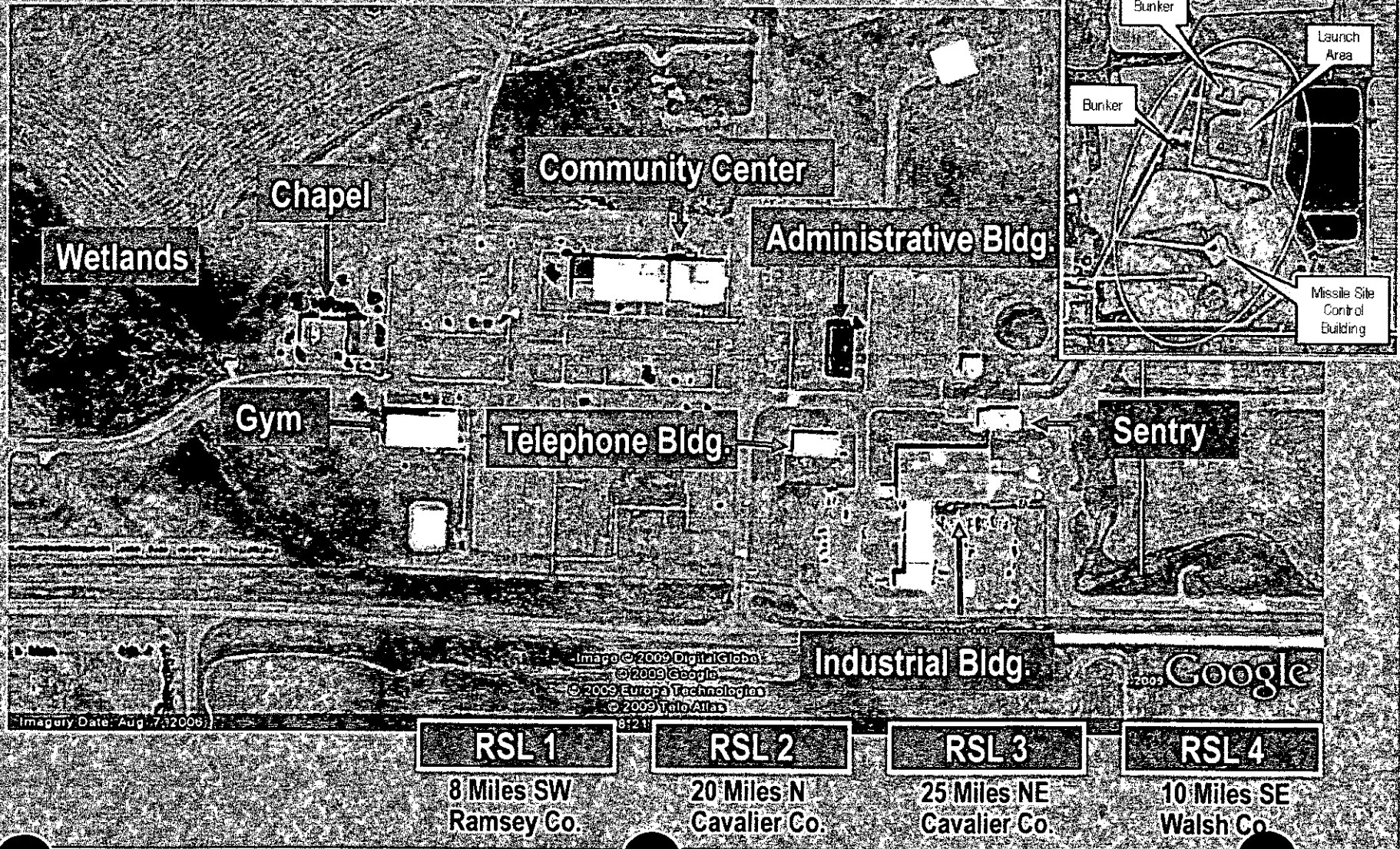
Overview of Current SRMSC Facility



5 | SRMSC Redevelopment Study

Missile Site Radar (MSR) facility at Nekoma, North Dakota in Cavalier county

Tactical Area (Historic)



SRMSC Site Condition Assessment Findings

6 | SRMSC Redevelopment Study

- **MSR facility at Nekoma (430 acres, plus easements)**
 - Seven existing building, over 110,000 square feet of space available
 - Overall condition surprisingly good, due to diligent caretaker employed by Kaya Associates on behalf of the Army
 - Each building needs minor-moderate refurbishment (meet code, building specific deterioration items, etc.) and modernization; no “show-stoppers” found
 - Wetlands on the property – good candidate for public space/park
 - Helipad in good condition
 - Adequate space for an Launch and Recovery Area (LRA) and two large runways
 - Utilities meet or exceed capacity/quality requirements, need upgrades to meet code
 - Grounds – roads & parking are in fair condition; require repaving, new landscaping required
 - Environmental – toxic chemical clean-up to be accomplished by U.S. government prior to transfer
- **Four Remote Sprint Launch (RSL) sites, within approximately 25 miles of Nekoma**
 - 40 acres each
 - All in very remote areas, road access via easements
 - Small buildings and utilities on each
 - Conditions fair
 - Good locations for UAS calibration instrumentation and uses that may be incompatible with main site (i.e. noise considerations, security/privacy requirements or safety impact)

Future State Vision – Overview



7 | SRMSC Redevelopment Study

SRMSC will evolve to become a multi-use facility with three primary missions

Technology Park

UAS Operations

- UAS Center of Excellence (COE)
- "One-stop shopping" for UAS flight and on-ground services
- UAS Surfaces (one LRA and 2 runways)
- UAS services and facilities for continuous operations
- 24/7 continuous access to facilities & airspace
- Non-interference with other users of the National Air Space (NAS)
- Remote location, low community impact
- Neutral owner/operator i.e. CCJDA
- Private operations at reasonable commercial-rate pricing
- Supports commercial, military and civil UAS operations
- Leverage UND partnership, resources, expertise and leadership

General Technology Park (UAS & non-UAS)

- Offices, labs, light industry, conference center, parking, roads
- Housing & dining for visitors
- On-site indoor and outdoor recreation
- On-site maintenance services
- Buildings – upgrade, remodel, meet code & new requirements
- Business activities (tenant relations, marketing, plans, designs)

Education

- University-level courses, labs and graduate studies
- Military, local, state and federal government training programs (TrainND, HAZMAT, civil, military & urban warfare, etc.)
- Science, Technology, Engineering & Mathematics (STEM) Programs
- Community college specialized training on UAS technology, operations/maintenance
- Community job training program capability
- Middle/High school science and technology camps
- Classrooms, labs & study areas
- Housing & dining for students
- Campus with public space and recreation areas

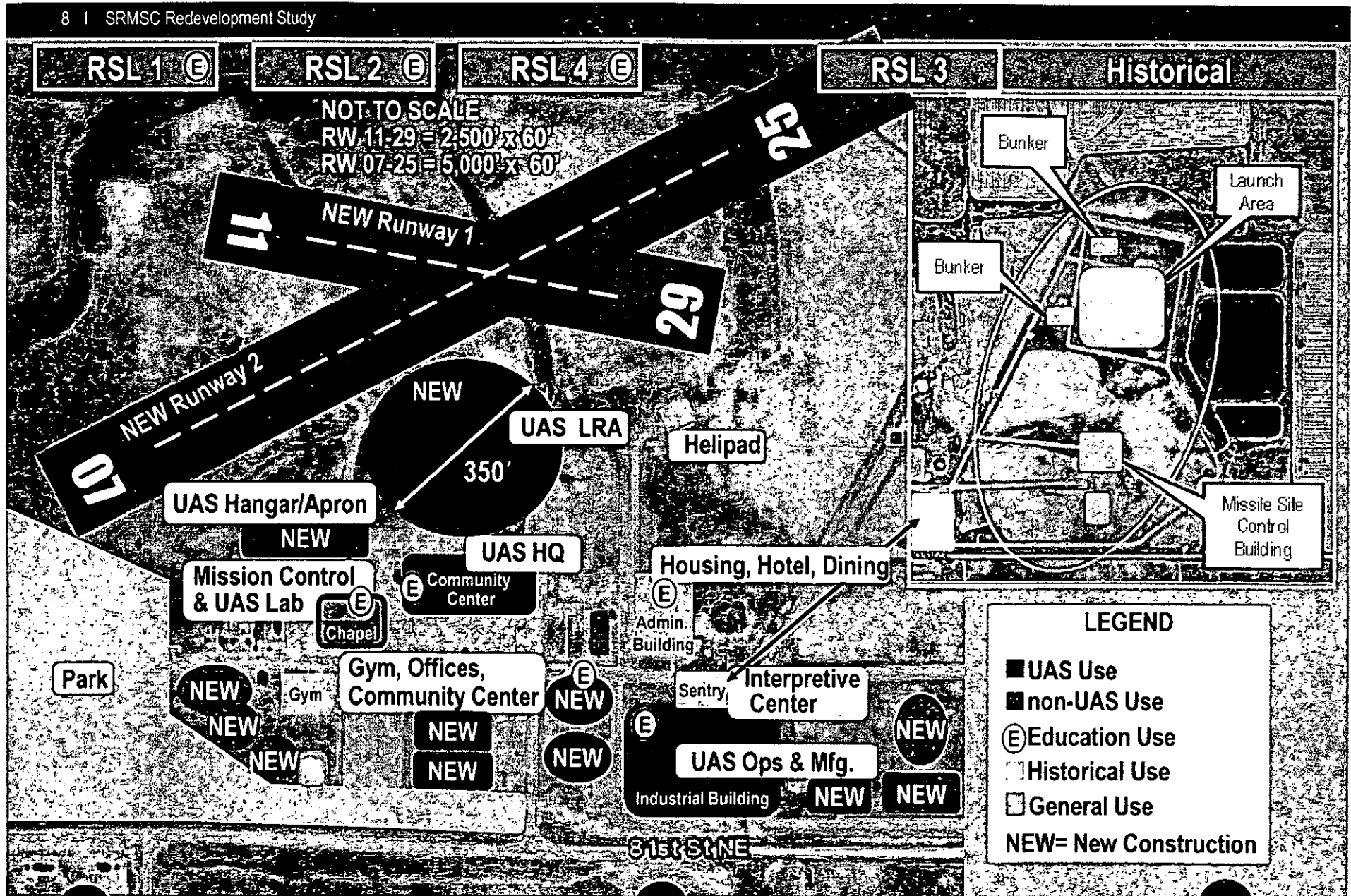
Historical Preservation

- Interpretive center
- Gift shop
- Access to site historical assets
- Tourist-friendly venue

SRMSC Future Vision – Facility (2016+)

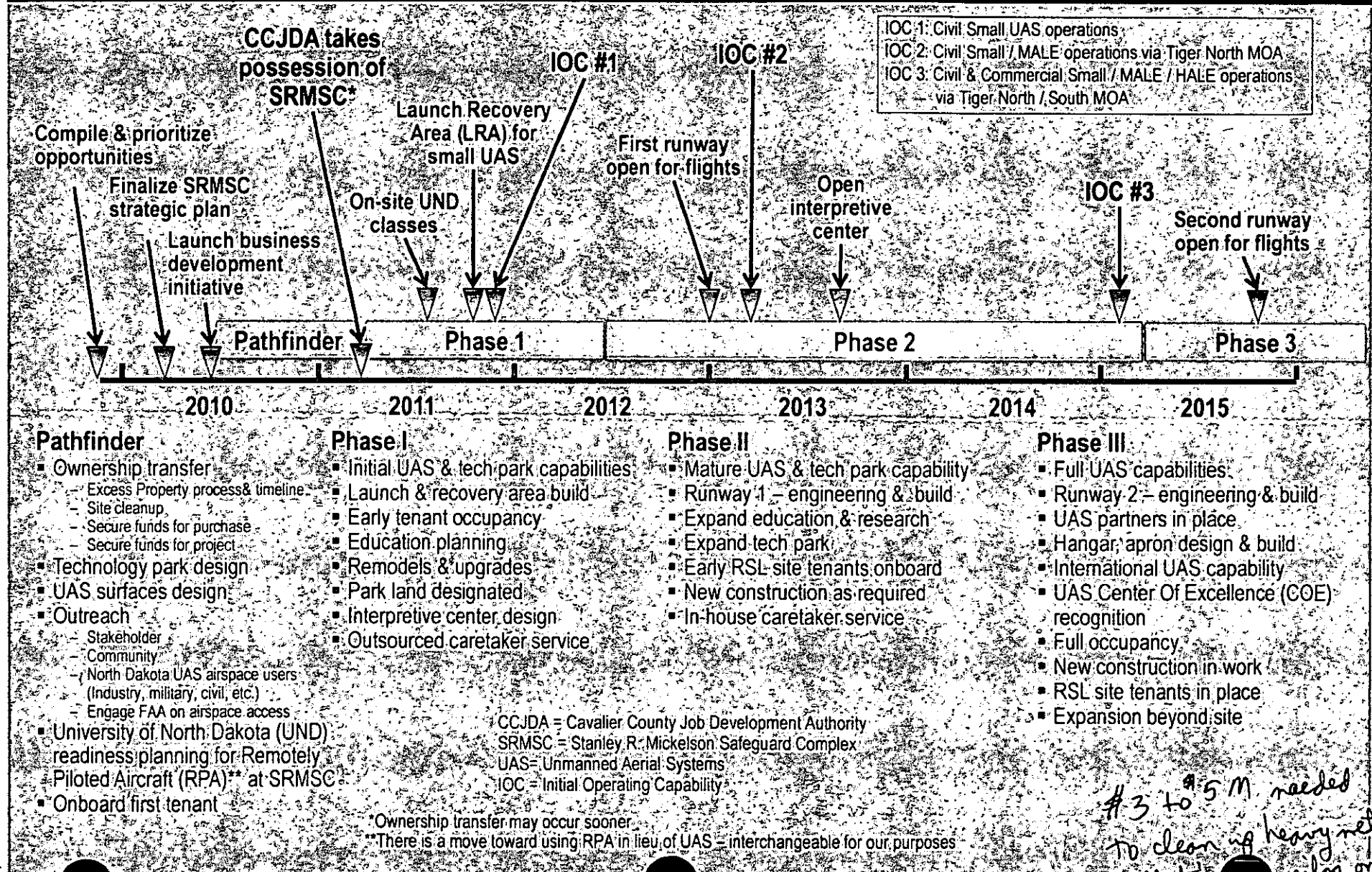


8 | SRMSC Redevelopment Study



SRMSC Site Redevelopment Timeline - Proposed *SeaTec*

9 | SRMSC Redevelopment Study



#3 to #5 M. needed
 to clean up heavy metal
 pollution silos on
 site.

Economic Model Overview



10 | SRMSC Redevelopment Study

Objectives

- Provide a realistic and credible forecast of the economic factors associated with SRMSC redevelopment, over the ten year planning horizon covered by the SRMSC strategic plan.
- Provide a tool that can be refined and utilized in future studies for:
 - Conducting “trade studies” of alternative scenarios
 - Determining sensitivities of economic forecasts to key parameters
 - Determine “materiality” of model elements, for use in prioritizing future analysis efforts

Scope

- Covers both non-recurring and recurring work packages
- Covers the three primary missions: technology (UAS and non-UAS); education and historical preservation
- Covers the ranges of SRMSC uses identified in the study
- Prepared using industry “best practices” for economic forecasting
- Caveat: the information in this model is for budgetary planning purposes only, and does not constitute a “proposal” or “commitment” by its authors, or the CCJDA or UND
- Caveat: this model is not a complete “business case,” per se

Preliminary Economic Forecasts 1



11 | SRMSC Redevelopment Study

SRMSC Cashflows

Revised 01/20/10

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses (\$000)										
Maintenance & Utilities	\$0	(\$600)	(\$600)	(\$600)	(\$800)	(\$800)	(\$800)	(\$800)	(\$800)	(\$800)
SRMSC Staff	(\$75)	(\$300)	(\$375)	(\$675)	(\$975)	(\$1,125)	(\$1,200)	(\$1,200)	(\$1,425)	(\$1,500)
Outreach	(\$50)	(\$50)	(\$50)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)
PM/Administrative / Overhead	(\$544)	(\$595)	(\$380)	(\$405)	(\$450)	(\$475)	(\$500)	(\$525)	(\$550)	(\$575)
Capital Improvements	(\$240)	(\$1,128)	(\$502)	(\$483)	(\$2,277)	(\$1,200)	(\$754)	(\$4,717)	(\$1,580)	(\$1,514)
Total Expenses	(\$909)	(\$2,673)	(\$1,907)	(\$2,263)	(\$4,602)	(\$3,700)	(\$3,354)	(\$7,342)	(\$4,455)	(\$4,489)

Revenue / Financing (\$000)										
Lease Income	\$0	\$220	\$260	\$390	\$520	\$640	\$740	\$775	\$805	\$825
Service Fees	\$0	\$0	\$50	\$251	\$490	\$990	\$1,850	\$1,850	\$2,405	\$2,990
Grants (State and Federal)	\$500	\$1,500	\$500	\$0	\$250	\$1,250	\$500	\$750	\$250	\$500
Grant Match	\$500	\$1,500	\$500	\$0	\$250	\$1,250	\$500	\$750	\$250	\$500
Loans	\$0	\$0	\$0	\$2,000	\$2,500	\$0	\$0	\$2,400	\$1,000	\$0
Total Income / Financing	\$1,000	\$3,220	\$1,310	\$2,641	\$4,010	\$4,130	\$3,590	\$6,525	\$4,710	\$4,815

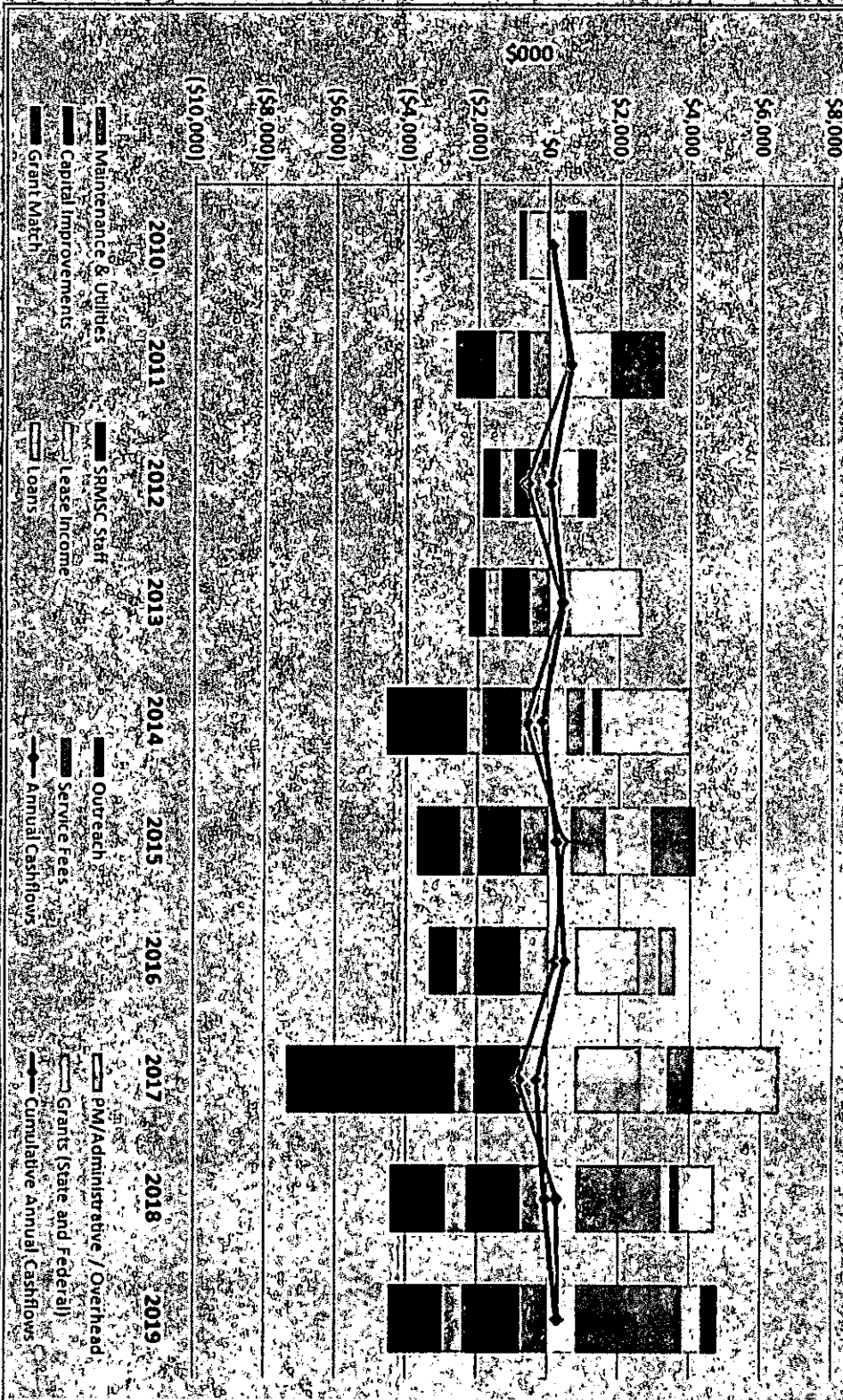
Annual Cashflows	\$92	\$547	(\$597)	\$378	(\$592)	\$430	\$236	(\$817)	\$255	\$326
Cumulative Annual Cashflows	\$92	\$639	\$42	\$420	(\$173)	\$258	\$494	(\$324)	(\$69)	\$258

The economic model represents current known priorities and opportunities; the order that opportunities present themselves will impact the model and may impact the redevelopment plan.

Preliminary Economic Forecasts 2



Annual Revenue, Financing and Expenses (\$'000)



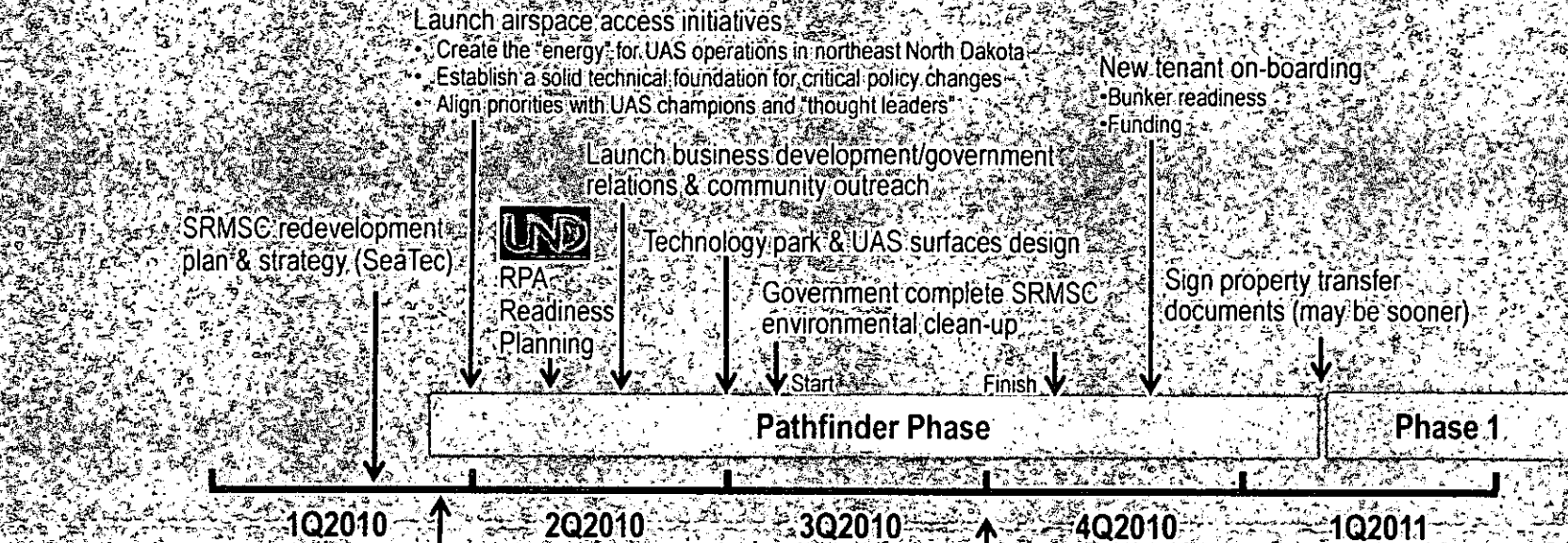
Local (Cavalier County) Economic Impact

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Direct New Jobs Created	0	20	27	41	71	77	88	105	115	127
Visitors (Person Days)	20	574	921	1,912	4,259	6,680	9,057	12,083	15,390	19,557

Next Steps: Pathfinder Tasks & Milestones – Proposed



13 | SRMSC Redevelopment Study



Pathfinder funding imperatives

- Airspace access advocacy (\$150K)
- SRMSC redevelopment – civil engineering (\$100K)
- Business development/government relations/communications & outreach (\$150K)
- Stakeholder relations (\$150K)
- Prepare future grant applications (\$50k)

Possible Private Sector # (Needed for Business Match in Col)

1. Raytheon
2. Lockheed
3. Doug Marshall - UND - lots he says

Spayncynatylk

Project Status & Help Needed



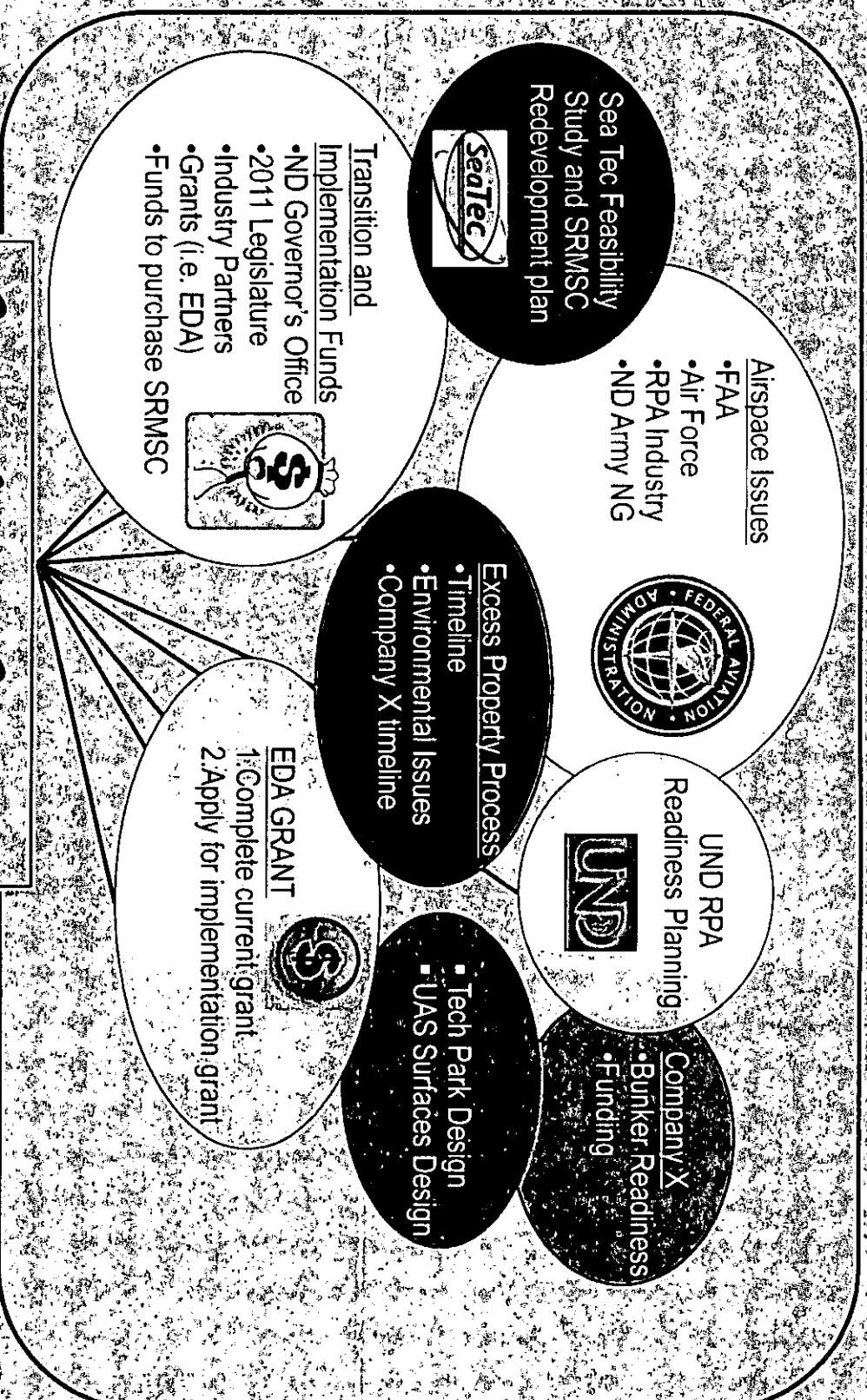
Project status:

- Final report and associated presentation materials are being fine-tuned
- Plan is in place
- First tenant is ready to move-in
- EIS comments submitted to the USAF
- Team is monitoring FAA progress in creating special use air space

Help Needed to:

- Obtain feedback and buy-in for proposed recommendations and go-forward effort
- Secure interim funding to fill gap & start Pathfinder activity (\$600K)
- Secure funds to purchase SRMSC
- Speed-up ownership transfer
- Speed-up site cleanup
- Obtain approval to begin key stakeholder and community outreach

CCJDA Near-term Challenges



Cavalier County
Job Development Authority

Complex & concurrent activities that all have to close in the next 3-9 months

Appendix



■ Appendix

- Local Economic Impact – Details
- Critical Stakeholders
- Critical Dependencies

Local Economic Impact – Details



17 | SRMSC Redevelopment Study

Local (Cavalier County) Economic Impact

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Direct New Jobs Created	0	20	27	41	71	77	88	105	115	127
Visitors (Person-Days)	20	574	921	1,912	4,259	6,680	9,057	12,083	15,390	19,557

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
------	------	------	------	------	------	------	------	------	------	------

Direct New Jobs Created

Core Staff/Project office	0	4	5	9	13	15	16	16	19	20
Base ops	0	0	1	2	3	3	4	5	5	5
Resident Tenants:										
Tech/UAS	0	4	6	8	12	14	18	20	24	30
Tech/Non-UAS	0	4	6	10	14	21	28	32	35	40
Education	0	2	4	7	10	10	12	14	16	16
Historical and Tourism	0	0	1	2	3	5	5	5	5	5
Construction	0	16	4	3	16	9	5	13	11	11
Total	0	20	27	41	71	77	88	105	115	127

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
------	------	------	------	------	------	------	------	------	------	------

Visitors (Person-Days):

Tourists	0	0	0	50	500	2,000	3,000	5,000	7,500	10,000
Collaborators	10	20	40	40	60	60	80	80	100	100
Military	10	50	100	200	300	400	500	600	700	800
University students	0	50	240	800	1,200	1,600	2,000	2,400	3,200	4,800
Science camp	0	0	240	480	960	1,920	3,000	3,000	3,000	3,000
Construction	0	434	251	242	1,139	600	377	903	790	757
Service Providers	0	20	50	100	100	100	100	100	100	100
Total	20	574	921	1,912	4,259	6,680	9,057	12,083	15,390	19,557

Critical Stakeholders



18 | SRMSC Redevelopment Study

Category	Critical Stakeholder(s)	Role in SRMSC Re-Development
SRMSC Site Redevelopment	CCJDA	Future SRMSC Site Redevelopment Leader
UAS Operations Development	University of North Dakota (UND)	UAS Partner with CCJDA
UAS Airspace Policy	FAA Offices: Flight Standards, Air Traffic Operations, NextGen ATM	UAS Standards, Technology Deployment & Regulatory compliance
Political	Government, Military & Community Leaders	Funding authorizations & related influence
Historical Preservation	ND State Historical Preservation Office	Register with National Historic Registry
Economic Development	State Government, Military, Community organizations and businesses	Strategy, budgets, incentives, influence & tenants
Education Uses - Conventional	Local Colleges, universities, middle & high schools	Establish future site training programs, Science & Technology Camps
Education Uses - Unconventional	State, Local, Federal UAS & Non-UAS organizations	Establish future site unconventional training programs

Many stakeholders have been identified; this list represents a subset of stakeholders critical to getting the site up and running. Other stakeholders will also need to be engaged.

Redevelopment Critical Dependencies



19 | SRMSC Redevelopment Study

1. Airspace Considerations

- UAS standards are in development
- DoD is seeking approval for a waiver of use in 2010 (Typically, Air space special use license approvals can take 3-5 years, etc)
- Small UAS Rules may be as early as 2011 for civil use
- Sense & Avoid / Command & Control Minimum Aviation System Performance Standards (MASPS) may be in the 2014 time frame
- FAA organizations, regulations, policies and processes lag UAS industry needs for UAS airspace and operations
- UAS is a new line of business for the FAA i.e. FAA supported establishing RTCA SC 203 and individual UAS offices in Air Traffic & Safety (standards, policies, processes and procedures need to be developed)
- Need to designate UAS accelerated air space approval process
- Public UAS (DoD, NASA, etc) use is highly dependent on air space approvals; Civil UAS use is dependent on acquiring an Experimental Certificate of Airworthiness and limited access to a stationary piece of airspace
- These efforts require proactive management

2. Funding Considerations

- Many funding options available (grants, loans, state, local, federal budgets)
- Specific funds are available for specific development categories
- Proactive planning & coordination required to successfully line up appropriate funds

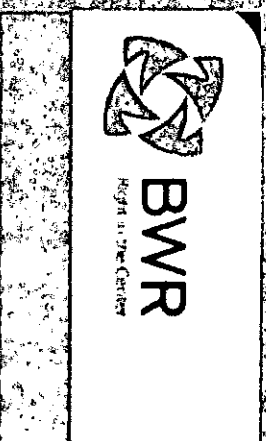
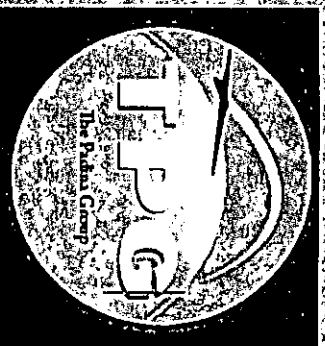
3. Program & Project Management

- Many opportunities for site use & redevelopment
- Many efforts in work at once
- Considerable state, local and federal focus and interest on redevelopment efforts
- Political & Community coordination required
- Requires a dedicated core team to provide strategy, leadership, coordination & planning

4. Site Redevelopment Considerations

- New opportunities will arise and require assessment & priorities may change over time
- The economic model, site build out and build plans will require adjustment & management
- Re-planning will be required over time

Thank You!



Abbreviations

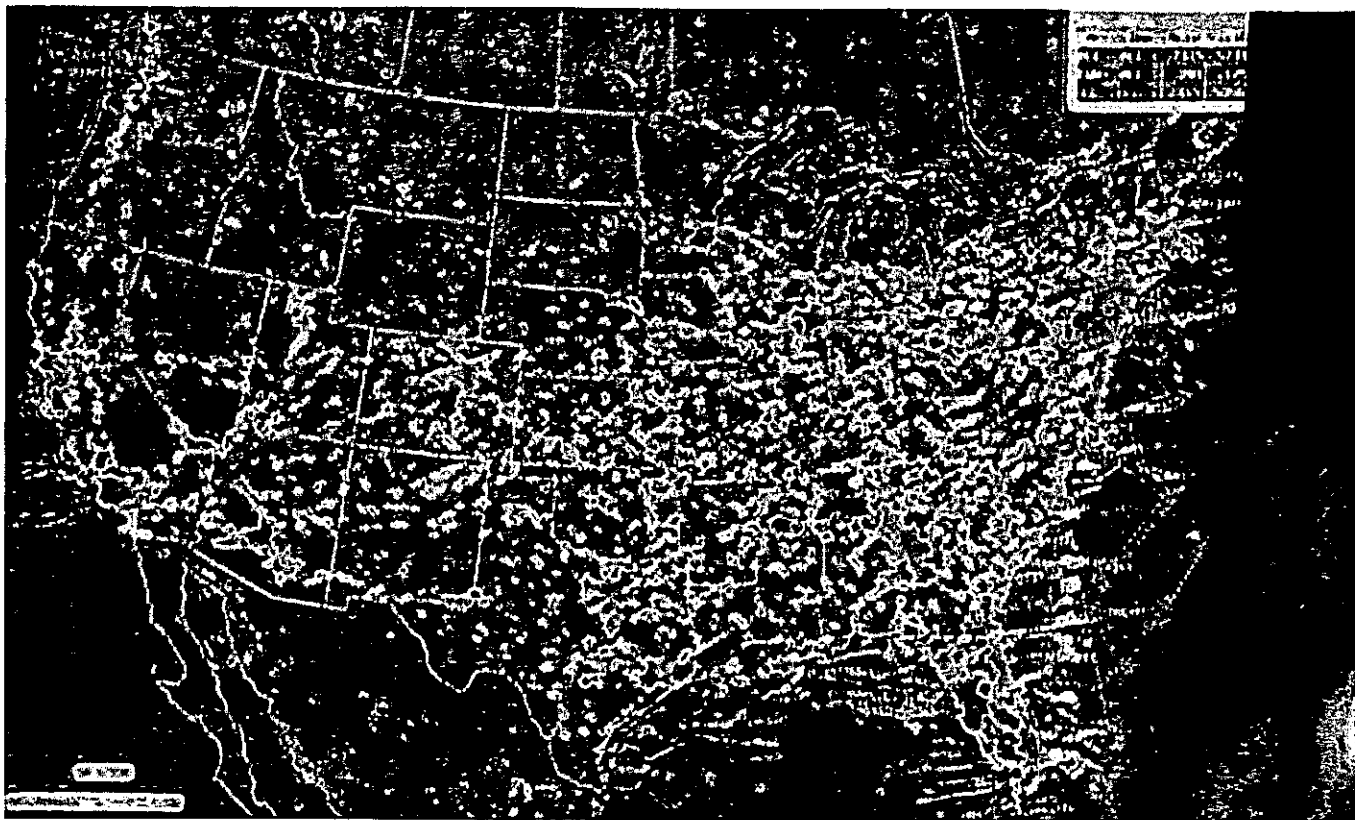


ATC	Air Traffic Control
CCJDA	Cavalier County Job Development Authority
COE	Center of Excellence
CONOPS	Concept of Operations
DHS	Department of Homeland Security
DoD	Department of Defense
EDA	Economic Development Act
FAA	Federal Aviation Administration
FF&E	Furniture, Fixtures, and Equipment
GSE	Ground Support Equipment
HALE	High Altitude Long Endurance
HAZMAT	Hazardous Materials
HR	Human Resources
HVAC	Heating, Ventilation, Air Conditioning
IOC	Initial Operating Capability
LRA	Launch and Recovery Area
LLC	Limited Liability Corporation
MALE	Medium Altitude Long Endurance
MASPS	Minimum Aviation System Performance Standards
MFG	Manufacturing, Manufacturers
MOUT	Military Operations in Urban Terrain
NAS	National Air Space
NASA	National Aeronautics and Space Administration
ND	North Dakota
OPV	Optionally Piloted Vehicle
OSED	Operational Services & Environment Definition
RPA	Remotely Piloted Aircraft - used in lieu of UAS, UAV
SRMSC	Stanley R. Mickelsen (Anti-Ballistic Missile Defense) Safeguard Complex
STEM	Science, Technology, Engineering & Mathematics
UAS	Unmanned Aircraft System
UAV	Unmanned Aerial Vehicle
UND	University of North Dakota

Current Environment - The Big Picture

3





The Aircraft Situation Display, with each red mark indicating one aircraft over U.S. airspace, is pictured at the FAA's Air Traffic Control System Command Center in Herndon, Virginia, December 19, 2007

Source: <http://www.daylife.com/photo/0aKedDC5RX7R7>

HB 1018
Feb. 18, 2011
Attachment 3

Monson, David C.

From: Carol Goodman [goodman@utma.com]
Sent: Wednesday, February 09, 2011 4:44 PM
To: Monson, David C.
Subject: RE: background information for SRMSC

To date:

EDA Grant for consulting firm and SRMSC Redevelopment (2009-April, 2011)

\$ 26,334.05 - Langdon City Sales Tax
\$ 20,000.00 - ND Dept/Commerce
\$ 34,625.95 - Match from CCJDA mill levy
\$ 26,702.00 - UND Match
\$107,660.00 - EDA funds
Total for EDA Grant - \$215,320.00

Current fund raising for Phase I:

\$ 10,000.00 - private donation
\$ 10,000.00 - Cavalier REC
\$ 25,000.00 - United Communications
\$ 10,000.00 - Choice Financial
\$ 25,000.00 - Polar Communications (pending)
\$ 20,000.00 - area economic development organizations (pending)
\$ 25,000.00 - Otter Tail Power Company (pending)
Total for current phase of fund raising (including pending) - \$125,000.00

Efforts will continue to raise funds from the community from business, other utilities and individuals.

Carol Goodman

Executive Director

Cavalier County Job Development Authority

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Phone (701) 256-3475
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Email: goodman@utma.com

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

MARCH 15, 2010, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

1. 8:30 am – Department of Commerce Overview
 - Overview of the Department of Commerce – Paul Govig, Interim Commissioner
 - Overview of the ND Economic Development Strategic Plan – Wally Goulet, Chairman of the ND Economic Development Foundation
 - Economic Development Association of North Dakota – Connie Ova & Keith Lund
 - North Dakota Chamber of Commerce – Andy Peterson
2. 9:00 am – Centers of Excellence
 - Overview of Centers of Excellence – Mark Nisbet, Centers of Excellence Commission
 - Deanette Piesik – Petroleum Safety & Technology Center
 - Dr. Phil Boudjouk, NDSU Vice President for Research
 - Dr. Bruce Smith – Unmanned Aircraft Systems Center of Excellence
 - Julie Kuennen – I.D.E.A. Center
 - Representative of Sanford Health
3. 9:40 am – John Schneider, Executive Director, Agricultural Products Utilization Commission
 - Discussion of Economic Development Programs and Budget followed by questions
4. 9:50 am – Sara Otte Coleman, Director, the Division of Tourism
 - Discussion of Tourism Programs and Budget followed by questions
5. 10:00 am – Beth Zander, Director, the Division of Workforce Development
 - Discussion of Workforce Development Programs and Budget followed by questions
6. 10:10 am – Jim Boyd, Interim Director, the Division of Community Services
 - Discussion of Community Services Programs and Budget followed by questions
7. 10:20 am – Tracy Finneman, Marketing Manager
 - Discussion of Marketing Programs and Budget followed by questions
8. 10:30 am – Justin Dever, Manager, Office of Innovation and Entrepreneurship
 - Discussion of Innovation and Entrepreneurship Programs and Budget followed by questions
9. 10:40 am – Dean Gorder, North Dakota Trade Office

"We lead North Dakota's efforts to attract, retain and expand wealth."

10. 10:50 am – Overview of Partner Programs including:

- Rural Development Council / Center for Technology & Business
- American Indian Business Development Office
- Small Business Development Centers
- Dakota Manufacturing Extension Partnership

11. 11:00 am – Discussion of Proposed Division of Energy

12. 11:15 am – Public Comment

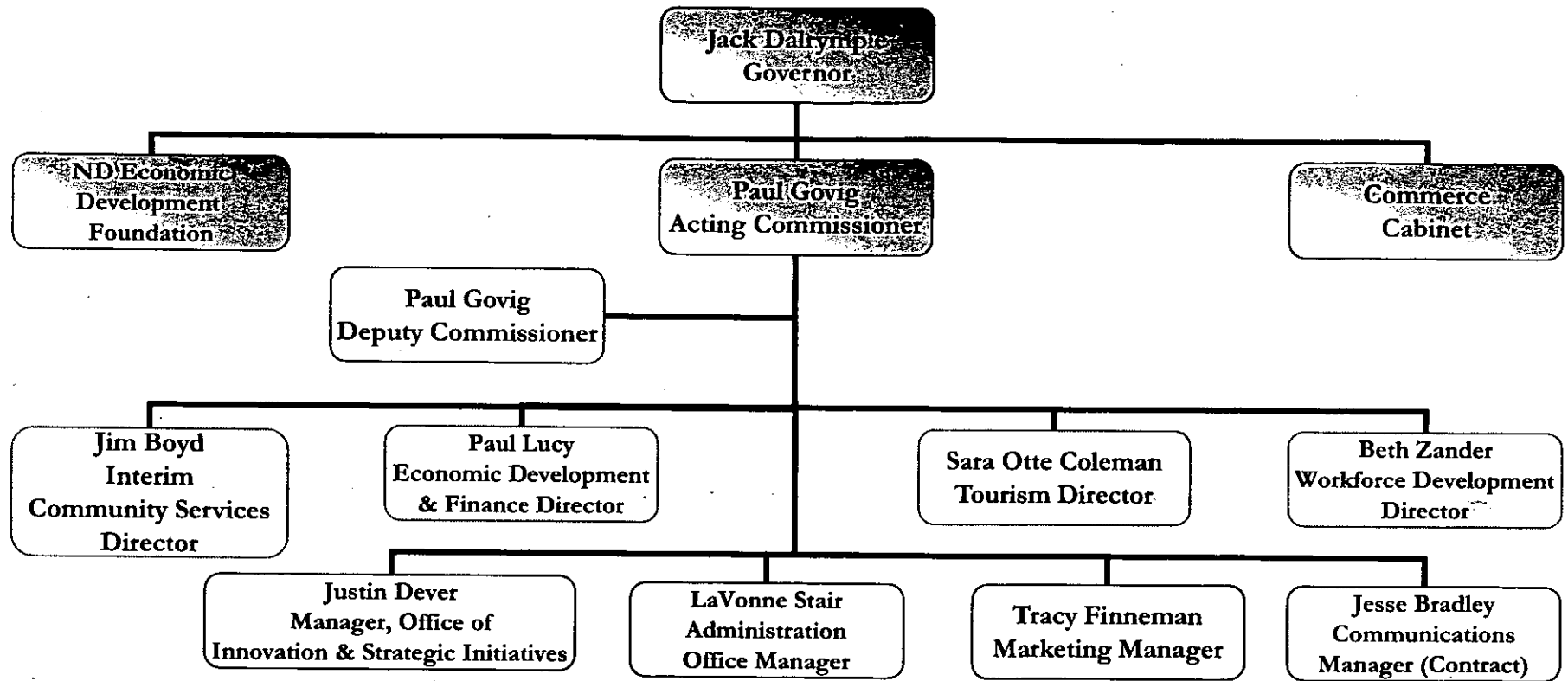


Commerce Overview

IN THIS SECTION:

- Paul Govig's Testimony
- Budget Spreadsheet
- Organizational Charts
- Wally Goulet's Testimony
- ND Economic Development Strategic Plan
- Marketing Testimony
- Innovation & Entrepreneurship Testimony
- Centers of Excellence Testimony
- Centers of Excellence Report

Department of Commerce Organizational Chart



**DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
MARCH 15, 2011, 8:30 A.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN**

PAUL GOVIG – ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, good morning. I am Paul Govig, Acting Commissioner of the North Dakota Department of Commerce, and I am here before you today in support of HB 1018, the 2011-13 budget for the Department of Commerce.

The Department of Commerce was created in 2001 by combining three agencies – Economic Development & Finance, Tourism, and the Division of Community Services – and creating a Division of Workforce Development.

The Vision of the Department of Commerce is to improve the quality of life for the people of North Dakota. Of course, many other state agencies share that same vision. What makes the Department of Commerce unique is our mission. We lead the state's efforts to attract, expand, and retain wealth. And by the term "wealth" I mean not only business wealth, but also wealth found in the take-home pay of our workers and their families, wealth found in our state and community infrastructure, wealth found in the education level and skills of our workforce, and wealth found in our vast natural and cultural resources that, coupled with our unique amenities, serves to attract both visitors and workers to this state.

Budget Specific Information

We created a spreadsheet to directly address the requested budget-specific information. Let me walk you through this information.

The first column in this spreadsheet highlights the 2009-11 appropriation by divisions or program area.

The next column lists the 2011-13 recommendation. The third column on the spreadsheet includes a listing of the major variances between the 2009-11 appropriation and the 2011-13 recommendation. Commerce Administration is recommended to receive an additional \$425,805. The budget removes carryover authority of \$535,200. The budget recommendation includes an additional \$489,000 for the Trade Office and \$100,000 to the North Dakota American Indian Business Development Office. Dean Gorder, director of the North Dakota Trade Office will provide testimony a little later to describe this request. There are also additional funds for salary equity adjustments.

The Office of Innovation & Entrepreneurship shows a decrease of nearly \$7 million. This is because the general fund appropriation for Centers of Excellence is decreased from \$20 million in the current biennium to \$13 million in this budget recommendation. This decrease is partially

made up by the carry-over of \$5 million from the funding for the Great Plains Applied Energy Research Center.

The Tourism Division has a decrease of nearly \$2 million. This includes the removal of \$100,000 in funding for the U.S.S. North Dakota promotion; \$1,500,000 for the Lewis & Clark Foundation; and \$500,000 for the Theodore Roosevelt Medora Foundation. There are included funds for salary adjustments.

The Workforce Development Division has an increase of \$1,681,144 including an increase of \$1,000,000 for Centers of Workforce Excellence (formerly called Workforce Enhancement Grants), which will bring the total program to \$2 million. This \$2 million appropriation level was also recommended by the interim Workforce Committee as included in SB 2057. Other increases in the Workforce Development Division include \$100,000 for the Jobs for America's Graduates (JAG) program; \$125,000 work WorkKeys; \$150,000 for grants to obtain child development credentials; and funding for salary increases.

The Economic Development & Finance Division budget has a net decrease of \$1,444,341. This includes the removal of \$459,038 in carryover authority; a decrease of \$899,700 in funds for child care loans administered by the ND Development Fund; and \$50,000 for the equine processing study. Funding for salary increases is included.

The Division of Community Services has a net decrease of \$56,716,901 – mostly comprised of decreased ARRA funds. The changes include the removal of \$1,000,000 for the alternative energy program; \$5,000,000 for the Great Plains Applied Energy Research Center; a decreased federal fund request of \$5,750,000; and a decrease of ARRA funds of \$44,971,743. Funding for salary increases is included.

The proposed Energy Division budget is \$619,691. This includes a request for two additional FTEs with salaries of \$368,765 and \$250,926 for operating costs. More information about this proposed division will be discussed at a later time in our testimony.

One-time Spending Needs

We also have one-time funding items that were included in the governor's budget recommendation for the 2011-13 biennium. These include the following:

- \$2.0 million for the Centers of Workforce Excellence Fund. These are match dollars to the state's four 2-year institutions to enable them to expand programs and recruit students to meet critical workforce training needs.
- \$125,000 for WorkKeys
- \$150,000 for child care credential grants
- \$100,000 for the American Indian Business Development Office
- \$920,338 for childcare grants and loans
- \$13.0 million for Centers of Excellence
- \$24,496,750 spending authority for federal fiscal stimulus

House of Representatives Amendments

The House of Representatives approved amendments to HB 1018 that:

- Reduced funding for ND American Indian Business Development Office by \$100,000 (\$100,000 remains in bill)
- Removed Research & Entrepreneurship Centers of Excellence (\$18 million & language)
 - \$13 million general fund & \$5 million carryover funds were removed
- Provided \$250,000 for a Minot Air Force Base Re-alignment Grant
- Provided \$600,000 in carryover funds for Acquisition of the ABM Site at the Stanley R. Mickelson Safeguard Complex in Nekoma
- Provided \$1 million for Tourism Infrastructure Grants
- Removed funding for Jobs for America's Graduates (\$100,000)
- Removed funding for WorkKeys™ (\$125,000)
- Removed funding for Child Development Associate Credential grants (\$150,000)
- Provided \$5 million for Recruitment, Training, and Retention of Childcare Service Providers
 - \$4,935,000 general fund & \$65,000 carryover funds
- Reduced funding for ND Development Fund Childcare Loans by \$150,000 (\$250,000 remains in bill)
- Reduced funding for Childcare Grants by \$400,000 (\$120,338 remains in bill)
- Removed the proposed Energy Division (\$619,691)
- Amended the Biofuels Blender Pump program to permit the use of funds for piping systems and storage components and limits the grants to \$14,000 per retail location
- Included language from HB 1058 (proof-of-concept funding for university entrepreneurs) and HB 1059 (matching equity investments for technology-startups) allowing, but not requiring, Commerce to implement these programs. However, no funds were included for this purpose.

Requested Carry-over Authority

HB 1018 includes requests for carry-over authority. In most cases the requests are for programs that may commit funds in the current biennium, but in order to provide adequate accountability we would like to provide the funds on a reimbursement basis in the next biennium. The requests that fall into this category include:

- Agricultural Products Utilization Commission grants (Section 15)
- Discretionary Funds line item (Section 16)
- Technology-based Entrepreneurship Grants (Section 19)
- Child care grants (Section 20)

We are also requesting the creation of an internship fund for the Operation Intern program. This fund is created in section 9 and any remaining funds from the 2009-11 biennium are transferred into this fund in section 17. The most opportune time for students to participate in internships is during the summer, which in odd number years will span two bienniums. A continuing appropriation fund will make it easier for us to deal with these situations.

Another carry-over authority request is for the biofuel blender pump program, contained in section 21. This program was authorized by the legislature in 2009 and had a sunset date of November 30, 2010. We are requesting that this program be extended into the next biennium with the remaining funds that were not expended prior to the sunset date.

A final carry-over authority request is for the \$5 million originally appropriated for the Great Plains Applied Energy Research Center during the 2009-11 biennium. The project was not pursued and the funds weren't spent. The budget recommendation requests that these funds be carried over to the 2011-13 biennium and used for Centers of Excellence. The House of Representatives utilized \$665,000 of this carryover within section 18 of this bill and utilized the remaining \$4,335,000 in section 3 of House Bill 1003.

Commerce Department Highlights

Behind each of the tabs we have written testimony from the four division directors and our partners that we fund in order to broadly cover the scope of Commerce activities, and in particular provide you details concerning our results and our budget requests. The written testimony also includes organizational charts for each of the divisions and offices within the Department of Commerce. Each of the Divisions' organizational charts is on the back side of their tab and the offices' charts are located in the Commerce Overview section.

That concludes my overview of the Department of Commerce. I would welcome any questions you may have at this time.

Department of Commerce

March 15, 2011

	2009-2011 Appropriation	2011-2013 Recommendation	Major Variances	2011-2013 House Engrossment	Major Variances
Commerce Administration	\$ 10,205,420	\$ 10,631,225	\$ 425,805	\$ 10,531,225	\$ (100,000)
Innovation & Strategic Initiatives	\$ 21,976,641	\$ 15,088,614	\$ (6,888,027)	\$ 2,338,614	\$ (12,750,000)
Tourism	\$ 11,569,674	\$ 9,572,946	\$ (1,996,728)	\$ 10,572,946	\$ 1,000,000
Workforce Development	\$ 3,768,852	\$ 5,449,996	\$ 1,681,144	\$ 10,009,996	\$ 4,560,000
Economic Development & Finance	\$ 8,374,714	\$ 6,930,373	\$ (1,444,341)	\$ 6,780,373	\$ (150,000)
Community Services	\$ 143,148,487	\$ 86,431,586	\$ (56,716,901)	\$ 86,031,586	\$ (400,000)
Energy Division		\$ 619,690	\$ 619,690	\$ -	\$ (619,690)
Total	\$ 199,043,788	\$ 134,724,430	\$(64,319,358)	\$ 126,264,740	\$ (8,459,690)
General Funds	\$ 59,470,541	\$ 46,089,494	\$(13,381,047)	\$ 37,629,803	\$ (8,459,691)
Federal Funds	\$ 130,258,489	\$ 79,868,602	\$(50,389,887)	\$ 79,868,602	\$ -
Special Funds	\$ 9,314,758	\$ 8,766,335	\$ (548,423)	\$ 8,766,335	\$ -
Total	\$ 199,043,788	\$ 134,724,431	\$(64,319,358)	\$ 126,264,740	\$ (8,459,691)

**Major Variances Appropriation to Recommendation
Commerce**

removes carryover authority of \$535,200
adds \$489,000 to the Trade Office
adds \$100,000 to the American Indian Business Office
adds funding for salary increases

Innovate

removes COE funding of 20,000,000
adds COE funding of 13,000,000
adds funding for salary increases

Tourism

removes USS Bismarck funding of \$100,000
removes Lewis & Clark Foundation funding of \$1,500,000
removes TR Medora Foundation funding of \$500,000
adds funding for salary increases

**Major Variances Recommendation to House Engrossment
Commerce**

removes \$100,000 from the American Indian Business Office

Innovate

adds \$250,000 for Minot AFB realignment grant
removes \$13,000,000 from Centers of Excellence

Tourism

adds \$1,000,000 for infrastructure grants

WFD

removes Workforce Enhancement Funding of \$1,000,000
adds \$100,000 to the JAG program
adds \$2,000,000 to the Workforce Enhancement Fund
adds \$125,000 for work keys
adds \$150,000 for grants to obtain child development credentials
adds funding for salary increases

ED&F

removes carryover authority of \$459,038
removes development fund childcare loans \$1,299,700
removes equine study \$50,000
adds \$400,000 for childcare loans to the development fund
adds funding for salary increases

DCS

removes \$1,000,000 for alternative energy program
removes \$520,300, for childcare grants
removes \$5,000,000 for great plains research center
removes \$69,468,493 for ARRA funds
decreased federal fund request by \$5,750,000
adds \$520,338 for childcare grants
adds \$24,496,750 for ARRA funds
adds funding for salary increases

Energy

adds \$368,765 for salaries
adds \$250,926 for operating

WFD

removes \$2,000,000 from Centers of Workforce Excellence
adds \$2,000,000 to the Workforce Enhancement Fund
removes \$100,000 from the JAG program
removes \$125,000 from work keys
removes \$150,000 from grants for child dev. Credentials
adds \$4,935,000 for childcare provider grants

ED&F

removes \$150,000 from the Dev. Fund for childcare loans

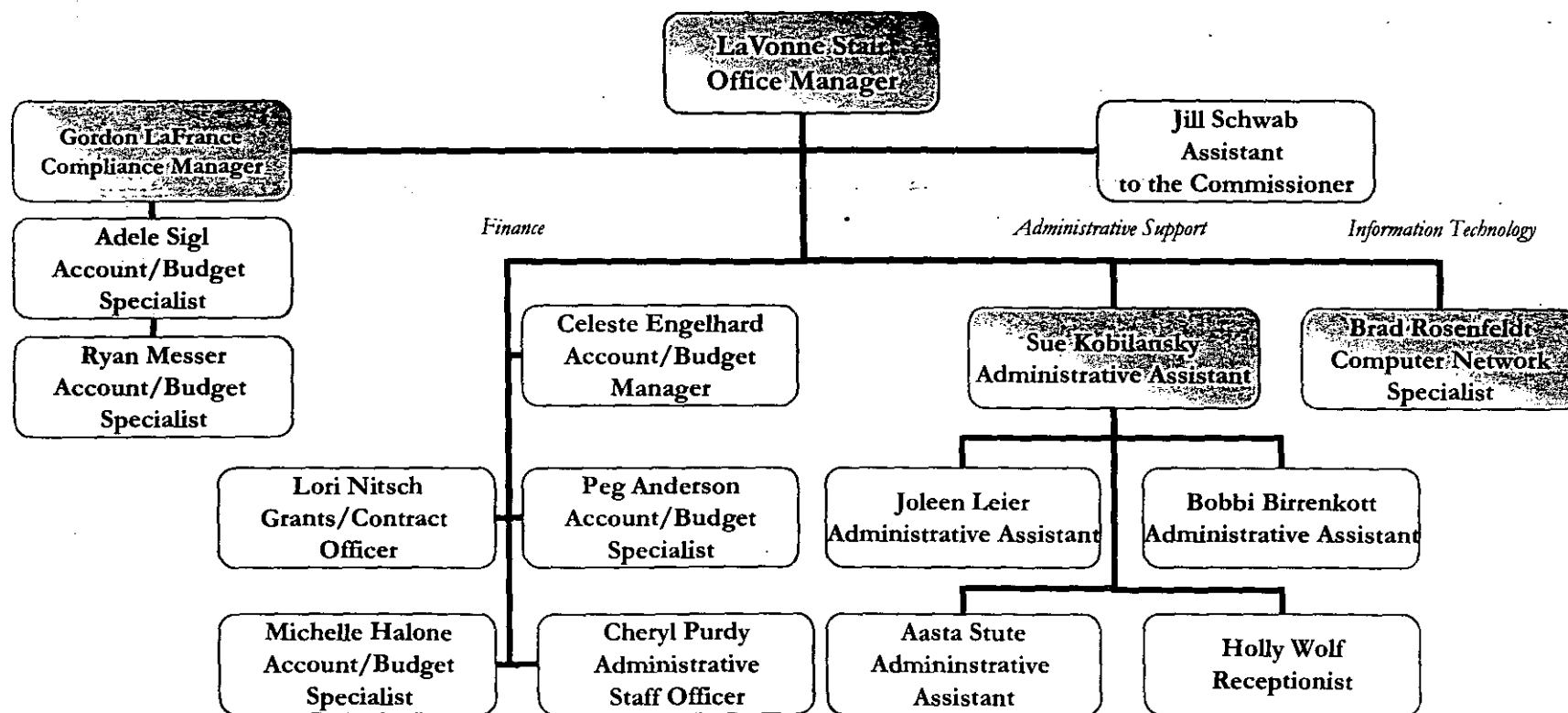
DCS

removes \$400,000 from childcare grants

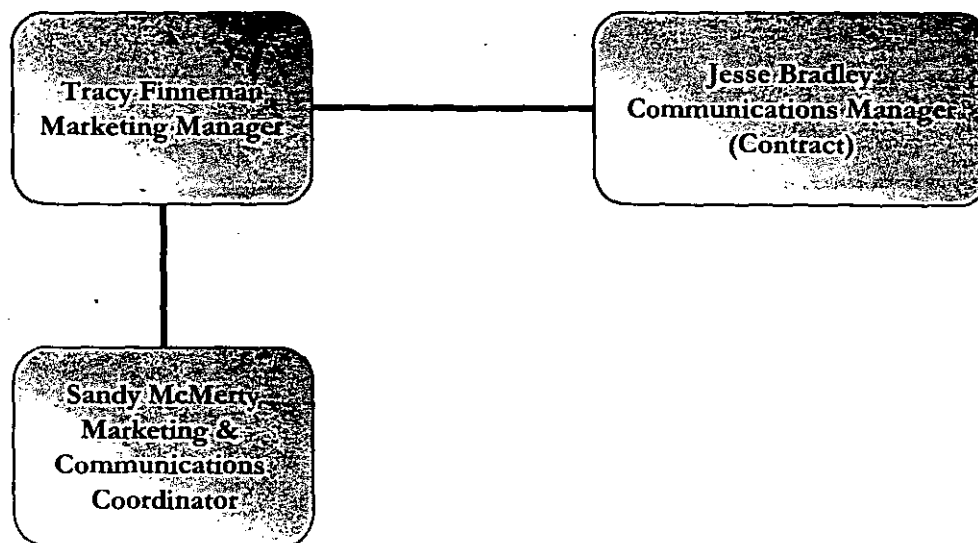
Energy

removes \$619,691 from the Division of Energy

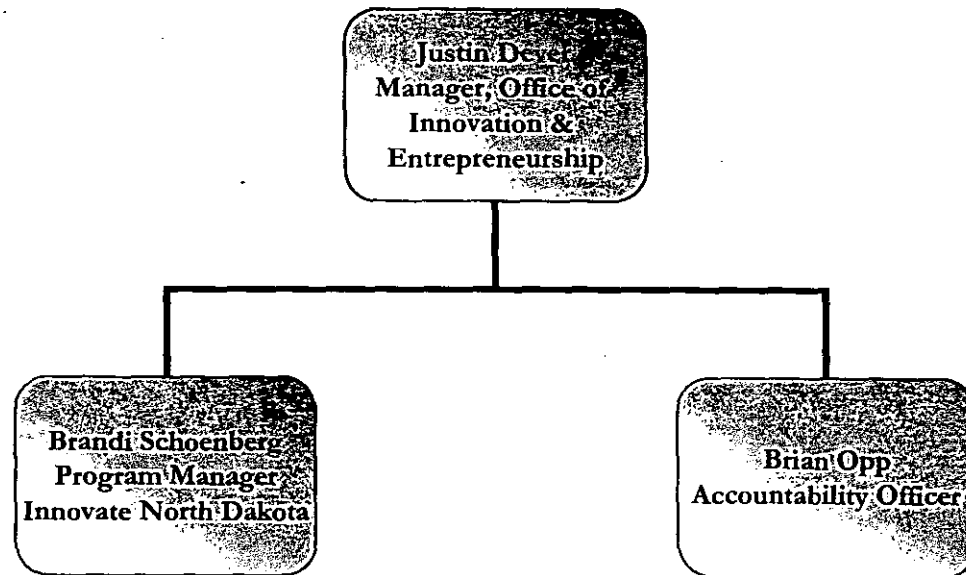
Administration Organizational Chart



Office of Marketing & Communications Organizational Chart



Office of Innovation & Entrepreneurship Organizational Chart



Wally Goulet
Presentation to the Senate Appropriations Committee
North Dakota Economic Development Strategic Plan
March 15, 2011

Mr. Chairman, members of the committee, my name is Wally Goulet. I am vice president and general counsel for National Information Solutions Cooperative and a member of the North Dakota Economic Development Foundation.

Thank you for the opportunity to talk to you this morning about the North Dakota Economic Development Strategic Plan. I'll be covering three areas:

1. Background on the plan and how it was developed.
2. The plan's five strategies for continued growth.
3. The six goals and targets identified for measuring our progress.

Background on Strategic Plan:

The North Dakota Economic Development Foundation developed The North Dakota Economic Development Strategic Plan. We are a private sector advisory group charged by the Legislature to advise the governor and the Department of Commerce on strategies to improve the state's competitiveness and increase economic growth.

- The Foundation developed the first statewide strategic plan for economic development in 2002.
- In 2009 and 2010, the Foundation set out to revise and update this plan.
- We held 11 meetings throughout the state to gather input from communities about their greatest needs, challenges and opportunities.
- We heard presentations from 28 economic development directors and had roundtable discussions with 121 community leaders.
- We also analyzed current economic data and trends, conducted a sectoral analysis and evaluated the state's five targeted industries.
- This process resulted in the document you have before you, a 10-year economic development strategic plan for North Dakota.

This plan is intended to serve a number of functions:

1. Provide an assessment of North Dakota's current economic landscape and target industries.
2. Identify key areas of opportunity.
3. Establish aggressive yet realistic goals and measurements for the state's future economic development.

4. Facilitate collaboration among legislators, economic developers, community leaders, and educators.
5. Provide continuity on economic development initiatives between governors.

In this final respect, the plan is experiencing its first real test and I believe fulfilling a very vital function. The plan was developed under Governor Hoeven. But as you heard, Gov. Dalrymple in his State of the State officially launched the plan as a real roadmap for the state's future.

Five Essential Strategies for Growth

The plan advocates continuing the current development strategy focused on five targeted industries. Those are:

1. Advanced manufacturing
2. Technology-based businesses
3. Value-Added agriculture
4. Tourism
5. Energy

The plan also identifies five key areas that the Foundation believes are essential to growing and diversifying North Dakota's economy.

1. Maintain a positive business climate that supports private sector investment, growth and job creation.
2. Continue investing in university-based research and development conducted with the private sector that engages North Dakota in emerging industries such as life sciences and advanced technology. (i.e. Research Centers of Excellence)
3. Embrace entrepreneurship and foster a culture where innovative, tech-savvy companies can thrive. (i.e. Entrepreneurship Centers of Excellence)
4. Continue investing in statewide talent strategies that address education, training, recruitment and retention to provide a steady supply of skilled workers needed to fuel long-term business growth. (i.e. Workforce Centers of Excellence)
5. Promote export trade by linking North Dakota businesses with foreign buyers and markets. (i.e. North Dakota Trade Office)

The strategic plan takes into consideration the five target industries and five essential strategies and translates these into six goals with performance measures to gauge our progress over the next decade. These are listed beginning on page 14 of the plan and also on the separate one-page handout.

Goal 1: Create, attract, and retain quality jobs and workforce in targeted industries and high-demand occupations.

Key strategies in this area include:

- Recruiting industries that complement supply chains for target industries (wind power manufacturers, UAS suppliers)
- Refining workforce training programs to focus on skills needed by existing businesses (BSC Energy Center of Excellence, Lake Region Community College Wind Operators Training program, Williston State Petroleum Training programs, other training programs supported by Workforce Enhancement grants.
- Developing statewide network of entrepreneurial resources. (Innovate ND has linked entrepreneur centers and incubators statewide into a support network)

Goal 2: Strengthen North Dakota's business climate and image to increase national and global competitiveness.

Key strategies include:

- Promoting national and international partnerships and competitiveness. For example, building on the successes of foreign exchange students coming to North Dakota which is exemplified by the China Pilot Training Program that is conducted at the John D. Odegard School of Aerospace Sciences at UND.
- Supporting the successful public/private international trade model. This has facilitated many trips to China this past year by various businesses and industries.

Goal 3: Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.

Key strategies include:

- Focusing incentives and supportive legislation to accelerate innovation and entrepreneurship.
- Supporting research, development, demonstration and commercialization of new technologies.

I have the honor of serving on the tech-based entrepreneurship grant program committee that meets on a quarterly basis to consider applications for a variety of entrepreneurs and it is truly amazing to see the innovation and product development that is going on right here in North Dakota. These applications are assisted by the entrepreneurial centers around the state which help create new wealth in North Dakota with business planning and marketing help, aided by this strategic investment in new technologies that range from medical devices, to software development, to mine safety testing devices, to baby formula devices to angel fund development and website marketing for new product awareness. One of the other companion strategies is the annual competition each year of entitled Innovate ND that has helped launch over 70 new businesses or products in North Dakota.

Goal 4: Enhance the state education and training system's ability to meet business and workforce needs of the future.

Key strategies include:

- Expanding the promotion of skilled trade and technical education programs at North Dakota's highs, Area Career and Technical Center, and two-year colleges to North Dakota employers. You just need to visit the new Technical Center on the campus of Bismarck State College to see this goal in action.
- Supporting an accountable University system is another key strategy.
- We also continue to promote and encourage Operation Intern as away of keeping our home grown talent here in North Dakota when they learn first hand of the various opportunities that exist here while giving employers an extended interview period that works for both the student and the local business.

Goal 5: Continue to enhance a unified front for North Dakota that supports community, economic and workforce development.

This goal focuses on one key strategy: collaboration. Collaboration is the name of the game now in North Dakota. The North Dakota Economic Development Foundation and the Commerce Department are seeking to unite all the stakeholders in economic development and tourism whether they are you the state legislature, the congressional delegation, the Governor's office, the tribes, the workforce delivery system, the private sector, the economic development organizations, the chambers of commerce or the University System. The Statewide Legendary branding initiative is an example of this unified message.

Goal 6: Enhance North Dakota's image.

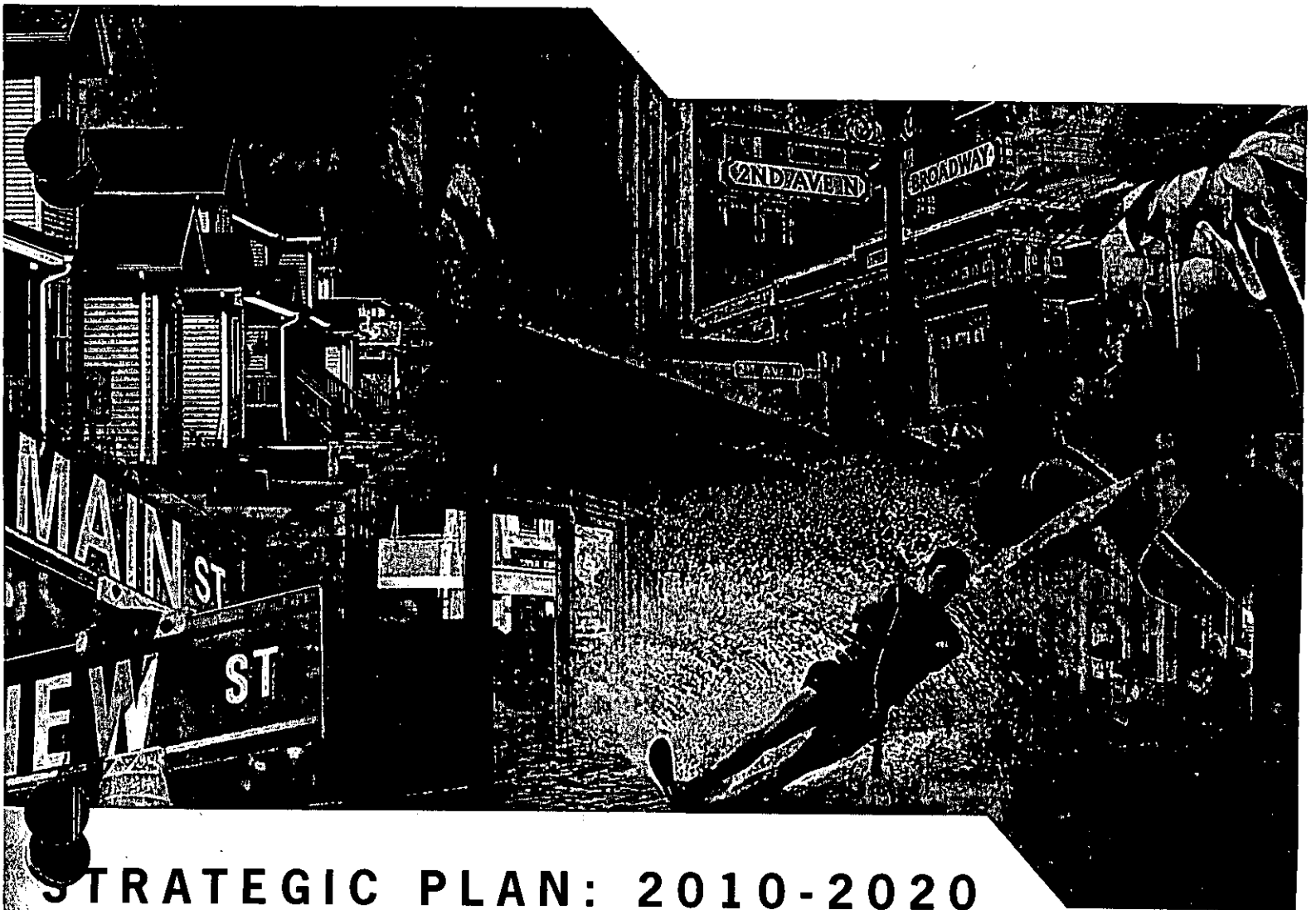
This goal includes both internal (in state) and external (out of state) strategies. This past year one of the exciting image enhancing highlights was the 30 page article in Delta's Sky magazine for October. It is a publication that every traveler on Delta for the month of October was able to read about the quality of life in North Dakota, the diversity of our economy, the job talent we are creating in North Dakota discussing everything from Microsoft in Fargo, to the oil and power industries in the west, to our Universities and medical facilities to the tourist town of Medora. It might have been the best feel good article on North Dakota that I have read. We can't change our weather but I think we all can tangibly feel our image changing nationwide to a very positive, expanding and exciting business climate in North Dakota while other states find themselves struggling with deficits and job creation while we thrive in North Dakota.

We have also included a copy of the performance measures that the Foundation has approved to go along with the strategic plan.

Thank you for the opportunity to outline this plan for you. Obviously, this was just a broad overview. The plan includes a lot of valuable data for planning and action and we hope it serves as a helpful tool for local and state leaders as well as economic and community developers throughout the state.

I would be happy to answer your questions.

NORTH DAKOTA ECONOMIC DEVELOPMENT



STRATEGIC PLAN: 2010-2020

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Purpose/Goal:

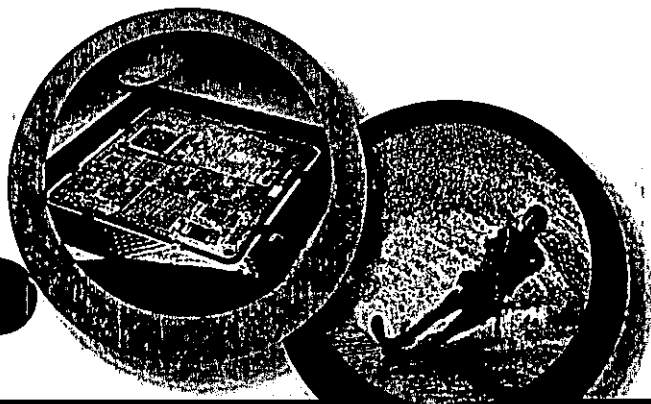
This plan was developed by the North Dakota Economic Development Foundation, a private sector advisory group charged by the Legislature to advise the governor and the Department of Commerce on strategies to improve the state's competitiveness and increase economic growth. This is an update from the 2002 North Dakota Economic Development Foundation Strategic plan.

This plan is intended to be a catalyst for state and local economic development efforts by providing common direction, strategic areas of emphasis and priorities for investing state and local dollars. Ultimately, the goal of statewide economic development efforts is to foster a business climate that generates quality employment opportunities that improve the quality of life for North Dakota people.

Five Key Functions:

North Dakota Economic Development Strategic Plan

1. Provide an assessment of North Dakota's current economic landscape and target industries.
2. Identify key areas of opportunity.
3. Establish aggressive, yet realistic goals and benchmarks for the state's future economic development.
4. Facilitate collaboration among state legislators and economic development partners, both public and private.
5. Provide continuity on economic development initiatives during transitions between governors and other key state leaders.



EXECUTIVE SUMMARY

While developing the plan, the North Dakota Economic Development Foundation held 11 meetings throughout the state to gather input from communities about their greatest needs, challenges and opportunities. They heard presentations from 28 economic development directors and had roundtable discussions with 121 community leaders.

They also analyzed current economic data and trends, conducted a sectoral analysis and evaluated the state's five targeted industries.

This plan advocates continuing the current economic development strategy focused on five targeted industries: advanced manufacturing, technology-based businesses, value-added agriculture, tourism and energy. This strategy is grounded on North Dakota's assets:

1. Educated, hardworking people.
2. Abundant natural resources.
3. Strong academic, transportation and technology infrastructure.

This plan identifies five key areas that the Foundation believes are essential to growing and diversifying North Dakota's economy in the future.

North Dakota's Future

5 Essential Strategies for Continued Growth

1. Maintain a positive business climate that supports private sector investment, growth and job creation.
2. Continue investing in university-based research and development conducted with the private sector that engages North Dakota in emerging industries such as life sciences and advanced technology.
3. Embrace entrepreneurship and foster a culture of entrepreneurship where innovative, tech-savvy companies can thrive.
4. Continue investing in statewide talent strategies that address education, training recruitment and retention to provide a steady supply of skilled workers needed to fuel long-term business growth.
5. Promote export trade by linking North Dakota businesses with foreign buyers and markets.

North Dakota Then and Now

North Dakota, 2001:

- Annual population estimates were negative with significant out-migration.
- Economic growth was slow in most industries and lagging the nation as a whole.
- Wages were growing but slower than the region and the nation.
- The labor force was growing but sporadic.

North Dakota, 2009:

- Population estimates show out-migration has reversed and the state is growing.
- North Dakota leads the nation in growth of gross domestic product.
- Per capita income has caught up with the national average.
- North Dakota has the lowest unemployment rate in the nation and the non-farm payroll has increased 11.4 percent since 2001.

North Dakota emerged as an economic leader during the recent global recession by making fiscally sound investments that leveraged our state's natural strengths. This strategic plan builds on successful strategies of the past to support the growth of more good paying jobs, stronger communities and a higher quality of life for North Dakota citizens.

Highlights of Economic Assessment

As the nation struggles through one of the most severe recessions in decades, North Dakota has continued to show growth in almost all measures of economic activity. This growth can be attributed to many factors including leadership from Governor John Hoeven, the Legislature, the Department of Commerce, the pioneer spirit of North Dakota people and the direction set by the Foundation's first strategic plan in 2002.

The economic assessment contained in the 2002 North Dakota Economic Development Foundation Strategic plan painted a much different picture about North Dakota compared to today. North Dakota has improved considerably in almost all measurements of economic activity.

North Dakota's Top 10 Economic Trends

North Dakota Economic Development Strategic Plan

1. North Dakota's population has grown five of the last six years, up over 14,000 since 2003.
2. Annual births increased 18 percent from 2001 to 2009.
3. Net migration in 2009 was nearly 1,900 people, the second highest number in a decade.
4. 2009 population estimates showed a growth of 4,644 since 2000.
5. Median income for a family of four increased over 40 percent from 2000 to 2008, far exceeding the U.S. growth of 22 percent.
6. Per capita personal income in 2008 reached 99 percent of the national per capita income compared to 80 percent in 1995.
7. Non-farm payroll has increased 11.4 percent since 2001 compared to a 0.9 percent drop for the nation.
8. North Dakota consistently has one of the lowest unemployment rates in the nation.
9. In 2008, North Dakota led the nation in growth of gross domestic product, up 7.3 percent.
10. North Dakota exports grew 222 percent from 2002 to 2008, and North Dakota led the nation in export growth in 2008.

ECONOMIC ASSESSMENT OVERVIEW

Summary of Findings-February 2010

The following assessment examines population, education, wages, age, labor force, employment, growth industries and exports. It provides a status report on these key economic indicators and offers strategic direction for future state and local policies and investments.

This assessment is based on data collected from the following sources: U.S. Census Bureau; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Department of Energy; International Trade Administration; N.D. Department of Commerce, Tourism Division; Job Service North Dakota; N.D. Industrial Commission, Oil & Gas Division.

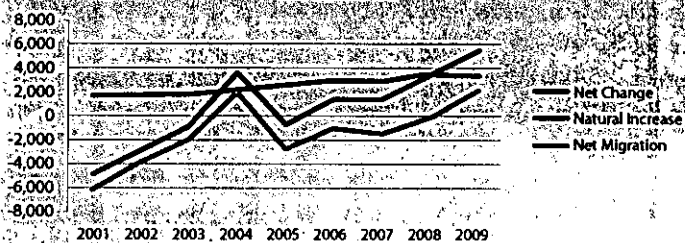
POPULATION

During the 1990s, North Dakota began to reverse the negative growth trends that occurred in the 1980s. Early in the 2000s, population estimates declined again, but have been on an upward trend since 2003. Growth rates have been modest but consistently positive.

- Median age is growing slower than the national rate, employment is increasing, especially in the younger age brackets, and natural and net migration have increased in annual populations estimates.
- According to U.S. Census Bureau estimates, North Dakota continues to lag behind other states in the region in population growth.
- While many factors impact population growth, clearly jobs and economic opportunities are the leading components.

North Dakota Population Growth

2001-2009



Source: US Census Bureau

Strategic Implications: Good job opportunities are the key factor in retaining the states young educated workers and attracting new people to the state. In order to continue stabilizing and growing the states population, state and local leaders should:

1. Continue developing the states targeted industries.
2. Support initiatives that foster a culture of entrepreneurship.
3. Continue building an environment where innovative tech-savvy companies can thrive.

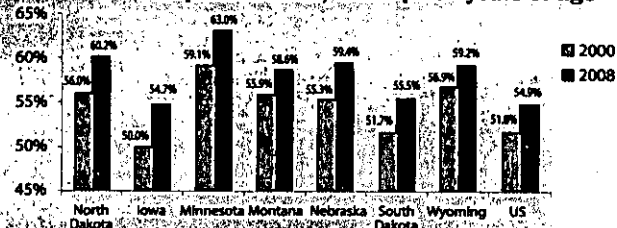
EDUCATION

North Dakota has enjoyed a measurable improvement in its education attainment levels during the last two decades. Despite a slight decline between 1990 and 2000, the state leads the region in the share of its adult population enrolled in college or graduate school. College enrollment continues to grow, up 20 percent since 2000.

- The North Dakota K-12 and University Systems are producing an educated and skilled workforce.
- North Dakota's challenge is retaining these workers after they complete their education with good job opportunities that appeal to younger workers.
- North Dakota has made progress in this respect. Data from the Local Employment Household Dynamics program shows an average increase of over 3,000 workers under age 35 per year between the years 2003 and 2008.

Share of Adults with Some College or Greater

Comparison 2000/2008 | 25+ years of age



Source: US Census Bureau - 2009 ACS - 3 Year Estimates

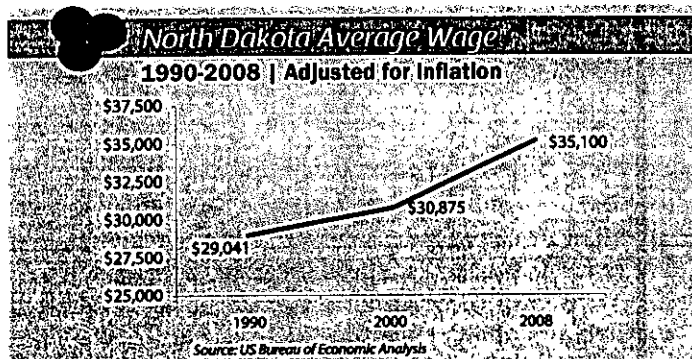
Strategic Implications: North Dakota's education system generates the states future workforce. In order to support the growth of North Dakota business, the state must:

1. Continue investing in initiatives aimed at informing students and parents about career opportunities in North Dakota.
2. Support educational programs at North Dakota schools, colleges and universities that prepare young people for high-demand jobs in North Dakota.
3. Improve the post-secondary education and training completion rate by supporting college preparation at the K-12 level.



WAGES

Wage rates in North Dakota declined sharply in the 1980s. In the 1990s, the state reversed this decline. Since 2000, the rate of growth in wages has accelerated over that of the 1990s, up 14 percent over inflation from 2000 to 2008.



The median income for a family of four in North Dakota grew at a rate of nearly double the national growth rate from 2000 to 2008.



Strategic Implications: In order to continue growing wages, state and local leaders should:

1. Continue developing the state's targeted industries.
2. Invest in research and development that improves North Dakota's assets and competitiveness in emerging industries such as life sciences and advanced technology.
3. Continue investing in programs that foster entrepreneurship and nurture a business culture where innovative, tech-savvy companies can thrive.

AGE

Newly released U.S. Census Bureau data shows that the nation as a whole is aging, and North Dakota follows that trend. However, since 2000 North Dakota's median age has increased slower than the region (with the exception of Wyoming) and the nation as a whole. North Dakota's birthrate increased steadily during the last decade and was up more than 20 percent in 2009 compared to 2001.

Strategic Implications: The retirement of the baby boom generation will leave significant vacancies in the workforce. Three strategies will help North Dakota businesses prepare for these workforce shortages:

1. Help existing businesses prepare for a smooth transition from one generation to the next with efforts such as succession planning.
2. Intensify initiatives aimed at attracting and retaining talent.
3. Reduce incentives that encourage people to retire early.

LABOR FORCE and EMPLOYMENT

The growth in North Dakota's labor force throughout the 1990s was a significant reversal of the trends of the 1980s. Since 2000, the civilian labor force has grown by nearly 24,000 workers reaching 370,000 in 2008.

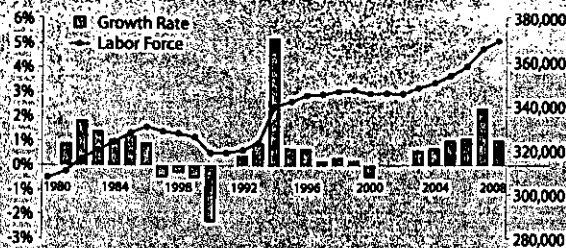
Based on each sector's share of total employment from 2002 to 2008, the sectors with the fastest growth were mining up 85 percent, management services up 28 percent, professional and technical services up 26 percent and construction up 20 percent.

In actual employment numbers from 2002 to 2008, the fastest growing sectors were construction up 5,650, health care up 5,076, professional & technical up 3,938, and mining up 3,601. All sectors showed growth in employment except information which includes telecommunications, newspaper and media business.

Likewise, employment statistics show North Dakota has enjoyed almost a 40 percent increase in nonfarm payrolls since 1990, outpacing national employment growth for the last 19 years.

North Dakota Civilian Labor Force

1980-2008



Source: US Bureau of Labor Statistics

Strategic Implications: North Dakota's growing, well-educated workforce is a valuable asset for the state. The quality and quantity of the workforce is a prime measurement for private sector capital investment. Several strategies, working together, will help fuel ongoing growth of the labor force:

1. Promote policies and initiatives that grow the state's targeted and emerging industries to generate challenging, good-paying jobs for young people.
2. Intensify initiatives aimed at attracting and retaining talent.
3. Support efforts to align the state's education and training programs with future North Dakota jobs.

GROWTH INDUSTRIES

Since 1991, North Dakota has experienced its strongest industry growth rates in construction and manufacturing. North Dakota exceeded the nation in the creation of manufacturing jobs during the last 16 years. However, the future of the nation's manufacturing industry remains unclear.

Employment indicators released by the U.S. Bureau of Labor Statistics show significant decreases in manufacturing employment and clearly show that the United States' economy is transitioning away from manufacturing toward a more service-oriented economy. Services include jobs in law, information technology, engineering, software development, architecture, accounting and research services.

Since 2002, North Dakota has shown above average growth in management, professional and technical services, proving the state can compete in a services-based economy.

Strategic Implications: Nationally, many economic and business leaders believe the United States needs to shift growth strategies toward technology-based economic development, which focuses on creating a climate where innovative, technology-savvy companies can thrive. State, local and federal leaders should focus on:

1. Creating initiatives to enhance the state's intellectual and physical infrastructure.
2. Cultivating a technically skilled workforce.
3. Improving access to capital.
4. Developing an entrepreneurial culture that encourages innovation.
5. Focusing on new and emerging industries with an emphasis on helping them to establish and grow in North Dakota.

INTERNATIONAL EXPORTS

From 2002 to 2008, North Dakota exports of all merchandise were up 222 percent, with manufactured goods up 200 percent. Machinery exports made up 62 percent of the manufactured goods exported. Agricultural exports were up 241 percent.

The global recession is having an effect on international sales, however, as North Dakota's exports for the first 9 months of 2009 were down 26 percent for all merchandise and 25 percent for manufactured goods. Processed foods are a bright spot, with exports up 55 percent for the first 9 months of 2009.

North Dakota's top customer is Canada, which accounts for more than 50 percent of the state's exported manufactured goods.

Strategic Implications: Working with the North Dakota Trade Office and with industry groups, the state can take advantage of a lower U.S. dollar and continue building on recent export growth in commodities, processed foods, machinery, and computer and electronic products.

1. Providing expertise to North Dakota businesses looking to expand internationally.
2. Helping businesses access capital for international expansion.
3. Educating and improving awareness of trade issues, opportunities and the exporting process.
4. Helping qualified buyers or distributors access North Dakota markets.

SECTORAL ANALYSIS

During the statewide community meetings, the Foundation analyzed each region's economic strengths, opportunities and weaknesses. In developing this strategic plan, the Foundation also examined data provided by the U.S. Bureau of Labor Statistics regarding business sectors, using the North American Industry Classification System (NAICS) in classifying and defining a business sector. The NAICS classifies individual business locations by type of economic activity in Canada, Mexico and the United States. The purpose of this system is to facilitate the collection and organization of business data in a uniform way in order to promote uniform analysis of the North American economy. The following sectoral analysis summarizes key findings by identifying the state's large and small sectors, major assets and key challenges for economic growth.

Sector strength is measured by comparing Bureau of Labor Statistics (BLS) location quotient (LQ) data (by NAICS sub-sector) for North Dakota to the nation as a whole. The location quotients are calculated by comparing the sector's share of total local employment to the sector's national share. This ratio will yield a value generally between 0.00 and 2.00, where 1.00 demonstrates an equal share percentage between the local and national economies. Sectoral concentrations greater than 2.00 indicate a strong sector agglomeration. Those less than 0.50 indicate weak sectors.

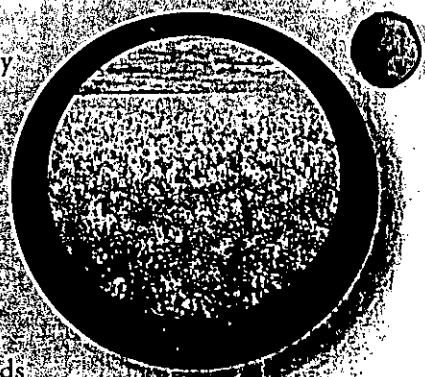
Measuring sector employment in North Dakota as a percent of total employment between 2002 and 2008 indicates which sectors were growing faster or slower than state average growth. Sectors that showed a decrease in share of employment does not necessarily mean the sector employment decreased but that its percentage share of total employment was less than the statewide total average growth.

The only sector to show an actual decrease in employment was NAICS code 51 Information, i.e., telecommunications, broadcasting, and publishing and data processing services. In North Dakota, employment in this sector dropped 6.3 percent in actual numbers of jobs. However, at the national level this sector dropped 11.2 percent during the same period.

Largest Sectors

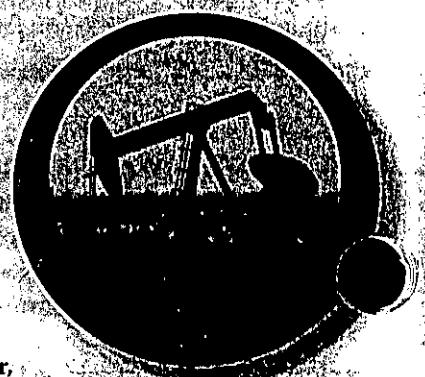
Agriculture

By far, the strongest industry sector in North Dakota is agriculture. This sector points clearly to the extraordinarily important role North Dakota plays in raising crops and livestock to feed the world's growing population and meet increasing demands for renewable energy and life science applications. Based on three-year estimates obtained in the 2006-2008 American Community Survey, agriculture in North Dakota employs more than 29,000 workers and has an LQ of 4.75.



Natural Resources

North Dakota's second strongest private sector LQ is natural resources, which includes oil and gas production and coal mining. According to 2008 U.S. Bureau of Labor Statistics, the state employs almost 7,000 workers in this sector, registering an LQ of 3.77.



Higher Education & Research

This sector includes teaching professionals and staff in both public and private universities, community colleges, and commercial and noncommercial research organizations. The high LQ reflects the emphasis North Dakotans have historically placed on education as well as significant new investments in research and development. This sector's employment in 2008 was almost 14,700 with an LQ of 1.42.

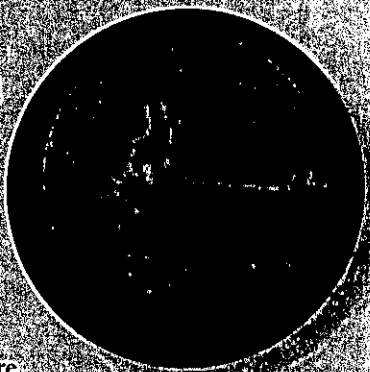


Tourism

The tourism industry is not easily measured by standard economic metrics since it is demand, not supply, driven. A number of different NAICS codes need to be used to capture tourism's impact. North Dakota has conducted extensive research to measure the impact of tourism. Recent studies show North Dakota's tourism growth has outpaced the nation, 37.6 percent since 2001 compared to the nation's growth of 31 percent according to the U.S. Travel Association.

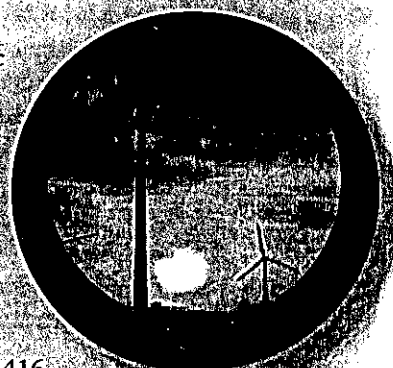
IHS Global Insight research shows North Dakota's core tourism grew 10.7 percent between 2006 and 2008 while the rest of the nation posted an 8.1 percent gain. Visitor expenditure studies and return on investment research also show positive growth.

NDSU research which uses like methodology across various industries shows tourism has seen consistent growth since 1990 when it began the study. This growth reflects North Dakota's emphasis on targeted, research-driven marketing efforts since 2003.



Utilities

This sector includes electric services, gas distribution, water supplies, and irrigation systems. With an LQ of 2.42, utilities are strongly influenced by North Dakota's strengths in natural resources and agriculture. Total employment in 2008 was 3,416.



Wholesale Trade

With an LQ of 1.32, the strength of this sector is most likely connected to the state's strong agricultural economy. This sector includes business-to-business trade of all durable and non-durable merchandise. Employment in 2008 was 19,866.



Fastest Growing Sectors

The fastest growing sector was natural resources led by oil and gas, followed by management, professional and technical services, construction, transportation and agriculture. Information had the sharpest percentage decline driven by significant changes and job losses in the newspaper and media business. Manufacturing, trade, finance and real estate showed slight percentage decreases.

Emerging Sectors

Chemicals and Plastics: Currently, this is a small sector in North Dakota that offers big growth potential because of oil and gas development and emerging biofuels. This sector includes manufacturers of refined petroleum products into non-durable end products made from hydrocarbons such as benzene or durable end products made of plastic. North Dakota realized growth in the LQs of both chemical manufacturing and plastics between 2002 and 2008, indicating this sector is already growing.

Growth Challenges

North Dakota faces a number of challenges for future economic development, some are new but many of them are familiar.

Geography/Image

Distance from markets, lack of a major metropolitan area and a negative image are familiar challenges for North Dakota. New technology and the internet have decreased some of the geographic barriers. And the recent attention North Dakota has received as a result of its strong economy provides a different national storyline about North Dakota that highlights some of the state's most attractive qualities and provides a sharp contrast to the traditional national story about the state's remoteness and cold weather.

Outsourcing

The nation's manufacturing industry has been devastated by companies moving their production facilities off-shore to reduce labor costs. Every business is under severe pressure to remain competitive, and North Dakota companies are no exception. The state has worked hard to maintain the best business environment possible and in this global market must maintain a laser-like focus on offering businesses a highly competitive business climate.

National Recession

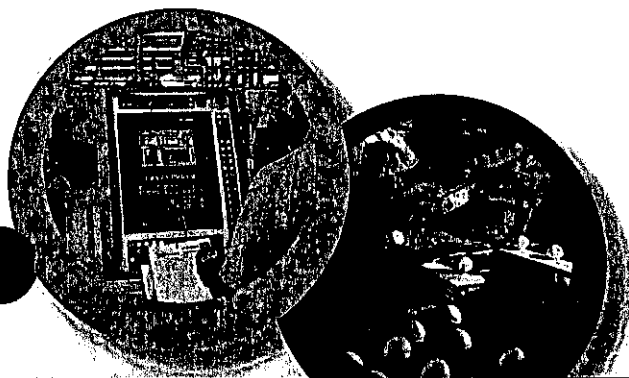
While North Dakota hasn't suffered as much as many areas as a result of the recession, firms here are feeling the effects. Exports and employment are down, especially in manufacturing. On the other hand, home prices have remained stable and the current debt and credit crisis has had less impact here than in the rest of the country. However, the potential exists for more negative impact before the recession is over.

Federal Policy

Because health care is our largest employer and carbon-based energy is a significant and growing part of our economy, national government policy changes such as health care reform and cap-and-trade will have a major effect on North Dakota.

Other Issues

North Dakota's strong economic growth is creating new challenges such as housing shortages, childcare needs, stress on infrastructure and water resources, and the recruitment and retention of workforce.



TARGET INDUSTRY EVALUATIONS

The Foundation commissioned AngelouEconomics (AE) in 2002 to develop a roster of target industries. AE reviewed and assessed previous target industry recommendations to confirm the likelihood of success in a very dynamic and unpredictable global and national economy. A solidly based target industry evaluation allows local economic development leaders to focus their resources on those opportunities that can be reasonably expected to result in a positive outcome.

The targets are sufficiently broad to be able to incorporate smaller niches that might emerge in the state's economy.

North Dakota's Target Industries

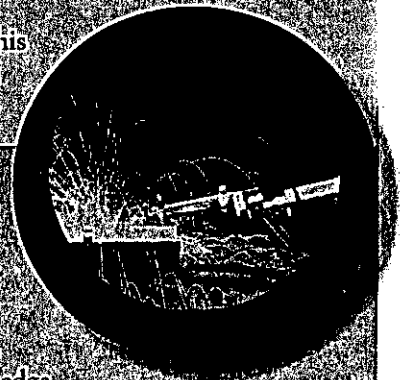
Advanced Manufacturing
Technology-Based Business
Value-Added Agriculture
Tourism
Energy

Advanced Manufacturing

According to the March 2009 Job Service North Dakota report on advanced manufacturing, this sector has grown from the 6th to the 5th largest employment sector in the state. It also reports 10,000 new jobs since 1990, a 60 percent increase.

North Dakota Opportunities

- **Biotech manufacturing:** Among high tech manufacturing industries, North Dakota has the greatest competitive advantage in biotechnology manufacturing. The state's rapidly growing biotechnology sector employs over half its tech-related manufacturing workforce.
- **Agricultural biotech:** This is a niche within biotechnology. Also referred to as bioengineering, this technology promises to drastically alter the way farmers produce foods. North Dakota's natural resources in production agriculture provide an obvious competitive edge for ag biotech.
- **Agricultural-related technology manufacturing:** The state's large agricultural economy and value-added activities provide an opportunity for North Dakota to be a leader in producing electronic products for farm and food processing machinery.

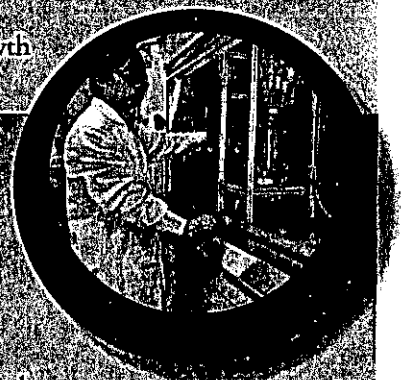


Technology-Based Businesses

North Dakota has experienced measurable successes since the mid-1990s in employment growth through information technology (IT).

North Dakota Opportunities

- **Entrepreneurial startups:** North Dakota's opportunities in IT can be maximized by nurturing a multitude of entrepreneurial startups initiated by local talent.
- **Meteorological software development:** also appears to be an opportunity that could increase the efficiencies of agricultural production in the state and also support North Dakota's growing wind power industry.
- **Higher education's technology centers and research facilities** along with new research & development tax credits are helping to set the stage for real opportunities in technology-based businesses.



Value-Added Agriculture

North Dakota ranks as the largest United States producer of 16 different commodities, including spring and durum wheat, sunflowers and barley, among other crops. The state currently has an obvious competitive advantage in agricultural production, employing more than four times as many workers as the national average.

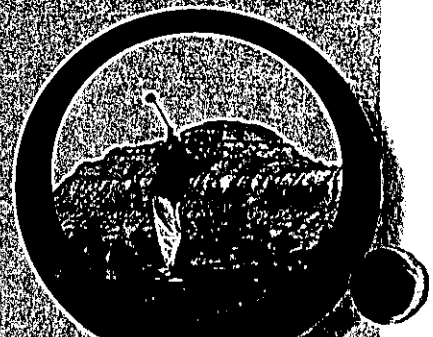


North Dakota Opportunities

- **Convenience foods:** Export growth of North Dakota processed foods has steadily increased, including strong growth during the global recession.
- **Specialty foods for niche markets:** Specialty production presents North Dakota with an opportunity to generate growth from higher impact sectors such as agricultural biotech and natural foods. In addition, food production has traditionally been a strong point in North Dakota's economic, cultural and political foundations. To the extent that North Dakota has an international reputation, food has been a significant asset. Building on that identification will facilitate greater global recognition for the state.

Tourism

Tourism ranks third among industries contributing to North Dakota's economy, with \$4.1 billion spent in 2008. The growth of tourism is felt statewide and the growth of the industry is outpacing the nation as documented in several recent studies. Tourism created 31,208 jobs accounting for \$760 million in total wages and salaries.

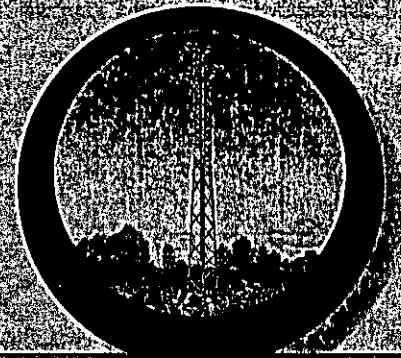


The legendary branding, creative strategies and comprehensive media plans are showing strong return on investment with \$123 returned for every \$1 invested in advertising. Advertising North Dakota as a tourism destination also has a positive impact on the image of North Dakota. Tourism is a key factor in promoting our quality of life.

North Dakota Opportunities

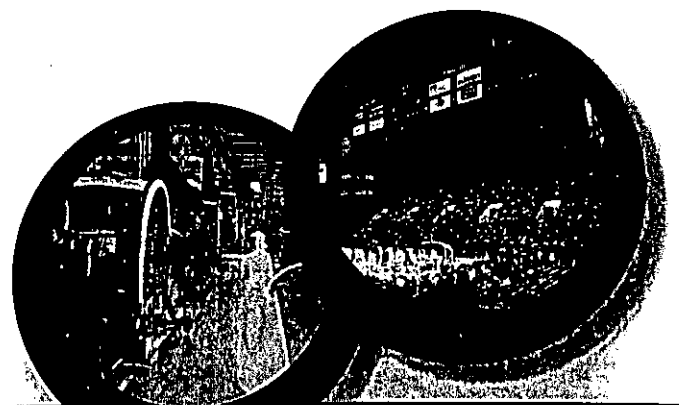
- **Aggressive marketing:** North Dakota continues to be challenged by our lack of image, climate, geographic location and lack of nationally recognized landmarks, which precipitates the need for aggressive marketing.
- **Canadian travel:** continues to be strong. Although affected by exchange rates and border security, a targeted year-round campaign is needed to increase the 1.5 million trips to North Dakota by Canadians.
- **Outdoor resources:** are one of the main motivators for travel to North Dakota. Hunting and fishing continue to drive traffic throughout the year. A comprehensive plan to continue communicating the value of our natural resources should be a priority.
- **Rural and agri-tourism:** is an area visitors are looking to experience in North Dakota. Efforts to expand these opportunities will help these sectors grow.
- **Business/leisure travel:** has moved to the top four types of travel (along with outdoors, festivals and events and touring) to North Dakota. Although business travel only accounted for 18 percent of total 2008 travel to North Dakota, most of the country is seeing decreases in business travel.
- **Green travel:** North Dakota currently does not offer certified Green Travel options. As the demand for environmentally friendly travel options grows, North Dakota needs to be prepared to offer green options. Nature-based opportunities do exist and need to be tied to these efforts.

North Dakota is poised to be a model for America in the development of diverse energy resources to meet our nation's growing demand for energy in a clean, environmentally friendly and sustainable way. North Dakota is home to the world's largest deposits of lignite coal, the 4th largest oil producing state, massive wind energy potential, and the top producer of 16 different agricultural commodities that provide materials to support biofuels and biomass industries. North Dakota is home to the nation's only National Center for Hydrogen Technology and to the National Energy Center of Excellence, which also has a U.S. Department of Energy designation. All this combines to make North Dakota a major provider of energy now and in the future.



North Dakota Opportunities

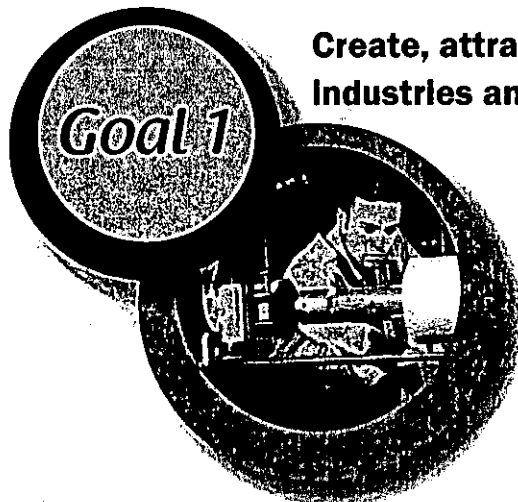
- **Oil and gas:** Increased production of oil and gas from the Bakken and Three Forks formations has significantly boosted North Dakota output and has boosted tax revenues and economic activity. The outlook for future oil and gas production is positive. North Dakota's recoverable reserves were estimated at 1 billion barrels of oil in 2005. This figure has jumped to 3.1 billion barrels of oil today. Estimated gas reserves have risen from 1 trillion cubic feet to 3.1 trillion cubic feet in the same period.
- **Wind:** North Dakota is nationally recognized as having the greatest potential of any state in its capacity to produce energy through wind power. Full realization of our wind power will require further development of the power transmission grid.
- **Coal:** Research and development of clean coal technology, carbon capture and coal liquefaction promises to provide new opportunities for developing North Dakota's coal resources.
- **Biofuels:** Growing fuel as well as food provides a new avenue for diversification for North Dakota's agriculture industry. New crop varieties are under development to decrease the cost and increase the efficiency of biofuels. North Dakota is positioned to be a leader in the production of biomass and biofuels.
- **Manufacturing, services and by-product production:** Every sector within North Dakota's energy industry offers enormous potential for further development of supply chains, component manufacturing and by-product development.



GOALS, STRATEGIES, PERFORMANCE MEASURES

This plan establishes six broad goals for economic development in North Dakota. The Foundation established these goals based on information they gathered in 11 statewide community meetings as well as the economic and sectoral analyses summarized in Sections 4 and 5 of this document, and the target industry evaluation highlighted in Section 6.

These six goals include 26 strategies to provide common direction, strategic areas of emphasis and priorities for investing state and local dollars. This plan also identifies 24 performance measures that provide a means to evaluate progress toward achieving the overall goals.



Create, attract, and retain quality jobs and workforce in targeted industries and high-demand occupations.

Strategies

1. Encourage industry cross selling and supply-chain development through a campaign to purchase products and services from in-state companies.
2. Recruit industries that complement supply chains for target industries and that encourage entrepreneurial growth.
3. Continue to refine the set of business start-up, expansion and attraction initiatives.
4. Refine workforce training programs to focus on developing the skills needed by the state's businesses and industries.
5. Promote the existing state and federal government job training incentives.
6. Support and encourage privately funded seed stage or early venture capital funds.
7. Support the continued development of a statewide network of entrepreneurial resources.

Performance Measures

1. Net job growth
2. Average annual wage
3. Per capita personal income
4. Population

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Marketing and business development services to attract new businesses.
- North Dakota Development Fund financing for primary sector North Dakota businesses through direct loans, participation loans, subordinated debt and equity investments.
- Relocation program to assist out-of-state job seekers in finding career opportunities in North Dakota.
- Operation Intern to link young North Dakotans to job opportunities in North Dakota businesses.
- Centers of Excellence program launched in 2003 to support growth and innovation in North Dakota businesses and industries. Twenty centers for targeted research and workforce training have been created generating \$329.4 million economic impact, creating 2,060 total jobs and 17 new or expanded businesses.
- North Dakota Youth Office and Youth Forward, initiatives aimed at inviting young people to stay in North Dakota and coordinating efforts between existing youth-related programs at the state and local level.
- Workforce Enhancement Grant Program for two-year institutions to help create or enhance training programs that address workforce needs of private sector employers.
- North Dakota Business Resource Alliance Town Hall meetings.
- Governor's Workforce Summits in 2004, 2007, 2009 and one planned for 2011.
- North Dakota Works.
- AmeriCorps.
- Learn and Serve America.
- Jobs for Americas Graduates.
- FindJobsND.com in partnership with Job Service North Dakota.
- Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
- H1 B Technical Skills Training Grant for Healthcare administered between 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.

Strengthen North Dakota's business climate and image to increase national and global competitiveness.

Goal 2

Strategies

1. Promote national and international partnerships and competitiveness.
2. Support and grow the successful public/private international trade model.
3. Strengthen North Dakota's regulatory, tax and business climate.

Performance Measures

1. Gross domestic product.
2. Merchandise export value.
3. Small Business & Entrepreneurship Council's Small Business Survival Index.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Formation of North Dakota Trade Office, a public-private partnership between the North Dakota Department of Commerce, the North Dakota District Export Council and the state's business community to collectively provide North Dakota companies with the support to succeed in the global marketplace.
- New Venture Capital Fund.
- Bank of North Dakota financing programs (PACE, BioPACE, FlexPACE, Match program).
- Job Service Workforce programs including Workforce Investment Act, Trade Adjustment Assistance, Unemployment Insurance, Workforce 2020, and North Dakota new jobs training.
- Comprehensive program of targeted state tax incentives that improves the availability of private sector capital.
- \$400 million package of tax cuts approved by the 2009 Legislature.
- Business Congress and Workforce Congress Interim Committees focused on improving state workforce programs and business tax incentives.
- Monitoring policies to ensure North Dakota is accessible to international visitors while maintaining the security of our border with Canada.

Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.

Goal 3

Strategies

1. Focus state tax incentives and supportive legislation to accelerate innovation and entrepreneurship in targeted industries and emerging technologies.
2. Assess state programs and how they fit with innovation, entrepreneurship, targeted industries and emerging technologies.
3. Explore health care as a profit center for long-term economic development.
4. Support state programs for research, development, demonstration and commercialization of new technologies including the development of technology parks and incubators.
5. Develop rural and ag-based tourism opportunities, education vacations and green tourism options throughout North Dakota.

Performance Measures

1. Number of private sector businesses.
2. Number of business activities as a result of Innovate ND.
3. Aggregate use of Seed Capital Tax Credits and Angel Fund Tax Credits.

Reportable Data

1. Academic research and development expenditures.
2. Industry research and development expenditures.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Business development managers focused on promoting North Dakota to targeted industries.
- North Dakota Development Fund financing for primary sector North Dakota businesses through direct loans, participation loans, subordinated debt and equity investments.
- Ag Products Utilization Committee grant programs for researching and developing new and expanded uses for North Dakota agricultural products.
- Submitted a Healthcare High Growth Job Grant Application to U.S. Department of Labor.
- Centers of Excellence program launched in 2003 to support growth and innovation in North Dakota businesses and industries. Twenty centers for targeted research and workforce training have been created generating \$329.4 million in economic impact, creating 2,060 total jobs and 17 new or expanded businesses.
- Tech-based entrepreneurship grant program that provides grants for access to capital, marketing assistance, entrepreneur infrastructure, and entrepreneurial talent aimed at growing technology-based entrepreneurship.
- Innovate ND, a statewide initiative designed to help entrepreneurs turn innovative concepts into viable new North Dakota business ventures. Nearly 500 people with 250 ideas have participated in the program and 70 new businesses are operational or in the development stage as a result.
- Tourism infrastructure grants to complete tourism projects that will attract and keep visitors in the state longer including \$250,000 in grants to support Native American-related historical sites and events.
- New tourism development manager focusing on growing more tourism businesses and attractions.
- Strategic leadership to identify business and industry trends and to educate stakeholders on new opportunities.
- H1B Technical Skills Training Grant for Healthcare administered during 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.

Enhance the state education and training system's ability to meet business and workforce needs of the future.

Goal 4

Strategies

1. Expand the promotion of skilled trade and technical education programs at North Dakota's high schools, Area Career and Technical Centers and two-year colleges to North Dakota employers.
2. Better leverage the resources of the state's entire education system to support long-term economic development through education, training and research.
3. Support an accountable University System that has the flexibility needed to meet the needs of the private sector.
4. Promote Operation Intern with businesses in targeted industries while supporting internships and apprenticeships in general.
5. Support youth and young adult development and retention initiatives.

Performance Measures

1. Number of students taking skilled trade and technical education programs.
2. Retention of post-secondary program completers.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Operation Intern launched in 2007 and enhanced in 2009 to link young North Dakotans to job opportunities in North Dakota businesses.
- Centers of Excellence program launched in 2003, spawning 20 centers for targeted research and workforce training to support growth and innovation in North Dakota businesses and industries.
- Workforce Enhancement Grant Program for two-year institutions to help create or enhance training programs that address workforce needs of private sector employers.
- Expansion of AmeriCorps and Learn and Serve.
- Hospitality training program offered to businesses to help train front line employees and help employees serve visitors better thus increasing the length of stay in North Dakota.
- Collaborative programs with educators on the need to offer tourism, hospitality and recreation management programs to youth to sustain tourism growth.
- Business Congress and Workforce Congress Interim Committees focused on improving state workforce programs and business tax incentives.
- Workforce Intelligence Council established in 2007 at the direction of the Legislature to provide qualitative and quantitative workforce intelligence to partners and stakeholders for their use in making strategic workforce decisions.
- Consolidated Biennial Statewide Plan for workforce development, workforce training and talent attraction.
- Statewide North Dakota Talent Strategy developed in 2006 to serve as the architectural backbone that guides the activities and decisions of state agencies who deliver education, workforce training and employability development services in North Dakota.
- Governor's Workforce Summits in 2004, 2007, 2009 and one planned for 2011.
- Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
- Career advisors initiative.
- Eight Area Career and Technology Centers including three new virtual centers.

Goal 5

Continue to enhance a unified front for North Dakota that supports community, economic and workforce development.

Strategies

1. Enhance collaboration between economic development and tourism stakeholders, the Congressional delegation, the state Legislature, the Governor's office, tribes, the workforce delivery system, the University System, the state Commerce Department and the private sector in order to leverage all available sources of support.
2. Consistently collaborate with state stakeholders to determine the value of cooperative activities and identify ways to improve them.

Performance Measures

1. Number of local development and tourism stakeholders participating in Commerce sponsored marketing, tourism, workforce, business development and community development activities.
2. Stakeholder perceptions of a unified front for economic development in the state.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Fully integrated, statewide marketing and communication program including:
 - Grants to support local and regional economic development organizations in their efforts to recruit primary sector business and workforce.
 - Grants to support internships and apprenticeships for North Dakota students in North Dakota businesses.
 - Ambassador Program that provides a constant stream of image-enhancing news about North Dakota.
 - Relocation program to assist out-of-state job seekers in finding career opportunities in North Dakota.
- Community visits by Commerce staff in the economic development and community development divisions.
- Native American Business Development Office focused on helping North Dakota's American Indian businesses leverage government procurement opportunities and facilitate partnerships between Indian and non-Indian businesses. This office has worked with 101 Native American businesses, helping them secure federal contracts worth \$65.4 million.
- Statewide Legendary branding initiative that drives a unified message and offers opportunities for local participation including:
 - Marketing grants to support local marketing efforts that use the state brand.
 - Tourism marketing materials providing consistent print and online listings of attractions, accommodations, events and activities.
 - A dedicated website section for industry partners to access resources to help them succeed, such as detailed research and marketing plans.
- Annual tourism stakeholder's meeting, which provides an overview of the annual marketing programs and advertising plans and outlines cooperative marketing opportunities for partners to position their business/attraction alongside the state in targeted marketing efforts.
- Tourism Division in-state familiarization trips for staff to better understand community offerings. Tours are rotated regionally and have touched most North Dakota communities and attractions.
- Tourism regional meetings, workshops and annual state tourism conference to provide education and networking opportunities.
- Collaboration with the Destination Marketing Association of ND (DMAND), the Tourism Alliance Partnership (TAP), and regional and theme-based associations to develop common goals, initiatives and budget priorities.

- Workforce development programs including:
 - Workforce Enhancement Grant Program.
 - Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
 - Standardized community labor availability studies.
 - Consolidated biennial statewide strategic plan for workforce development, workforce training and talent attraction.
- Jobs for Americas Graduates program implemented at Williston Public School District #1, Boys and Girls Club Alternative School in Newtown and Williston State College.
- H1 B Technical Skills Training Grant for Healthcare administered during 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.
- Statewide North Dakota Talent Strategy developed in 2006.
- Training for local and state-level economic developers including:
 - Developer certification classes offered by the National Development Council and coordinated by Commerce to certify 30 developers statewide.
 - Quarterly, day-long training sessions for new professionals in economic development involving all divisions at Commerce, the Bank of North Dakota and Rural Development.
 - Biannual half-day roundtables on economic development-related topics.
 - On-going training to the eight Regional Councils and the seven Community Action Agencies.
- Statewide Technical Assistance Team (STAT) to help developers solve difficult housing issues. Members of the team include Commerce, Bank of North Dakota, Housing Finance Agency, Rural Development, Center for Technology and Business, federal Housing and Urban Development agency and Community Works.
- Rural Community Development Summit.
- Rural Leadership Initiative developed by the NDSU Extension Service to train new leaders in rural North Dakota.

Enhance North Dakota's Image.

Goal 6



Strategies

1. Develop a statewide internal marketing effort to improve North Dakota's self-image.
2. Continue to measure aggressive media relations campaigns that enhance North Dakota's image and increase awareness of North Dakota as a great place to live, work, play, visit and be in business.
3. Establish a measurement for social media engagement and its impact on the state's image.
4. Work with our regional partners, overseas offices and Visit America committees and consultants to keep North Dakota in the news and to educate on travel requirements and business opportunities.

Performance Measures

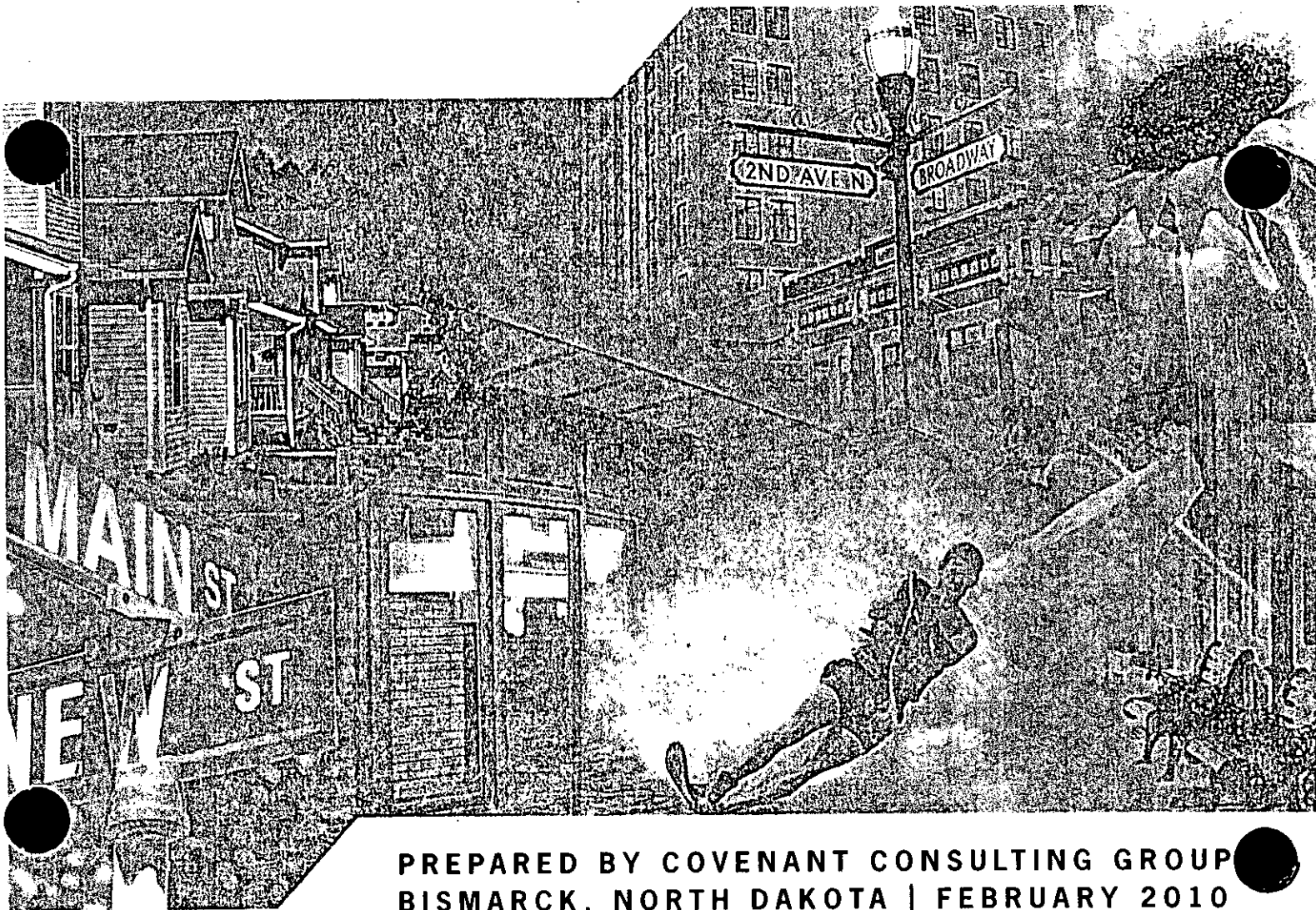
1. Ratio of positive to negative tone in media placements.
2. Number of visits as a result of image enhancement efforts.
3. Expenditures by out-of-state visitors.
4. Number of workforce relocators as a result of image enhancement efforts.
5. Tourism advertising impact on image.
6. Number of active social media influencers who contribute to depicting a fun and friendly North Dakota.
7. International advertising equivalency for positive North Dakota stories.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- A fully integrated, statewide marketing and communication program that includes:
 - Aggressive in-state, national and international media relations to enhance North Dakota's image and build credibility with media sources.
 - Social networking strategies to maximize distribution of positive images and messages.
 - Ambassador program to leverage the loyalty and power of North Dakota natives.
 - A targeted, research-driven marketing effort to promote tourism in North Dakota and enhance the state's image (8th year).
- Communication of recreation opportunities and quality of life available in North Dakota through paid advertising and media relations efforts.
- National and international business development marketing efforts and stakeholder participation in external marketing trips.
- Fully integrated marketing and communication program to attract visitors from targeted countries including Canada, Norway, Sweden, Denmark, Finland, Iceland, Germany and Australia.

NORTH DAKOTA ECONOMIC DEVELOPMENT STRATEGIC PLAN: 2010-2020



**PREPARED BY COVENANT CONSULTING GROUP
BISMARCK, NORTH DAKOTA | FEBRUARY 2010**



Testimony of

Economic Development Association of North Dakota

HB 1018

March 15, 2011

Chairman Holmberg, members of the committee, my name is Keith Lund, Vice President of the Grand Forks Region Economic Development Corporation. I am providing testimony today in my capacity as a board member of 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.

Key issues faced by North Dakota in terms of economic growth include research and development of new and innovative technologies, the ability of individuals to commercialize those technologies, and the organizational talent needed to deliver these technologies to the market. House Bill 1018, as originally presented in the Governor's budget, addresses these challenges through the creation of Centers of Research Excellence, Entrepreneurship Excellence, and Workforce Excellence. EDND strongly supports the development of these three distinct Centers and believes they are strategic investments in North Dakota's future.

The Centers of Excellence program as originally envisioned by HB 1018 is included in EDND's 2011 Legislative Agenda and our association has placed it among its top priorities for this session. EDND recommends that the Senate Appropriations Committee restore the provisions of HB 1018 related to Centers of Research Excellence and Entrepreneurship Excellence and encourages the committee to move this bill to the full Senate containing the original provisions of the Centers of Excellence program.

Thank you for the opportunity to address the committee. I would be happy to answer your questions.

**Testimony of Andy Peterson
North Dakota Chamber of Commerce
HB 1018
March 15, 2011**



Chairman Holmberg and members of the Senate Appropriations Committee, my name is Andy Peterson, president of the North Dakota Chamber of Commerce. I am here today representing the North Dakota Chamber of Commerce, the principal business advocacy group in North Dakota. Our organization is an economic and geographical cross section of North Dakota's private sector and also includes state associations, local chambers of commerce, development organizations, convention and visitors bureaus and public sector organizations. The North Dakota Chamber would like to voice its support of the North Dakota Department of Commerce and its many initiatives that have played a key role in developing the state's strong economy and business community.

The North Dakota Chamber has supported the Department of Commerce since its creation in 2001. We have witnessed the Department's many benefits to the state as its economic development programs have spurred growth throughout North Dakota's business sector and partnerships with developers across the state have expanded into exciting new business endeavors. North Dakota's economy remains strong, due in part to the collective efforts of the Department of Commerce and the state's business community.

Many programs proposed in the original version of HB 1018 are of great importance to the continued success of the state's business community and economy. The North Dakota Chamber would like to see the reinstatement of funding within the Department of Commerce's budget for the Centers of Excellence Programs, WorkKeys, and the new Energy Division. We believe these programs play an important role in the creation of jobs and the expansion of North Dakota's key industries.

The Centers of Excellence program, supported by the North Dakota Chamber since its start in 2005, has laid the groundwork for a successful means of converting university research to private sector jobs and has made significant progress in reaching an objective we believe is essential to long-term economic success in North Dakota. However, economic development at this level requires patience and a long-term commitment, and we believe this program should be afforded continued funding and expansion opportunities.

The WorkKeys program provides an important job skills assessment tool to help employers in the hiring and training of individuals, and helps workers prepare for their careers. The \$125,000 in one-time funding recommended in the Governor's budget would develop a statewide marketing effort surrounding this program and help to make WorkKeys more accessible to students, employees and businesses across the state.

The proposed Energy Division would help to consolidate and enhance the Department's efforts in supporting and promoting the development of the state's energy resources. At a time when

North Dakota's economy and businesses are increasingly driven by the success of the state's energy industries, this new division would be key to the continuation and strengthening of Commerce-led initiatives such as the EmPower North Dakota policy process; interaction with counties and cities impacted by oil and gas development; management of the Ethanol Production Incentive and Biofuels Blender Pump programs; and staff support for the Renewable Energy Council. Legislators and citizens need a place to come to collaboratively address upcoming priority needs. The efforts led by the Department of Commerce in collaboration with the Department of Transportation, Upper Great Plains Transportation Institute and local political subdivisions that resulted in current plans now working their way through the legislature process is a prime example of a successful cooperative effort. Conditions in oil and gas counties are likely to change drastically in the upcoming months, and the Energy Division would help the executive and legislative branches plan for and meet those changing needs.

Although a major focus of this legislative session has been on managing the growth of the state's oil development, the oil boom will not last forever. We must continue to diversify our economy and develop other industries that will contribute to the strength of our state.

We believe it is again time to look at what our state and its businesses need to do to prepare for the future. The business community plays a key role in the long-range planning for our state and its economy, and we need to work with the Department of Commerce, Legislature, and Governor to develop a long-range plan that will continue to advance North Dakota.

The North Dakota Chamber has led two private-sector-driven statewide visioning initiatives, and key strategies and major components of both were adopted by the legislature and the state economic development agencies.

In 1990, North Dakota launched the statewide *North Dakota Vision 2000 Initiative*, a broad-based economic development and change process to create a new economic vision and action plan to stimulate the economy and society. The legislature endorsed many of those initiatives when it passed the Growing North Dakota legislation. At that time our state's population was expected to drop below 600,000 by the year 2000. Today our population is 672,000 and is projected to continue to grow.

In 2000, *North Dakota's New Economy Initiative* was launched to help North Dakota emerge as a leading innovation-based rural economy in the 21st century. Although many of us had never heard of nanotechnology, centers of excellence, intermodal transportation, research corridors or statewide talent pool strategies at the time, progress has been made in all of these areas since this initiative was launched. In addition, a majority of the New Economy Initiative Action Plan was adopted into the Economic Development Foundation of North Dakota's strategic plan and is the framework for the Department Commerce business development efforts. Based on these collaborative efforts, North Dakota has moved from 45th in the overall States New Economy rankings in 2000 to 36th in the 2010 rankings. This is a significant improvement and says we are improving in terms of economic dynamism, innovation capacity and globalism.

Although North Dakota has experienced success in advancing the state's economy and growing its population, we have a long way to go. The North Dakota Chamber believes it is time to take another hard look at ourselves and determine what needs to be done to continue to move North Dakota forward in a rapidly changing, highly competitive global economy. Like a successful business, a state or regional economy needs a portfolio of strategies to make sure that we are taking all the right steps to create a business-friendly environment in North Dakota that leads to new economic opportunities and prosperity for all North Dakotans.

The North Dakota Chamber is willing to take a leadership role in this effort, but this cannot be accomplished without tremendous resources and support. With a strong Department of Commerce in place, private-sector-driven initiatives can move forward quickly because the necessary partnerships are already formed to address both the challenges and opportunities in strengthening our state's economy. It is important for business and government to support these collaborative efforts in building a knowledge-based economy, which embeds ideas, innovation and technology into industry sectors.

The Department of Commerce plays an important role in providing communication, cooperation and coordination among those involved in the state's business development. This remains essential to creating a vision for the long-term success of the state and its business community. We encourage you to support HB 1018 as proposed by the Governor.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

MARCH 15, 2011, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR HOLMBERG, CHAIRMAN

TRACY FINNEMAN, MARKETING MANAGER

Chairman Holmberg, members of the Committee, Good Morning! My name is Tracy Finneman. I am the Marketing Manager at the North Dakota Department of Commerce, and today I will provide information and results regarding our marketing and communications efforts at Commerce.

The Commerce marketing and communications program serves three primary functions: public information, accountability and promotion.

1. First, we inform our partners in economic and community development organizations, and in the general public, about Commerce programs and services and how they can access them.
2. Second, we hold ourselves accountable by distributing results about our activities to help policy makers and North Dakota citizens see how public tax dollars are being used.
3. Third, we enhance North Dakota's image through promotion and marketing efforts that focus on North Dakota as a great place to live, work, play and be in business.

STRATEGIES: We use a variety of tools in each of these areas. A few important strategies you may have seen in action include:

- **News releases, newsletters, news conferences:** In 2009, Commerce distributed 125 news releases, and in 2010, that number grew to 150. We write and distribute five different electronic newsletters on varying cycles, and we coordinate news conferences with partners whenever a program or service rises to that level of importance.
- **Media response and media outreach:** On average, we respond to media inquiries three out of five business days a week; that's nearly 200 media contacts a year! Since March 1, we've worked with reporters from:
 - Sparkasse (German business magazine)
 - Wall Street Journal

- New York Times
- Times of London
- WCCO Radio in Minneapolis
- Bloomberg
- News Radio 680 in Raleigh, NC
- Prairie Public Radio
- KFYR Radio
- Fargo Forum (2)
- Minot Daily News
- KXMB TV

Since 2009, our earned media placement program – pitching stories to top-tier national and international media – has garnered page 1 or top billing in the Wall Street Journal, New York Times, BBC Radio, Bloomberg, NBC Nightly News, CBS Early Show, NewsWeek, Time, Washington Post, and Fox Business, just to name a few.

- **Digital Communications and Social Media:** The public today is real-time and tech-savvy. We continuously research and survey our partners so we provide information in a format that works best for them. Through social media, we can provide real-time information to the public as well as forward good news about North Dakota farther and faster than we ever could before.

For example: I mentioned the Wall Street Journal earlier. On Feb. 26, the Journal ran a prominent story with the headline “North Dakota Strains to Fill Jobs.” Here’s how we generate a positive ripple with earned media placement and an integrated marketing approach.

First, that placement has generated three subsequent out-of-state media stories: one with the Times of London, one with WCCO Radio and one with News Radio 680. Second, we posted the Journal story for our Ambassadors on Facebook, LinkedIn and Twitter. Fourteen individuals re-posted or re-tweeted the story; 221 people viewed the story as we provided it; and 287 Facebook users shared our link with their friends, generating 462 comments (and 8 out of 10 of those comments were positive in tone). The power of digital media is staggering, and Commerce is well positioned to leverage that power on North Dakota’s behalf.

- **Influencers:** We all know a personal referral is the best marketing tool. At Commerce we currently leverage 7,000 North Dakota Ambassadors – influencers if you will – and their subsequent connections through our social networks to extend the reach of our key messages. In the past two weeks and within 24 hours of their release, one North Dakota Ambassador forwarded three rankings by the Gallup Organization.
 - North Dakota ranks #1 for the best job market in the country.
 - North Dakota shares the #1 spot with Wyoming for the LEAST number of people who are UNDERemployed.
 - North Dakota ranks #3 for well-being among all states.

Thanks to one influencer, we're able to spread that good news to others.

RESULTS. This takes us to results. All of these efforts are clearly important, but what makes them vital is the results they generate. Here are three quick high points:

1. The number of media inquiries we receive at Commerce has grown by 10 percent each of the last five years. Commerce is clearly seen as a reputable, credible resource for media, in-state and out-of-state.
2. We've tracked 185 POSITIVE earned media placements in 2009 and 2010 – most in top tier media outlets. (In case you're interested, the value of this one marketing strategy is more than double our entire program budget.)
3. We were contacted this past summer by the editors of Delta Sky magazine. They were interested in doing a piece on North Dakota. That piece became a 30-page feature in the October issue and stayed in every plane, in front of more than 5 million readers for 31 days. American Airlines followed suit with a feature article appearing in their December in-flight magazine. It's an exceptional feature on North Dakota; perhaps its greatest value is in how it's armed people to "talk up" our state. We have multiple examples in our office alone of Delta travelers hearing other passengers and flight attendants discuss the North Dakota feature and recite positive facts to each other about our state's strong economy, budget surplus, job opportunities and quality of life. I can't help but say it: priceless.

One final area managed through the Commerce Marketing and Communications team is the Partners in Marketing grant program, which makes available \$250,000 for local economic development organizations to effectively market their communities and regions for primary sector business and workforce recruitment.

In our current biennium, we've already committed over \$233,000 to 35 city and county economic development organizations statewide.

SUMMARY. The Commerce marketing and communications program serves three primary functions: we inform our partners, we hold ourselves accountable, and we enhance North Dakota's image.

I'd be happy to answer any questions you have.

Thank you.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

MARCH 15, 2011, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

**JUSTIN DEVER – MANAGER OF OFFICE OF INNOVATION AND ENTREPRENEURSHIP, ND
DEPARTMENT OF COMMERCE**

Mr. Chairman and members of the committee, good afternoon. I am Justin Dever, Manager of the Office of Innovation and Entrepreneurship for the North Dakota Department of Commerce, and I am here before you today to provide information on the innovation and entrepreneurship initiatives included within HB 1018.

The Office of Innovation and Entrepreneurship was formed in May, 2007, to manage the Centers of Excellence and Innovate North Dakota programs. During the 2009 session, the department was also given a new technology-based entrepreneurship grant program, which is managed by this office. This office includes 3 staff members: myself as manager, a program manager for the Innovate ND program, and an accountability officer for the Centers of Excellence program.

Innovate North Dakota

Innovate ND was launched in the fall of 2006 to provide a pathway for new and existing entrepreneurs with ideas for product or service innovations. Coaching, training, and incentives are provided that help them develop their concepts and ready them for a pitch to the investment and financial communities. In the current biennium, Innovate ND has had 202 business ideas submitted with a total of 387 people participating in the program. There are currently 100 new businesses in operation or development in the state that have participated in Innovate ND program. Since its inception, we've helped 350 teams with a total of 700 participants.

The state funds for Innovate ND are used for educational content, technical assistance provided to participants by our partners, and program administration. The prize money awarded to the Idea Champions is provided by the sponsors of the program.

Centers of Excellence

This office also carries out critical functions for the Centers of Excellence program. We manage the application, review and award process, as well as monitor the Centers for their results in meeting the objectives of the award. The current competitive grant program was launched in 2005 and has received approximately \$60 million in legislative appropriations over the past three bienniums. To date, 20 Centers of Excellence have been approved and six Centers of Excellence Enhancement grants have been awarded. As of June 30, 2010, the centers have spent \$26.2 million in state funds. These state funds have leveraged a total of \$152.9 million in private sector and other funds. According to a recent study conducted by NDSU, the Centers of Excellence program has had a total economic impact of over \$406 million. The program has lead to a direct job creation of 1,017 people with an annual payroll of over \$53 million – an average of \$52,467 per job.

Mark Nisbet, chairman of the Centers of Excellence Commission, provided in depth information about Centers of Excellence including the proposed revisions to the program.

Technology-based Entrepreneurship Grant Program

In 2009, the legislature approved \$1 million in funding for a "technology-based entrepreneurship grant program to be developed by the Department of Commerce." In developing this new program, Commerce worked with the entrepreneurial centers across North Dakota including the UND Center for Innovation, the NDSU Research & Technology Park, the I.D.E.A. Center in Bismarck, the DSU Strom Center for Entrepreneurship and Innovation, and the Southern Valley Innovation Center in Wahpeton. We conducted a survey of entrepreneurs to determine the top issues they needed assistance to further their growth. The results showed the top three issues as being: 1) access to capital, 2) marketing assistance, and 3) entrepreneur infrastructure. We also held a focus group with entrepreneurs and further roundtable discussions concerning the next steps for moving forward with the grant program and laying out the vision and goals of the program.

The vision and goal of the technology-based entrepreneurship grant program is to grow technology based entrepreneurship in North Dakota through providing grants in four main areas:

- 1) Access to capital
- 2) Marketing Assistance
- 3) Entrepreneur Infrastructure
- 4) Entrepreneurial Talent

Certified entrepreneurial centers are eligible to apply for these grants, either for specific projects with entrepreneurs or to develop programs that will assist entrepreneurs in the four main areas.

To date, we have held three grant rounds and have awarded \$583,000 to entrepreneurial centers. We will be holding additional grant rounds prior to the end of the biennium and anticipate that all of the remaining funds will be obligated. We have requested carryover authority for this program to allow us to disburse a portion of the funds at the end of the projects instead of distributing all of the grant funds up front.

Mr. Chairman and members of the committee, that concludes my testimony and I am happy to entertain any questions.

Centers of Excellence Testimony for House Bill 1018

Mark Nisbet, Chairman, Centers of Excellence Commission

March 15, 2010

Mr. Chairman and members of the committee. My name is Mark Nisbet and I serve as the chairman of the Centers of Excellence Commission, which I have done so since the program was launched in 2005.

Today I will be providing information concerning the results of the program, the monitoring of the current centers, and the proposed modification of the program.

Results

We have provided you with copies of the 2010 Centers of Excellence Annual Report. This report contains details about the overall results of the program, as well as individual results from each of the centers. As of June 30, 2010, the centers have spent \$26.2 million of the awarded funds and have leveraged over \$150 million from the private sector and other sources.

We commissioned NDSU Professor Larry Leistrich to conduct an economic impact study of the Centers of Excellence program. This study demonstrated that the program has had an overall economic impact of \$406.5 million.

The program has lead to the creation of 1,017 direct jobs with an estimated annual payroll of \$53.4 million. Eighteen new or expanded businesses have resulted from the Centers of Excellence program.

Monitoring

The Centers of Excellence Commission, with assistance provided by the Department of Commerce, has the responsibility to monitor each center for a period of six to ten years. Information is gathered by the Department of Commerce from each of the centers on a quarterly basis and then presented to the Commission. The Department of Commerce gathers the information in three ways: 1) through a functional review that is completed annually by each center, 2) by conducting a site visit of each center at least annually, and 3) by a quarterly update provided by each center during the quarters that they are not completing the functional review or site visit.

The Commission reviews each center that has completed at least three full fiscal years of operation and makes a determination on whether or not it is on track to meet its desired economic impact. The Commission reviewed the nine centers in June, 2010, that had been in existence for three full fiscal years. Of these nine, the Commission had determined that seven were on track to meet their desired economic impact and that two needed improvements. The two centers that needed improvements included the NDSU Center for Surface Protection and the VCSU Enterprise University. Both centers have been impacted by the national economy. The Commission will be reviewing the centers again in the upcoming months to make another determination based upon the most recent data collected.

Centers of Excellence Proposal

The Centers of Excellence Commission is in support of the proposed changes to Centers of Excellence. The changes were recommended by the Governor in House Bill 1018, which had closely resembled the changes recommended by the interim Workforce Committee in Senate Bill 2057. Both proposals create three separate Centers of Excellence: Research Centers of Excellence, Workforce Centers of Excellence, and Entrepreneurship Centers of Excellence.

As introduced, HB 1018 extended the sunset for the current Centers of Excellence statute until 2021. This extension is important because it allows the Commission to distribute funds to awarded projects and to continue monitoring the centers designated under this chapter of statute. The July 31, 2021, sunset date is in line with the six to ten year monitoring time period required for each center of excellence. The House removed the extension and instead transferred responsibility to the Department of Commerce for distribution of funds and continued monitoring.

In addition to the sunset provision, there were a couple of other changes made to the existing statute. The first amends the center's annual audit requirement. This change is a result of a State Auditor's Office recommendation that we either require fiscal audits of the centers or request a legislative change. This change would require a fiscal audit at two points: at the halfway point of the monitoring period and at the end. Other years the Commission could instead require an agreed upon procedures engagement, which is what we have currently been using. The House amended this section to include specific requirements for agreed upon procedures.

The second change removed the limitation that only two and one-half percent of the funds appropriated to the program would be available for administrative expenses. There would be no additional funds appropriated to the existing program under N.D.C.C. Chapter 15-69 in the future, so this limitation would actually prevent any funds from being used for administrative expenses. There are expenses associated with the ongoing monitoring of the centers and we would like the ability to use the interest earned to pay for these expenses.

Centers of Research Excellence

HB 1018, as introduced, created a new chapter for a Centers of Research Excellence program. This included eminent researcher recruitment grants as part of the Centers of Research Excellence program. This roughly mirrored the program created in SB 2057, with the exception that HB 1018 provided eminent researcher recruitment grants as a matching grant for recruitment and startup costs instead of providing funds to endow eminent researcher chairs.

As proposed, the two research institutions would be eligible to apply for funding under the Centers of Research Excellence program. This program would be administered by the Centers of Excellence Commission and would have criteria similar to the current Centers of Excellence program, including a two-to-one matching requirement.

As introduced, the total budget for Centers of Research Excellence was to be \$13 million and is broken down for the following components:

- Up to \$2 million for eminent researcher recruitment grants.
- Up to \$3 million for Centers of Research Excellence Infrastructure grants. This was removed by the Senate in SB 2057.
- At least \$8 million for the general Centers of Research Excellence grants.

Centers of Entrepreneurship Excellence Grants

As introduced, HB 1018 established a new Entrepreneurship Centers of Excellence program. This program would be administered by the Centers of Excellence Commission and would provide funding to certified entrepreneurial centers in order to assist entrepreneurs in four key areas:

- 1) Access to capital
- 2) Marketing assistance
- 3) Entrepreneur infrastructure
- 4) Entrepreneur talent

Current entrepreneurial centers certified by the Department of Commerce include the UND Center for Innovation, the NDSU Research & Technology Park, the I.D.E.A. Center in Bismarck, the DSU Strom Center for Entrepreneurship & Innovation, the Southern Valley Innovation Center in Wahpeton, the MiSU Severson Entrepreneurship Academy, and the Standing Rock Entrepreneurial Center. Each of these centers would be eligible to apply for funding for either specific projects associated with an identified entrepreneur or to develop programs to assist entrepreneurs in the four key areas.

The total budget for Centers of Entrepreneurship Excellence grants is up to \$5 million of the funds transferred to the Centers of Excellence fund.

Centers of Workforce Excellence

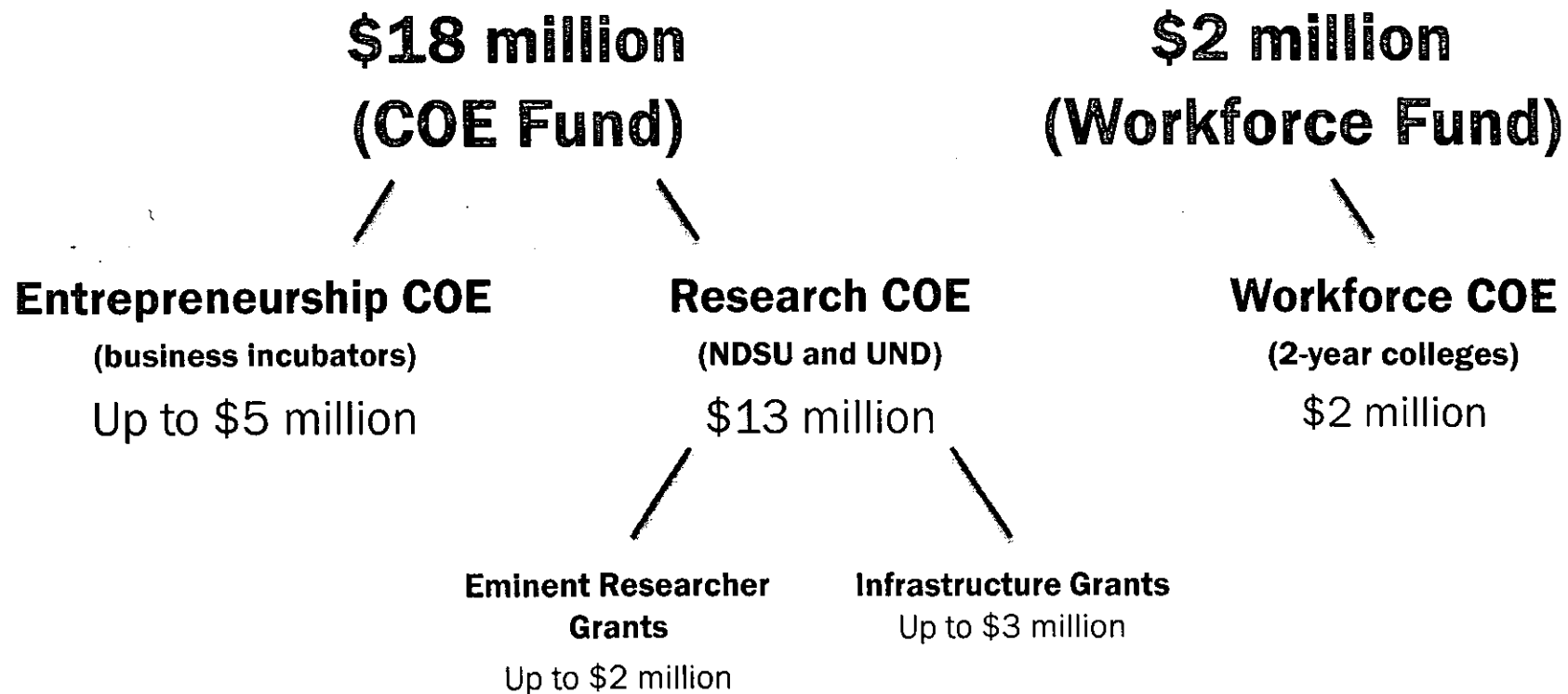
As introduced, HB 1018 amended the workforce enhancement grant statute to rename it to Centers of Workforce Excellence. Under this program, grant awards would be recommended by a Centers of Workforce Excellence Council, with the final determination made by the Commissioner of Commerce. The two year colleges would be eligible to apply for these funds and would need to secure at least one dollar of private industry matching funds for each dollar of state funds.

The House kept in \$2 million in funding provided for this purpose, but did not approve the name change to Centers of Workforce Excellence.

I would encourage your support for Centers of Research, Entrepreneurship, and Workforce Excellence included in HB 1018. I would be happy to answer any questions you may have.

CENTERS OF EXCELLENCE PROGRAM

2011-2013: \$20 million



-
1. The Center of Excellence Commission oversees the COE Fund (proposed at \$18 million).
 2. The Workforce COE Council oversees the Workforce Fund (proposed at \$2 million).
 3. Unused funds for the Entrepreneurship COE, Eminent Researcher Grants and the Infrastructure Grants may be made available for Research COE Grants.

Petroleum Safety and Technology Center of Excellence
Williston State College

Good morning Chairman Holmberg and members of the Committee. My name is Deanette Piesik, Executive Director of TrainND - Northwest at Williston State College.

In 2006, Williston State College received \$400,000 to start the Petroleum Safety and Technology Center of Excellence. These dollars were matched by 20 oil and gas companies. This seed money provided the incentive for the industry to collaborate with the TrainND Division to develop entry level training for service rig companies – Floorhand Training for Well Servicing. Key Energy donated a service rig; other companies provided the equipment and drilled two instructional wells. A strong partnership was developed between the oil industry and TrainND primarily due to the fact that companies seen the willingness of the state to fund programs that addressed job creation.

The oil and gas industry has requested TrainND to develop additional technical training programs.

- Commercial Drivers License Training
- Well Control for Drillers and Well Servicing Companies
- Lease Operator Program

This past year the DOC completed a workforce needs/skills survey of existing oil and gas companies. In the top four occupations in the highest demand that make up nearly 50 percent of the total expected jobs include service rigs and lease operators or pumpers, in addition there is a high need for truck drivers. All of these training programs are part of this Center.

Since this Center started in 2006 over two million dollars has been received in state funding, those dollars have been matched with cash or equipment by the oil and gas industry. This speaks to the quality and strength of the Centers of Excellence Program. In Fiscal Year 2010, 180 oil and gas companies have sent their employees to one or more of the 332 training sessions. This program should continue to receive funding as it is a great return on investment to the state.

Thank you for this opportunity to present information on the Petroleum Safety and Technology Center.

Page 2 lists the various technical classes available.

Technical and Specialty Oil and Gas Classes

Class	Number of Sessions	Number of Participants
Medic First Aid	62	517
Defensive Driving	23	179
Confined Space/Excavation	13	213
H2S/Fit Testing	75	885
Hazwoper	29	348
Fire Extinguisher Training	5	108
Forklift Safety	19	52
OSHA 500/501/502/503/511	4	19
Floorhand for Well Servicing	4	14
Marathon Oil Safety Orientation	53	1,328
Aerial Lift Training	3	22
SMART School	17	224
Well Control For Drillers/Workovers	11	49
Commercial Drivers License	14	52
TOTAL	332	4,010 (duplicated headcount)

**Senate Appropriations Committee:
Testimony for Centers of Excellence**

NDSU ED-COE Centers

March 15, 2011

Philip Boudjouk, Ph.D.

Vice President

**Office of Research, Creative Activities &
Technology Transfer (RCATT)**

NDSU ED COE Centers

NDSU-RCATT centers:

- Center for Advanced Electronics Design and Manufacturing (CAEDM)
- Center for Surface Protection (CSP)
- Center for Integrated Electronic Systems (CIES)
- Center for Advanced Technology Development & Commercialization (CATCOM)
- Center for Sensors, Communications & Control (CSCC)

NDSU College of Agriculture, Food Systems, and Natural Resources centers:

- Center for Agricultural Biotechnology: Oilseeds (AgBiotech: Oil)
- Beef Center of Excellence

NDSU College of Pharmacy, Nursing and Allied Health Sciences center:

- Center for Biopharmaceutical Research and Production (CBRP)

Achievements and Impacts

For NDSU RCATT centers:

- 27 private sector partners
 - Local to global
 - Small startups to Fortune 200 companies
- Companies come with short/long term R&D projects
- Job creation through research takes time
 - Not all research equal – chem/bio R&D takes longer than electronics
 - Research results must be incorporated into private sector business
 - Private sector uses R&D to make/improve product(s) & service(s)
 - Improved product(s) & service(s) generates new sales and revenue
 - New/additional sales and revenue then enables creation of new jobs
- Building joint R&D portfolios

Achievements and Impacts

CAEDM

- Brought new business to ND company from global company
 - Crane Wireless → Phoenix International
- 12 private sector partners -- Bobcat, Phoenix, Appareo

CSP

- Contributed to new startup – 1st coatings company in ND
 - Elinor Specialty Coatings, LLC (Fargo)
- Contributed to a new spin-off coatings company in ND
 - Triton Systems-ND (Fargo)
- 12 partners – Marvin, TAG, SpaceAge, Triton-ND

CIES

- Collaborate with three ND-based software/hardware companies
- Will be assisting another ND-based startup company

Benefits of COE Centers

- Performs market-driven, commercially relevant R&D for private sector
- Supports ND companies in R&D, product development, and future business opportunities
- Enhances ND industry clusters, e.g., advanced manufacturing, biotechnology, information technology, etc.
- Since private sector research partners are actively engaged in the global market, demonstrates to other multi-national companies that North Dakota has a vibrant business climate conducive to growth
- Brings visibility to state of North Dakota in the global marketplace
- Creates employment opportunities for North Dakotans
- Attracts local, regional, national, and global private sector partners that can contribute to sustainability
- Creates and develops intellectual property and opportunities for licensing such IP to private sector also leading to sustainability
- Maximizes university's research and development capabilities and intellectual capital to address the needs of private sector



March 10, 2011

Philip Boudjouk, Ph.D.
Vice President
NDSU Office of Research, Creative Activities, and Technology Transfer
North Dakota State University (NDSU)
1735 NDSU Research Park Drive
Fargo, North Dakota 58108

Dear Dr. Boudjouk,

Triton Systems, Inc. (Triton) is very pleased to be involved with the State of North Dakota's Centers of Excellence (COE) program through North Dakota State University's COE Center for Surface Protection. Through the North Dakota COE program, we are collaborating with NDSU's COE Center for Surface Protection (CSP) on a project that has enhanced Triton's scientific capabilities at the company's new R&D and manufacturing facility located in the NDSU Research and Technology Park Business Incubator. This R&D partnership will enable Triton to introduce its products into the marketplace and help grow our business in North Dakota.

Interaction with the COE CSP has provided many benefits to our high quality research and development in North Dakota. We consider the R&D partnership with NDSU's ED-COE CSP an important contribution to our business success and future. We wish to continue working with NDSU via the North Dakota COE program, and we are currently considering an expansion of our current project with CSP.

Triton supports the COE program which leverages matching funds from the private sector and funds higher education institutions such as NDSU to promote R&D partnerships between companies, universities, and the State. Triton urges the continuance of this unique and important program.

We believe that one of the best means of expanding job growth in North Dakota is through higher wage technical job opportunities. We strongly feel that the COE program has and will continue to benefit numerous companies in the State and beyond thereby leading to job creation. Lastly, we feel that the establishment of NDSU's COE Center of Surface Protection has helped reinforce North Dakota's growing reputation as a destination for high technology businesses like Triton Systems, Inc.

Sincerely,

A handwritten signature in dark ink, appearing to read "Arjan Giaya", with a long, sweeping horizontal line extending to the right.

Arjan Giaya, Ph.D.
Vice President
Triton Systems, Inc.

Triton Systems, Inc.

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SYNTHETICS, LTD

1402 39th ST NW

Fargo, ND 58102

January 26, 2011

Dr. Eng. Dante Battocchi
Associate Director
NDSU Center for Surface Protection
NDSU Dept. 2760
P.O. Box 6050
Fargo, ND 58108-6050

Dear Dr. Battocchi,

SpaceAge Synthetics has valued our partnership with the North Dakota Center of Excellence. They have certainly enhanced our research efforts. We support this effort in concept and in execution. The staff from the Center is very much focused on real world, workable solutions.

We have a unique product that replaces wood for higher performance under tough environmental conditions. The work of the North Dakota Center of Excellence fits in very well with our R&D work done with the US Navy. It is a great partnership from many respects. We currently employ two research engineers for this purpose.

SpaceAge Synthetics would certainly like this program to continue and are working on an expanded statement of work for the next phase of this project.

Sincerely yours,

John Hertsgaard
President & CEO
SpaceAge Synthetics LTD



Technology Applications Group, Inc.
Research & Development Center

January 26, 2011

Dr. Dante Battocchi
Associate Director
Center for Surface Protection
1735 NDSU Research Park Drive
P.O. Box 5376
Fargo, ND 58105

Dear Dr. Battocchi,

Technology Applications Group (TAG) is very pleased with our association with the NDSU Center for Surface Protection. We have collaborated with the CSP on several projects which have expanded our scientific understanding of the coating characteristics of our product line. The primary markets for our products are the civilian and military aerospace markets. In order to be accepted into these markets, all products must undergo a thorough characterization process. Having our coatings evaluated by a well respected third party research facility like the CSP adds an additional level of scientific peer review to our work and vastly increases our product viability in the minds of the technical personnel who must recommend our coatings to their management and design engineers in the aerospace industry. We have enjoyed our partnership with the CSP and we place a high value on the highly trained researchers at the CSP and their state of the art instrumentation.

We are in the process of defining an expanded statement of work for the next phase of research projects with the CSP. We anticipate that the research results generated by this work will allow TAG to expand into a new market niche that will dramatically grow our business in North Dakota. TAG supports the mechanism that allows the leveraging of matching funds and promotes partnership between companies. In addition, TAG anticipates spending \$25,000 to \$60,000 on the upcoming research projects with CSP.

One of the best means of expanding job growth in North Dakota is through high paying technical jobs like those at the NDSU Center for Surface Protection. We strongly feel that the Center for Surface Protection has and will continue to benefit numerous companies in the tri-state area and beyond. Lastly, we feel that the establishment of the Center of Surface Protection has helped reinforce North Dakota's reputation as the research corridor for the world's coating industry.

Sincerely,

Bill Gorman, Ph. D.
Director of R & D



PPG Industries

PPG Industries, Inc.
Office of Science and Technology
4325 Rosanna Drive
Allison Park, Pennsylvania 15101
Telephone (412) 492-5293
Fax (412) 492-5577

Truman F. Wilt, Ph.D.
Director S&T
Government Initiatives and Analytical

June 10th, 2010

Dear Dennis and Phil;

Thank you for the opportunity to participate in the Centers of Excellence Summit held at NDSU. As follow-up to the summit, I felt compelled to write this brief note to highlight some additional comments about the state program and North Dakota State University.

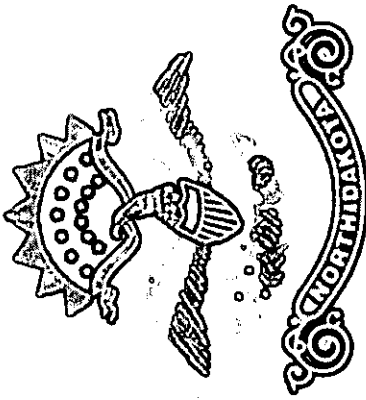
As I mentioned during the summit's panel discussion, NDSU has a tremendous "brain trust" throughout the university. The researchers associated with the Centers of Excellence are exceptional in their respective fields not only from a knowledge and expertise aspect but also from their practical approaches to what one often calls "industrialization problems". This "brain trust" is truly exemplified in the broad scientific portfolio offered through both the university and the Centers of Excellence. From my personal experience with both the university and the COE program, the Centers of Excellence program is structured in such a way as to necessitate and ensure that all participants (i.e. the state of North Dakota, NDSU, the Centers of Excellence, and the respective corporate partners) have "skin in the game" from a monetary, a contractual, and an intellectual standpoint. Simply stated there is ownership at all levels and by all participants. Obviously NDSU and the Centers of Excellence are results driven. There is definitely a "can do" attitude at NDSU.

In my assessment, working with NDSU and the Centers of Excellence exemplifies a "Best Practice" for collaborative partnerships between the public and private sectors. I personally look forward to continuing our current collaborations and exploring future opportunities.

Sincerely,

A handwritten signature in cursive script that reads "Truman F. Wilt".

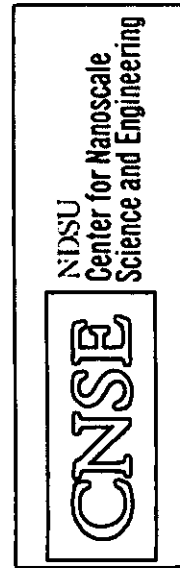
Truman F. Wilt



Limited Deployment-Cooperative Airspace Project (LD-CAP)

Project Brief

March 14, 2011



APPARBO
SYSTEMS

LD-CAP Project

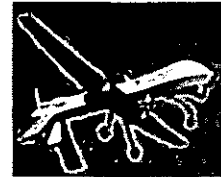
- Overview

- UND's Role
- NDSU's Role
- Summary



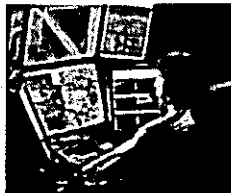
LD-CAP Benefits Accrued to North Dakota

- Enhance ND's leadership position in Unmanned Aerial Systems (UAS) R&D

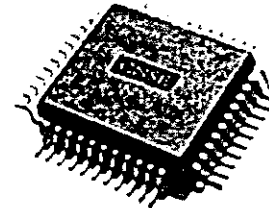


- Enhance and strengthen university research and educational programs and interactions with private sector in ND :

- UAS studies (UND)



- Advanced microelectronics (NDSU)



- Attract national airspace initiatives to take place in ND



- Create high paid, advanced manufacturing jobs in N.D.



LD-CAP Benefits Accrued to North Dakota

- Foster ND university partnerships

NDSU ↔ UND

- Foster public – private sector partnerships



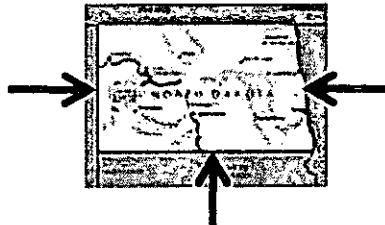
- Collaborative partnership with DoD



- Provide equipment and safety enhancements for ND's general aviation pilots



- Opening a portion of airspace for UAS integration will result in significant economic development in the State of N.D. → Create new jobs



CNSE NDSU
Center for Nanoscale
Science and Engineering

LD-CAP Project

- Overview
- **UND's Role**
- NDSU's Role
- Summary



UND Role

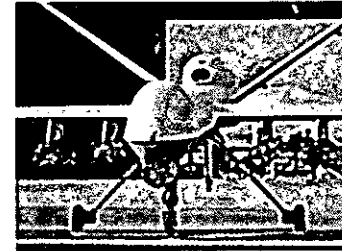
- Acquire data From existing FAA radars



- Manage operations of ND National Guard sentinel radars



- Aircraft operations
(Manned and Unmanned)



- NextGen training curriculum development for pilots and mechanics



UND Role (continued)

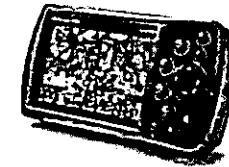
- Administer an Equipage Incentive Program for participating local pilots

- NextGen radio beacons for their aircraft



APPAREO
SYSTEMS

- Display for weather and other air traffic



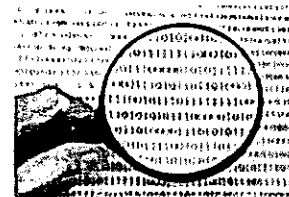
- Equipment installed by ND avionics shops → job creation



- Work with MITRE (who assists FAA with aviation R&D)

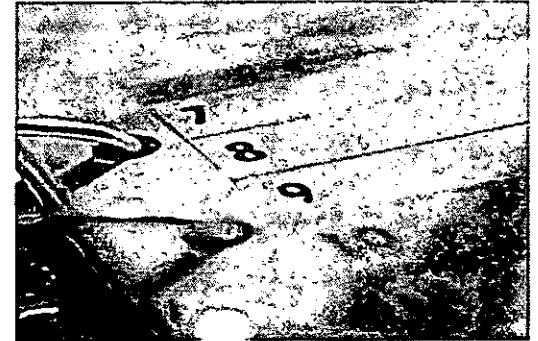


- Collect and analyze data from tests



LD-CAP Project

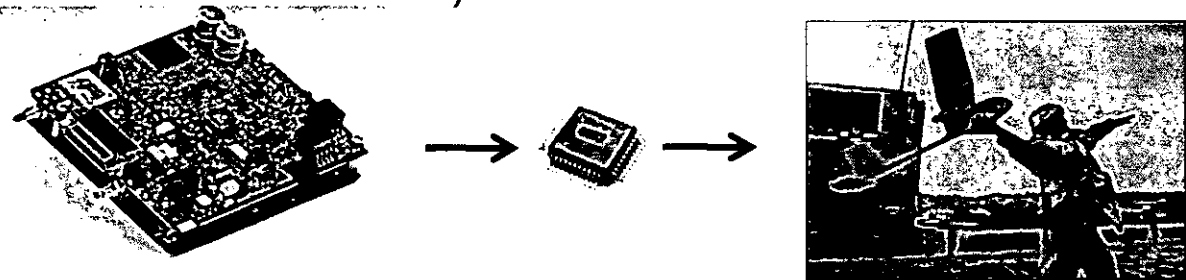
- Overview
- UND's Role
- NDSU's Role
- Summary



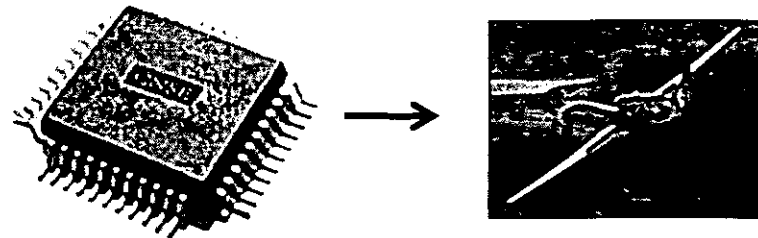
NDSU Role

- Research and design an original, proprietary microelectronic radio chip (based on the “NextGen” radio beacon)

- Miniaturized
- Low Power
- Low Cost
- Light Weight

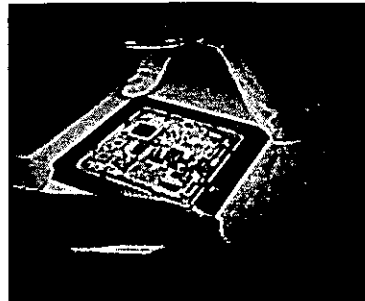
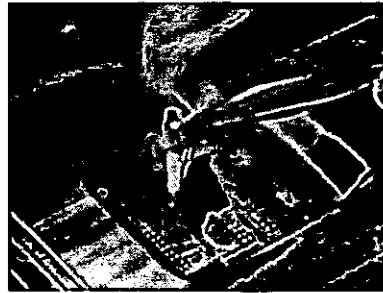
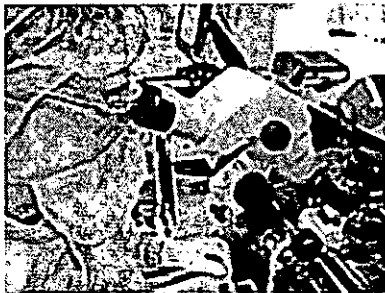


- Partner with Appareo to perform research and design of advanced miniaturized radio chips for UAS and global avionics
- Add new engineering capabilities and intellectual capital for radio chip design to enhance microelectronics capabilities at NDSU and in N.D.



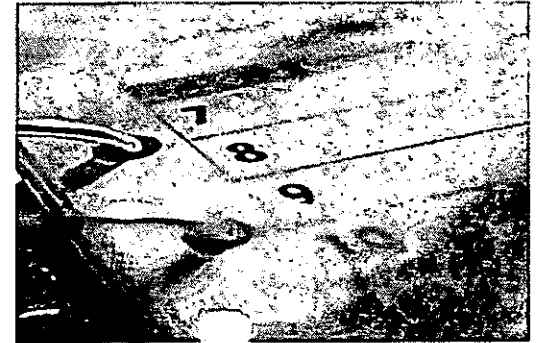
NDSU Role (continued)

- Assist N.D. private sector in research, development, and commercialization of advanced microelectronics
- Help Stimulate Technology-Based Economic Development (“TBED”) in N.D. → job creation in microelectronics
- Enhance the advanced manufacturing cluster in N.D.
- Provide NDSU students with knowledge and training in research and design of advanced microelectronics and avionics



LD-CAP Project

- Overview
- UND's Role
- NDSU's Role
- Summary



Summary

Opportunity

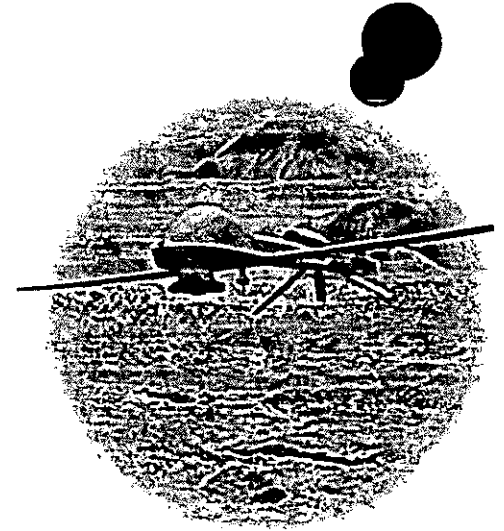
- Pioneer in ND the opening of U.S. airspace for Unmanned Aircraft Systems (UAS)

Actions

- Legislative support for the LD-CAP program
- ND public-private partnership: state + universities + private sector

Benefits and Rewards

- UAS airspace access / enhanced UAS operations
- Enhance ND leadership in Unmanned Aircraft Systems
- New capabilities & knowledge in advanced microelectronics in ND
- Provide benefits to ND pilots → Improved safety and equipment
- New short and long-term economic development → Create high paid advanced manufacturing jobs



Why a Center of Excellence?

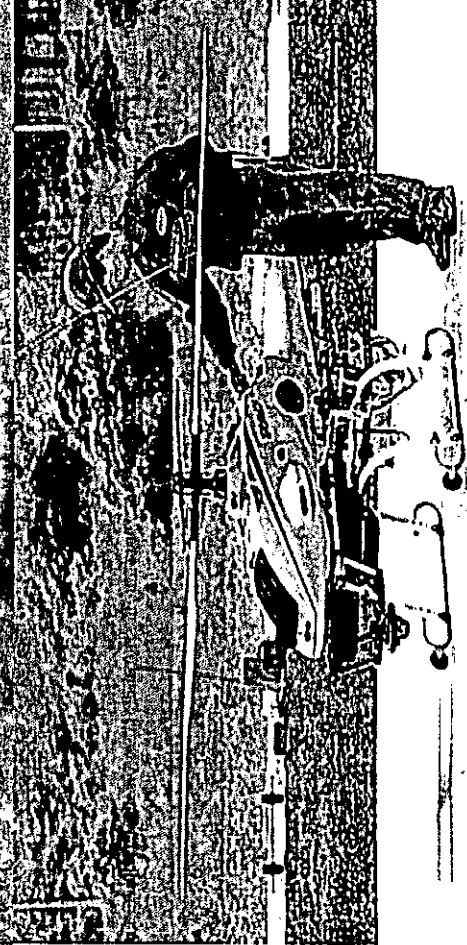
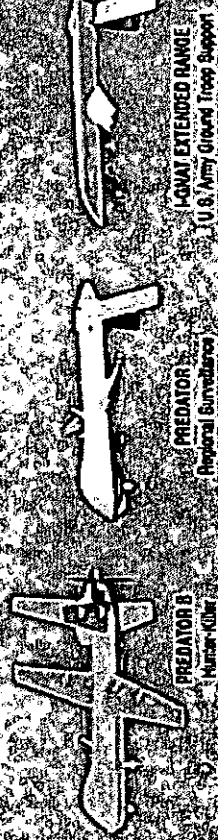
- Within the next 15 years UASs will become the overwhelming airborne platform of choice for everything in except passengers
- The Fargo Air National Guard and Grand Forks Air Force Base will have extensive UAS missions
- The UAS applications include:
 - Precision agriculture
 - Low altitude crop assessment
 - Range management
 - Early Invasive species detection using emissions measurement
 - Wind farm maintenance
 - Chemical and irrigation applications
 - Department of Natural Resources
 - Law enforcement, and,
 - Border Security
- The UAS COE has expanded into state wide partnerships
- The UAS COE has already attracted UAS manufacturing, operations, and maintenance companies to North Dakota
- UASs will impact almost all North Dakota Government Agencies

Nowhere but in North Dakota

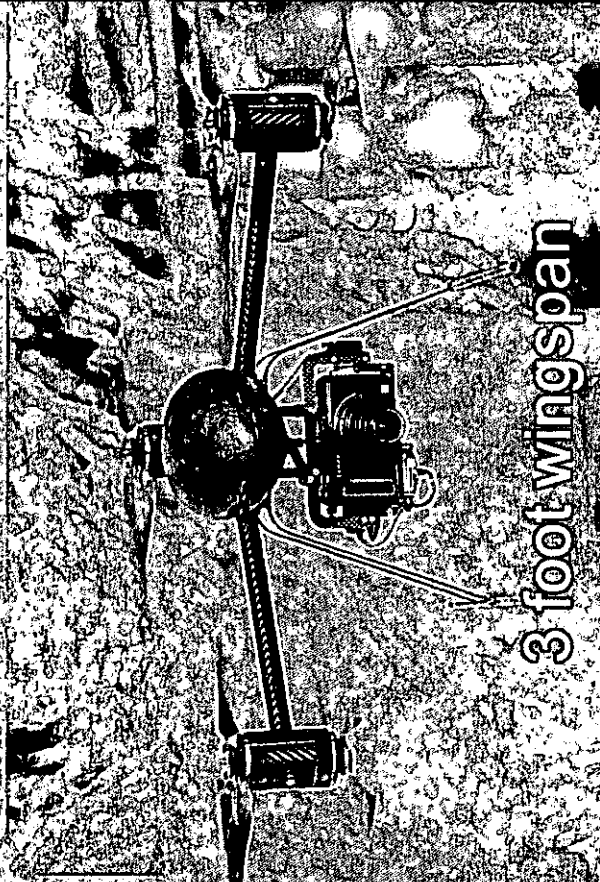
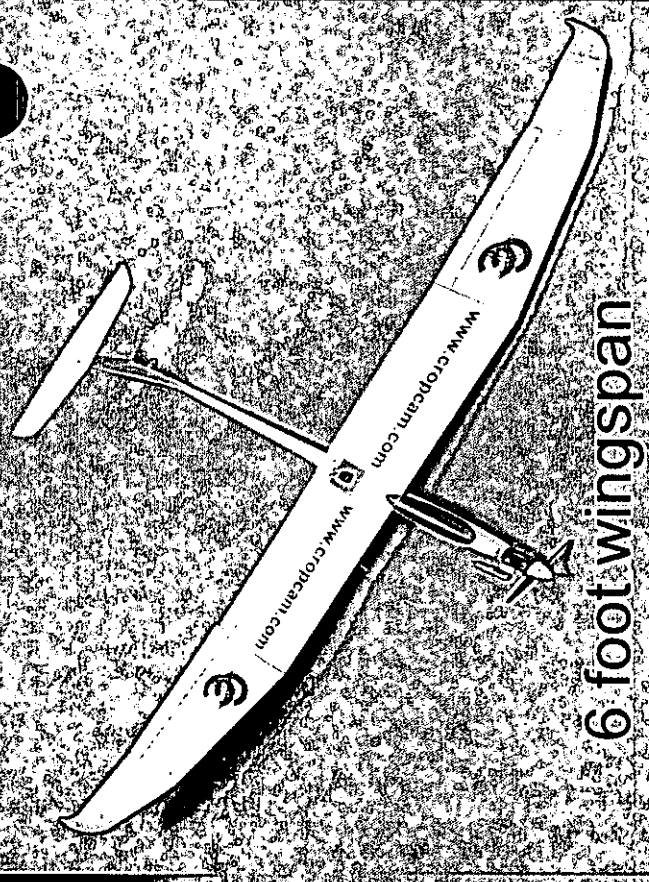
Nowhere but in North Dakota exists all of the elements needed to the success of the UAS Center. North Dakota has unlimited-uncontested airspace, low population density, northern border proximity, support from the FAA, ND State Aeronautics Commission, local airports and local communities, federal legislative contingent, the Governor, along with existing UAS missions for the US Air Force, ND Air National Guard, Homeland Security, Border Protection, tied to a major research university and the largest collegiate flight training program in the country, in a cold weather climate with a complete range of flying conditions.

Opportunities and challenges have emerged at Grand Forks Air Force Base due to the mission change from manned tankers to unmanned aircraft systems. This emerging sector offers considerable promise for long-term, sustained community development and job creation as the relatively young field of unmanned aircraft systems. Additionally, no other state is as well positioned as North Dakota for national and international leadership in unmanned aircraft systems.

Airline sizes



UASs Come in all Shapes and Sizes



UAS COE Objectives

- Establish Private industry Partnerships with North Dakota
- Attract Private Industry to relocate to North Dakota
- Establish Revenue Generating Assets to Become Self Sufficient
- Provide a Cold Weather Test Site
- Lead the Transition of UASs from the Military to Civilian Applications
- Fill Emerging UAS Jobs in North Dakota
- Capture Aerospace Research Funding
 - Department of Defense
 - Private Sector Investment
 - Federal Aviation Administration
- Develop and Provide Training for
 - “Everyone who Touches a UAS”
 - Commercial / Instrument Ratings
 - New Degree Curriculum at UND
- Safely Integrate UASs Into the National Airspace
- Develop Commercial Applications for UASs
- Develop National Standards for UAS Operations, Training, Maintenance, and Research
- Provide “Ever Vigilant” Northern Border Homeland Security
 - Establish Ties to Border Patrol, Law Enforcement, and TSA

Agricultural Applications:

- Monitor farm and agriculture related features:
 - Precision application of chemicals and fertilizers
 - Moisture levels in fields
 - Crop growth and density
 - Applications in hard to reach places
 - Spread of any crop destroying pests
 - Location of farm equipment
 - Vandalism and theft of crops or farm animals
 - Progress and quality of work of autonomous combine harvesters
 - Crop conditions; healthy, diseased, and dead vegetation in fields
 - Crops impacted by pests, insects, or rodents
 - Timber maturity, Forest products health
 - Plot outbreaks of animal diseases

UAS COE Cash Funding Leverage

- FY 2006 Funding: \$2.9 million
 - State of North Dakota: \$1 million UAS Economic Development Center of Excellence
 - DoD FY 2006 Funding: \$1 million
 - DoD: \$200,000 flight performance research
 - FAA \$700,000: for Center of Excellence for General Aviation Research
 - FY 2007 Funding: \$3.27 million
 - DoD FY 2007 UAS Funding: \$2.776 million
 - FAA: \$489,000
 - FY 2008 Funding : \$4.76 million
 - North Dakota State COE Commission: \$1.5 million
 - DoD FY 2008 UAS Funding: \$3.0 million
 - FAA: \$260,000
 - FY 2009 Funding: \$3.9 million
 - DoD FY 2009 UAS Funding \$3.6.million
 - FAA: \$300,000
 - FY 2010 Funding :\$9.15 million
 - ND ECD \$2.75 million
 - DoD FY 2010 UAS Funding \$6.4 million
 - FY 2011 Projected Funding: \$7.6 million
 - ND ECD \$600,000
 - DoD FY 2011 UAS Funding \$4.0 million
 - Private Sector Partner \$3.0 million (Cash)
 - FY 2006–FY 2011 In Kind: \$4.70 million
 - Lockheed: \$1.35 million
 - National Institute of Health: \$1.6 million
 - L-3 Communications: \$1.75 million
- CASH TO DATE: 31.58 million**
State Funding: \$5.85 million
DoD / FAA Funds: 22.73 million
Private Sector Cash \$3.0 million
- TOTAL IN KIND: \$4.7 million**
- TOTAL FUNDING TO DATE:**
Cash + In Kind: \$36.28 million

Private Sector Partners

L-3 Communications American Crystal Sugar Appareo Systems Cirrus Design



Raytheon

Diamond Aircraft



General Atomics



Ideal Aerosmith



INSITU (Boeing)



Killdeer Mountain Mfg.



Mayo Clinic



Microsoft Corp.

Microsoft

Micro Systems Tech.



Northrop Grumman



MITRE Corp

MITRE



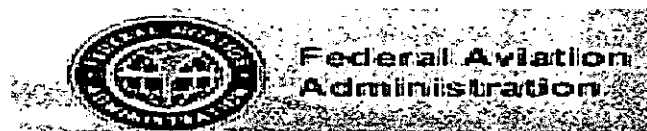
Public Sector Partners

Cavalier County Job Development Authority

Northland Community College



Federal Aviation Administration



Grand Forks Region Economic Development Corporation



North Dakota National Guard



Red River Valley Research Corridor



Grand Forks Base Realignment
Initiative Committee

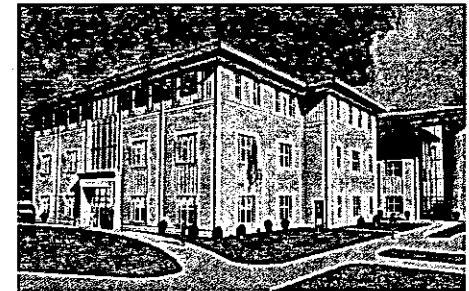
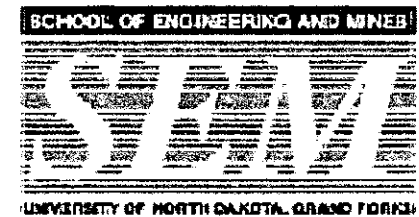
BRIC

University Partners

- Odegard School of Aerospace Sciences



- UND School of Engineering and Mines
- UND College of Nursing
 - Northern Plains Center for Behavioral Research
- UND Center for Innovation



- NDSU College of Engineering
- NDSU Tech Park
 - Appareo Systems



Looking Ahead

- Continue Research in:
 - Agricultural Applications
 - Cold Weather Applications
 - Northern Border Security
 - UAS Flight Certifications
 - UAS Radar Controlled Test Range
 - UAS Sensor Payload and Ground Based Control Stations
 - UAS Human Factors Issues
- Continue to Attract Private Sector Companies in North Dakota
 - L-3 Corporation
 - Northrop Grumman
 - Ideal Aerosmith
- Develop and Support Spin Off Companies From Private Sector Partnerships
 - Bold Method LLC. Training software
 - Appareo Systems

North Dakota University System
Engrossed HB 1018 – Senate Appropriations
March 15, 2011
William Goetz, Chancellor

Good morning, Chairman Holmberg and members of the Senate Appropriations Committee. For the record, my name is Bill Goetz, Chancellor, North Dakota University System. On behalf of the NDUS, I ask consideration to restore the full \$20 million investment originally included in HB 1018 for the Centers of Excellence program.

- Research is an essential component of the core mission of North Dakota's comprehensive University System, and the state's investment in research reaps benefits that go well beyond the return received from the immediate projects.
- New technologies developed through research lead to new businesses that apply these technologies and, in turn, create jobs that diversify and expand North Dakota's economy.
- Since 2003, investment made in the Centers of Excellence program has resulted in a total economic impact of \$406.5 million to the state. This includes a direct impact of \$141.2 million generated by the Centers and their partners.
- Partnerships are a key feature of this program and are essential to its success. The Centers have formed partnerships with 190 companies and leveraged over \$150 million in matching funds, more than five times the amount of state funds that have been spent as of 2010. These business partners include PPG Industries, Pedigree Technologies, Phoenix International, Intelligent InSites, Appareo Systems, Lockheed Martin, Northrop Grumman, Archer Daniels Midland, Monsanto, Hess Corporation, Marathon Oil, Avianax, Novadigm, and Killdeer Mountain Manufacturing, to name just a few.
- These R&D partnerships have had a major positive impact on the state. In 2001, the Beacon Hill Institute ranked North Dakota 21st in state competitiveness. Today the state ranks first in the nation on this overall measure, and academic research and development is cited as one of North Dakota's competitive advantages.
- However, if North Dakota is to remain competitive at this level, we cannot diminish this focus on research or take it for granted. Much remains to be accomplished. Taking North Dakota to the next level requires a "next generation" research and economic development strategy. This strategy must address challenges such as improving the physical infrastructure (laboratories, equipment, technology) required for research and development, increasing the ability of our research universities to attract and retain top-flight researchers who are engaged in ground-breaking work, and increasing the availability of venture capital to test potentially marketable concepts.

- The North Dakota University System is strongly committed to an emphasis on R&D as a means to economic development. This priority is reflected in our Strategic Plan which includes measurable objectives relating to research, entrepreneurship, and workforce training.
- The Strategic Plan for the University System directly aligns with and complements North Dakota's Economic Development Strategic Plan which includes the following goals:
 - Create, attract and retain quality jobs and workforce in targeted industries and high-demand occupations.
 - Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.
 - Enhance the state education and training system's ability to meet business and workforce needs of the future.
- The Centers of Excellence represent both our present and our future as a state. The foundation you have established has already produced direct benefits to our economy. This impact is only the beginning. There will be an even greater impact in the future as new opportunities are created – in North Dakota - for today's young people.
- Your investment in research through programs such as the Centers of Excellence demonstrates strategic, long-term thinking. Maintaining our position as a top-ranked state requires a clear and sustained focus on research and innovation over time. The decisions you make today define our future as state for decades to come.

Mr. Chairman, Thank you for your past support for the Centers of Excellence program during previous biennia. I urge you to continue this investment and will be pleased to address any questions.



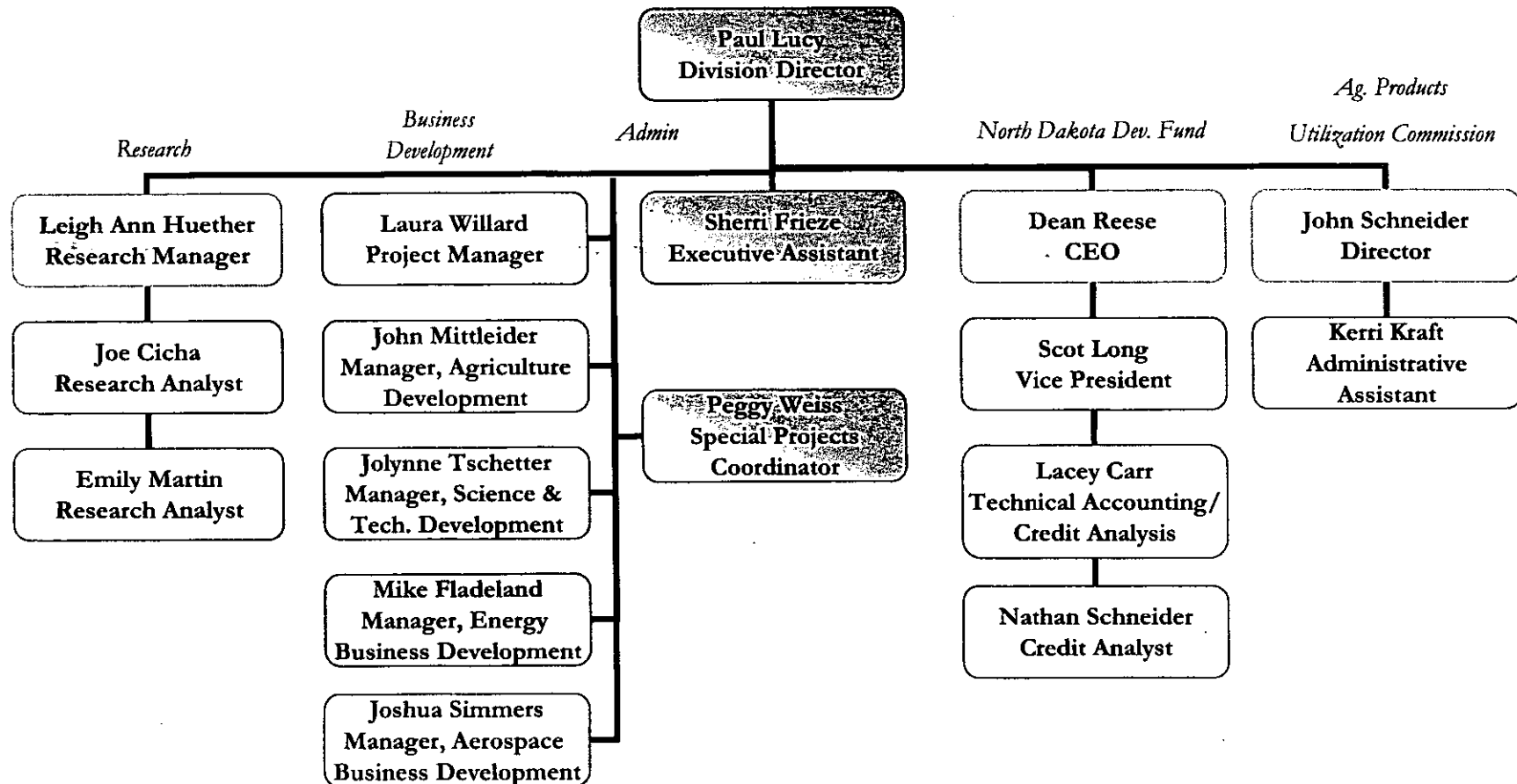
Economic Development & Finance

IN THIS SECTION:

- John Schneider's Testimony
- ND Development Fund Economic Impact
- APUC Annual Report

Division of Economic Development & Finance

Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

MARCH 15, 2011

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

**JOHN SCHNEIDER – EXECUTIVE DIRECTOR, AGRICULTURAL PRODUCTS UTILIZATION
COMMISSION, THE DIVISION OF ECONOMIC DEVELOPMENT & FINANCE**

Mr. Chairman, members of the committee. My name is John Schneider, Executive Director of the Agricultural Products Utilization Commission which is a program of the Economic Development and Finance Division (ED&F).

The ED&F Division has is responsible for promoting our State's business environment and to provide the necessary assistance to those individuals, organizations and companies that considering providing employment opportunities and generating new wealth for our State.

ED&F has four primary program areas that support fulfilling this responsibility. Those program areas are:

- ED&F business development group
- ED&F research group
- North Dakota Agricultural Products Utilization Commission
- North Dakota Development Fund

North Dakota Development Fund

The North Dakota Development Fund (Development Fund) is an economic development tool that provides financing to support primary sector businesses. During the 2009 legislative session, the Development Fund was appropriated \$1,250,000 and directed to invest that money into childcare services development. This legislative directive has expanded the Development Fund's funding criteria to now include non-primary sector business. For purposes of explanation in this testimony, the Development Fund's primary sector business financing activity will be reported separately from the Fund's childcare loan program activity.

The new childcare loan program began on July 1, 2009. As of February 28, 2011 there has been \$898,685 committed to support 14 childcare operations. This leaves \$395,123 available to support additional childcare facilities between February 28, 2011 to June 30, 2011. This has been a program that is seeing steady and increased demand as the program continues to be marketed. The Development Fund is requesting an appropriation of \$400,000 to continue with the childcare loan program throughout the 2011-2013 biennium. The North Dakota House lowered this amount to \$250,000, which will limit the number of childcare operations the Fund can assist.

Since its creation in 1991, the Development Fund has received a total of \$30 million in legislated general fund appropriations. In turn, the Development Fund has invested \$82.2 million in 499 projects involving 467 different primary sector businesses across North Dakota. The Development Fund has truly become a revolving loan fund, as exemplified by the fact that it has invested 2.74 times more dollars than it has received in general fund appropriations.

During this present biennium, the Development Fund has funded 36 new projects for a total of \$6,584,463. On June 30, 2011, the Development fund is projecting to have a cash balance of approximately \$8,805,545. The Fund has averaged approximately \$5.2 million in new loans/investments per year over the past 3 years, and averaged approximately \$2.8 million per year of loan/investment collections. The Development Fund covers all operating expenses, averaging \$361,758 per year, from its loan/investment returns. If the Development Fund continues at its present pace in making loans/investments, realizing collections, and covering operating expenses, an estimated cash availability of \$3.2 million is projected for the fund at the end of the 2011-2013 biennium.

Except for the \$1,250,000 appropriated for the 2009-2011 biennium for the childcare loan program, the Development Fund's last general fund appropriation was received for the 2007-2009 biennium in the amount of \$3,000,000. Other than the \$400,000 requested for continuation of the childcare loan program, the ED&F budget is not requesting any additional appropriation for the Development Fund proper.

Additional details relative to the North Dakota Development Fund's history and statistical review is included within the Commerce information binder.

Agricultural Products Utilization Commission

The Agricultural Products Utilization Commission (APUC), since being established in 1979, has consistently been a very popular program across North Dakota fulfilling its mission of creating new wealth and jobs through the development of new and expanded uses for all North Dakota agricultural products. To achieve this mission the Commission administers seven grant programs and special sponsorships. The grant programs encompass; basic and applied research, farm diversification, marketing and utilization, prototype development, technology, technical assistance, and nature based agri-tourism.

To date for the 2009-2011 biennium, APUC has awarded \$930,225 to 34 projects (including sponsorships). The breakdown into the various program areas are as follows:

- Basic and applied research = \$206,814
- Farm Diversification = \$0
- Marketing and Utilization = \$551,411
- Prototype Development = \$108,000
- Technology = \$25,000
- Technical Assistance = \$5,250
- Nature Based Agri-Tourism = \$1,000
- Sponsorships = \$32,750

APUC continues to be a necessary funding source to support value added businesses in North Dakota. APUC is currently one of the last state granting programs for companies looking to fund intangible costs that are necessary to move projects forward but are difficult to finance with traditional sources of capital. This would include such costs as preparing business plans, feasibility studies, marketing plans, conducting prototype development, etc. Many of the project operators supported by APUC have stated that APUC's investment in the early stages of their project was crucial to their overall success.

A few examples of APUC completed projects during this biennium include:

- FK Corporation – ND Beef Packing – The goal of this project is to build and operate a beef packing/processing plant at a suitable location in ND. APUC assistance supported the projects need to conduct an in-depth feasibility study and develop a detailed business plan. The project operators are now to the point of evaluating ND location options.
- Flax USA – Flax Marketing & Utilization – APUC supported this fifth-generation family farm business in their efforts diversify their business by developing new flax products and entering new markets. Flax USA is quickly becoming the leading retail flax product company in the nation.
- Growing Native Assets through Nature & Heritage – In the Fall of 2010 APUC contracted with Marketplace of Ideas to conduct seminars on four Native American reservations across ND. The purpose of the programming was to promote the use of natural resources and the preservation of culture through gardening, farmers markets, and other agri-business to grow the economy within North Dakota's Native American reservations. 311 individuals participated in the four seminars.

The APUC funding request for the 2011-2013 biennium is \$1,701,483. This amount reflects a slight increase to staff salaries and wages. It is also worth noting that a portion of APUC's budget comes from dollars received from the agricultural fuel tax refund. These funds have been declining over the years. For example in the 2003-2005 biennium; APUC received approximately \$500,000 from the fuel tax refund. So far for the 2009-2011 biennium, APUC has received approximately \$105,543. During the 2009 legislative session the legislature approved the transfer of 5% of the state mill and elevator's profits to the agricultural fuel tax fund to support APUC project funding. The 2009 transfer from the ND Mill and Elevator profits was \$658,995.50

The most recent APUC Grant Report (2008-2010) is included within the Commerce information binder.

Business Development & Research

The ED&F Division, through its business development and research group, fulfills a variety of functions targeted towards in-state constituents and out-of-state target markets. ED&F's efforts focus on supporting businesses, local community partners and stakeholders across the state.

ED&F's business development team has expertise and competencies in our target industries:

- Value-Added Ag
- Technology Based Business/Science & Technology
- Energy
- IT/Backoffice/Business Services
- Manufacturing/Aerospace

The ED&F staff also includes expertise in the area of business retention and expansion.

The business development & research team's efforts are very broad reaching. The group's primary areas of service include, but are not limited to, the following:

- Support existing in-state companies and start-up entrepreneurial development
 - **EXAMPLE:** A large value-added ag processor in North Dakota was considering expanding their production capacity as well as making very broad upgrades to their existing facilities ranging from material handling, technology improvement,

and alternative energy utilization. ED&F staff assisted company officials to identify state and local finance and tax incentive programs as well as providing liaison services to connect the company with key players in other state agencies. The company is moving forward with the expansion and upgrades.

- Targeted marketing & recruitment
 - **EXAMPLE:** In 2010 ED&F exhibited at the AUVSI Unmanned Systems annual conference. As a result of meeting a company executive at previous events and furthering conversations at the AUVSI 2010 event, a foreign company involved in the unmanned aerial systems simulator development business has recently announced they will be establishing their U.S. base of operations in North Dakota and will create high paying product development positions in Grand Forks.
- Assisting out-of-state companies moving operations into North Dakota
 - **EXAMPLE:** A small company based in Louisiana identified a small rural ND community, Hazzelton, as the ideal community in which to locate business operations and serve as the new home for the principals of the company. ED&F staff worked with the company and community to identify business finance and incentive offerings, and facilitate connections with appropriate government officials as well as private sector service and product.
- Linking existing in-state businesses to new business opportunities
 - **EXAMPLE:** ED&F staff worked with a company, considered to be one of the leading companies in the aerospace industry, to organize a supplier symposium to expose North Dakota companies to potential supplier opportunities with this large OEM and their tier 1 suppliers. 23 North Dakota companies participated in the event, which provided them direct one-on-one exposure with the host companies. A number of companies in attendance have been offered opportunities to bid on contracts with the OEM and its Tier 1 suppliers.
- Community & Company Capacity Marketing
 - **EXAMPLE:** The ED&F Research staff has developed an online system to assist communities to market their available buildings and properties as well as list all relevant community data to support on-line enquiries. The website also hosts a searchable database of North Dakota manufacturers, which lists the companies' manufacturing capabilities and their desire to provide contract production services or whether they are interested in identifying available contract manufacturers. The system is designed to help companies identify North Dakota contract manufacturers/suppliers.
- Reviewed and processed certification applications for companies wanting to access state programs
 - 76 companies certified or recertified for Primary Sector status
 - 13 companies certified for Seed Capital Investment Tax Credit status
 - 4 companies certified for Agricultural Business Investment Tax Credit status
 - 2 companies certified to assign, trade or sell R&D tax credits
 - 6 Entrepreneurial Centers certified
 - 9 Angel Funds certified to be eligible for the Angel Fund Tax Credit
- Community & stakeholder support services
- Liaison services between the private sector and State government and other public sector
- Centers of Excellence promotion, partner development, and due diligence
- Research services for partners and stakeholders
- Serving on advisory boards and providing support services to State Commissions and other boards

As a result of these efforts and others, over the past two years the business development staff has played a significant role in the new location and/or expansion of 17 companies in North Dakota. An economic impact analysis was conducted on these projects using the assessment model developed by "Regional Economic Models, Inc." The economic impact assessment projected the following outcomes for the State of North Dakota by the year 2015 as a result of the location and expansion of these projects in the state.

- 1,500+ jobs (direct and indirect)
- \$460+ million dollars of personal income
- \$ 90+ million dollars of state tax revenues

These 17 companies are strictly those companies that have resulted in a new location into the state or a significant facility expansion. This is by no means a complete list of companies or projects that have been positively impacted by the efforts of the ED&F staff.

ED&F's marketing and referral programs have resulted in significant project development activity that has generated the following new project activity over the past two years .

- 80 newly initiated level 1 & 2 projects.
 - Level 1 project – A company with a defined project and is considering ND
 - Level 2 project – A company with a defined project but uncertain of its level of interest in ND
- 30 company site visits to North Dakota.
- 18 Requests for Proposals (RFPs) on different projects disseminated to local developers.

These numbers are not fully representative of the total number of new prospective leads generated, but rather are only those that have evolved to a level where a defined project is showing an interest in North Dakota as a location for their business.

ED&F's business development efforts place an emphasis on working closely with local community developers and leaders. Business development staff travels across the state to conduct community and company visits. These outreach visits better familiarize the ED&F staff with the assets and capabilities ND communities and businesses have to offer, while at the same time providing community and business stakeholders an opportunity to address their needs to state officials. Over the past two years the ED&F staff and other Commerce staff have:

- 35 Communities visited
- 35+ Primary Sector companies visited

The information gathered from these efforts helps to assure ED&F performs in a manner that is compatible with the communities and companies throughout North Dakota.

The business development & research groups within ED&F are well positioned to continue to provide an aggressive and productive program delivery as we are presently structured.

- ED&F business development and research groups are not proposing to add any new FTE's, and are not requesting budget enhancements other than proposed salary increases.

Conclusion

The Economic Development & Finance Division of the Department of Commerce houses programs and components that reach out to supporting development across multiple industry and demographic sectors in communities throughout North Dakota. The ED&F Division has submitted a budget that will allow for the continued delivery of such programs and efforts.

North Dakota Development Fund Economic Impact for the State of North Dakota
Dated: December 8, 2010

Year July 1, 1990 to June 30, 1991

- Invested: 2 "Primary Sector" projects including 2 different businesses of which 1 was located in a rural community.
- Total Invested: \$125,000
- Of the \$125,000 invested, the NDDF has charged off \$125,000 (100%)

Year July 1, 1991 to June 30, 1992

- Invested: 10 "Primary Sector" projects including 9 different businesses of which 3 were located in a rural community.
- Total Invested: \$1,891,000
- Of the \$1,891,000 invested, the NDDF has charged off \$821,031 (43%)

Year July 1, 1992 to June 30, 1993

- Invested: 22 "Primary Sector" projects including 22 different businesses of which 14 were located in a rural community.
- Total Invested: \$4,261,000
- Of the \$4,261,000 invested, the NDDF has charged off \$1,574,058 (37%)

Year July 1, 1993 to June 30, 1994

- Invested: 24 "Primary Sector" projects including 24 different businesses of which 17 were located in a rural community.
- Total Invested: \$2,166,700
- Of the \$2,166,700 invested, the NDDF has charged off \$1,537,402 (71%)

Year July 1, 1994 to June 30, 1995

- Invested: 28 "Primary Sector" projects including 28 different businesses of which 14 were located in a rural community.
- Total Invested: \$3,501,894
- Of the \$3,501,894 invested, the NDDF has charged off \$1,911,833 (55%)

Year July 1, 1995 to June 30, 1996

- Invested: 21 "Primary Sector" projects including 18 different businesses of which 10 were located in a rural community.
- Total Invested: \$3,757,600
- Of the \$3,757,600 invested, the NDDF has charged off \$759,321 (20%)

Year July 1, 1996 to June 30, 1997

-Invested: 22 "Primary Sector" projects including 20 different businesses of which 10 were located in a rural community.

-Total Invested: \$3,501,894

-Of the \$3,501,894 invested, the NDDF has charged off \$707,864 (20%)

Year July 1, 1997 to June 30, 1998

-Invested: 28 "Primary Sector" projects including 28 different businesses of which 14 were located in a rural community.

-Total Invested: \$4,768,235

-Of the \$4,768,235 invested, the NDDF has charged off \$1,195,532 (25%)

Year July 1, 1998 to June 30, 1999

-Invested: 27 "Primary Sector" projects including 25 different businesses of which 13 were located in a rural community.

-Total Invested: \$4,021,708

-Of the \$4,021,708 invested, the NDDF has charged off \$392,823 (10%)

Summary: July 1, 1990 To June 30, 1999:

Total Projects Funded:	184
Total Businesses Funded:	176
Average Projects Per Year:	20
Total Businesses Still Operating:	68 (39%)
Total Invested:	\$ 27,995,031
Average Funded Per Year:	\$ 3,110,559
Average Project Funded:	\$ 152,147
Total Charged-Off:	\$ 10,383,749
Average Charge-Off Per Year:	\$ 1,153,749
Average Charged-Off Per Business (108 Charged-Off):	\$ 96,145

Year July 1, 1999 to June 30, 2000

-Invested: 30 "Primary Sector" projects including 27 different businesses of which 19 were located in a rural community.

-Total Invested: \$4,818,307

-Development Fund contributed to the start-up of 10 businesses, which 8 were located in rural communities. 8 of the 10 (80%) continue to operate today.

-7 of the projects were ag. processing facilities.

-Of the \$4,818,307 invested, the NDDF has charged off \$920,597 (19.1%)

Year July 1, 2000 to June 30, 2001

- Invested: 40 "Primary Sector" projects including 36 different businesses, of which 17 were located in rural communities.
- Total invested: \$7,242,849
- The Development Fund dollars invested leveraged \$40,000,000 from other funding sources resulting in a \$4.77 to 1 ratio-for every Development Fund dollar invested, \$4.77 was invested from other sources.
- 3 of the projects were ag. processing facilities.
- Investments contributed to the projected creation of 594 jobs
- Development Fund contributed to the start-up of 10 businesses, which 2 were located in rural communities. 8 of the 10 (80%) continue to operate today.
- Of the \$7,242,849 invested, the NDDF has charged off \$279,080 (4.0%)

Year July 1, 2001 to June 30, 2002

- Invested: 23 "Primary Sector" projects including 23 different businesses, of which 14 were located in rural communities.
- Total invested: \$2,537,800
- The Development Fund dollars invested leveraged \$17,645,575 from other funding sources resulting in a \$7.00 to 1 ratio-for every Development Fund dollar invested, \$7.00 was invested from other sources.
- 2 of the projects were ag. processing facilities.
- Investments contributed to the projected creation of 730 jobs
- Development Fund contributed to the start-up of 13 businesses, which 10 were located in rural communities. 4 of the 13 (31%) continue to operate today.
- Of the \$2,537,800 invested, the NDDF has charged off \$675,980 (26.4%)

Year July 1, 2002 to June 30, 2003

- Invested: 26 "Primary Sector" projects including 26 different businesses, of which, 16 were located in rural communities.
- Total investment: \$3,447,032
- Of the 26 "Primary Sector" businesses funded, 19 (73%) continue to operate today.
- 7 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments contributed to the projected creation of 302 jobs.
- Development Fund contributed to the start-up of 13 businesses, which 8 were located in rural communities. 8 of the 13 (62%) continue to operate today.
- The Development Fund dollars invested leveraged \$20,509,840 from other funding sources resulting in a \$5.95 to 1 ratio-for every Development Fund dollar invested, \$5.95 was invested from other sources.
- Of the \$3,447,032 invested, the NDDF has charged off \$214,376 (6.2%)

Year July 1, 2003 to June 30, 2004

- Invested: 22 "Primary Sector" projects including 22 different "Primary Sector" businesses, of which, 14 were located in rural communities.
- Total investment: \$2,199,267
- Of the 22 businesses funded, 19 (86%) continue to operate today.
- 8 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments contributed to the projected creation of 128 jobs.
- Development Fund contributed to the start-up of 10 businesses, which 8 were located in rural communities. 8 of the 10 (80%) continue to operate today.
- The Development Fund dollars invested leveraged \$17,572,903 from other funding sources resulting in a \$7.18 to 1 ratio-for every Development Fund dollar invested, \$7.18 was invested from other sources.
- The Development Fund paid \$500,000 to help fund the Centers of Excellence at the University of North Dakota and North Dakota State University.
- The Development Fund paid all expenses incurred by the Fund in 2004 in the amount of \$319,159.
- Of the \$2,199,267 invested, the NDDF has charged off \$604,333 (27.4%)

Year July 1, 2004 to June 30, 2005

- Invested: 50 "Primary Sector" projects including 42 different "Primary Sector" businesses, of which, 30 of the projects were located in rural communities.
- Total investment: \$5,125,384
- Of the 42 businesses funded, 27 (64%) continue to operate today
- 13 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments made contributed to the projected creation of 462 jobs.
- Development Fund contributed to the start-up of 20 businesses, which 12 were located in rural communities. 10 of the 20 (50%) continue to operate today.
- The Development Fund dollars invested leveraged \$20,111,493 from other funding sources resulting in a \$3.53 to 1 ratio-for every Development Fund dollar invested, \$3.53 was invested from other sources.
- Of the \$5,125,384 invested, the NDDF has charged off \$653,572 (11.4%)
- The Development Fund has invested \$55 million in 356 "Primary Sector" businesses since inception. The Fund has received \$27 million from legislative appropriations since start-up. Of the \$55 million invested, \$20.5 million has been invested in rural communities. The Fund has become a revolving loan fund.
- The Development Fund continues to be self-funding. The Fund paid all expenses incurred during 2005, which totaled \$300,495. The Fund has not received an appropriation from the legislature, since 2001.
- Of the \$5,125,384 invested, the NDDF has charged off \$653,572 (11.4%)

Year July 1, 2005 to June 30, 2006

- Invested: 32 "Primary Sector" projects, which include 27 different "Primary Sector" businesses, of which, 12 were located in rural communities.
- Total investment: \$6,632,726
- Of the 27 "Primary Sector" businesses funded, 22 (81%) continue to operate today.
- 5 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Investments made contributed to the projected creation of 497 jobs.
- Development Fund contributed to the start-up of 12 businesses, of which, 7 were located in rural communities. 8 (62%) of the 13 businesses continue to operate today.
- The Development Fund dollars invested leveraged \$106,327,372 from other funding sources resulting in a \$16.03 to 1 ratio-for every Development Fund dollar invested, \$16.03 was invested from other sources.
- The Development Fund paid \$500,000 to the North Dakota Trade Office to cover its operating expenses.
- The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2006, totaling \$335,593.
- Of the \$6,632,726 invested, the NDDF has charged off \$86,890 (1.0%)

Year July 1, 2006 to June 30, 2007

- Invested: 23 "Primary Sector" projects, which include 22 different "Primary Sector" businesses, of which, 12 were located in rural communities.
- Total investment: \$5,102,600
- Of the 22 "Primary Sector" businesses funded, 20 (91%) continue to operate today.
- 3 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Development Fund contributed to the start-up of 6 businesses, of which, 2 were located in rural communities. 5 (83%) of the 6 businesses continue to operate today.
- Investments made contributed to the projected creation of 250 jobs.
- The Development Fund dollars invested leveraged \$34,601,396 from other funding sources resulting in a \$6.78 to 1 ratio-for every Development Fund dollar invested, \$6.78 was invested from other sources.
- The Development Fund continues to be self-funded. The Development Fund covered its operating expenses in 2007, totaling \$342,036.
- Of the \$5,102,600 invested, the NDDF has charged off \$48,297 (.94%)

Year July 1, 2007 to June 30, 2008

- Invested: 21 "Primary Sector" projects, which include 21 different "Primary Sector" businesses, of which, 12 were located in rural communities.
- Total investment: \$5,370,926
- Of the 21 "Primary Sector" businesses funded, 20 (95%) continue to operate today.
- 7 of the projects were ag. processing facilities, which utilize agricultural commodities.
- Development Fund contributed to the start-up of 8 businesses, of which, 4 were located in rural communities. 4 (100%) of the 4 businesses continue to operate today.
- The Development Fund continues to be self-funded. The Development Fund covered Its operating expenses in 2007, totaling \$321,453.
- Of the \$5,370,926 invested, the NDDF has charged off \$0.00 (0%)
- The NDDF received an appropriation from the Legislative Session in the amount of \$3,000,000.00 to be used to help fund future investments.

Year July 1, 2008 to June 30, 2009

- Invested: 18 "Primary Sector" projects, which include 18 different "Primary Sector" businesses, of which, 7 were located in rural communities.
- Total investment: \$7,390,632
- Of the 18 "Primary Sector" businesses funded, 17 (94%) continue to operate today.
- The Development Fund continues to be self-funded. The Development Fund covered Its operating expenses in 2008, totaled \$377,204.
- Of the \$7,390,632 invested, the NDDF has charged off \$0.00 (0%)

Year July 1, 2009 to June 30, 2010

- Invested: 22 "Primary Sector" projects, which include 19 different "Primary Sector" businesses, of which, 6 were located in rural communities.
- Total investment: \$2,859,128
- Of the 19 "Primary Sector" businesses funded, 19 (100%) continue to operate today.
- The Development Fund continues to be self-funded. The Development Fund covered Its operating expenses in 2009, totaled \$386,615.
- Of the \$2,859,128 invested, the NDDF has charged off \$0.00 (0%)

July 1, 2010 to November 30, 2010

- The Development Fund has made 8 investments totaling \$1,406,985.
Of the 8 projects, 3 projects were located in a rural community.
- All 8 projects continue to operate today.
 - Of the \$1,406,985 invested, the NDDF has charged off \$0.00 (0%)

Summary: July 1, 1999 To December 8, 2010:

Total Projects Funded:	315
Total Businesses Funded:	291
Average Project:	28
Total Businesses Still Operating:	228 (78%)
Total Invested:	\$54,133,363
Average Funded Per Year:	\$ 5,413,363
Average Project Funded:	\$ 171,852
Total Charged-Off:	\$ 3,917,099
Average Charge-Off Per Year:	\$ 391,709
Average Charged-Off Per Business (63 Charged-Off):	\$ 62,176

Summary:

July 1, 1990 To December 8, 2010:

- Invested: 499 projects (25/year) in 467 (23/year) different "Primary Sector" businesses.
- Total Investments: \$82,128,667 (\$4,322,561/year)
- Legislative Appropriation Received: \$30,000,000 (\$1,500,000/Year)/ NDDF paid back to the General Fund as listed below \$2 million for use in the Center of Excellence Program and the North Dakota Trade Office. The Net appropriated funds to the NDDF would be \$28 million.
- NDDF has invested 2.74 times more than the amount of the Legislative Appropriations received
- The NDDF averaged \$1,500,000/Year from Legislative Appropriations and Invested an Average of \$4,322,561/Year (Revolving Fund).
- Average Project Funded: \$ 164,586
- Average Funded Per Year: \$ 4,322,561
- Average Projects Per Year: 25
- Average Businesses Per Year: 23
- Total Charged Off: \$14,300,848
- Average Charge-Off Per Year: \$ 715,042
- Loss Rate: 17.41%
- Invested in Start-up businesses July 1, 1999 to December 8, 2010:118 (11/year):
68 of the start-up businesses were located in rural communities
Currently operating: 77/118 (66%)
- Total Businesses Still Operating: 287 of 467: 62%
- Ag. related projects (July 1, 1999 to December 8, 2010): 63
- Development Fund paid \$1,000,000 back to the General Fund for the Centers of Excellence at the University of North Dakota, North Dakota State University of \$500,000 and payment to the North Dakota Trade Office of \$500,000.
- Development Fund became self-funding in 2003.

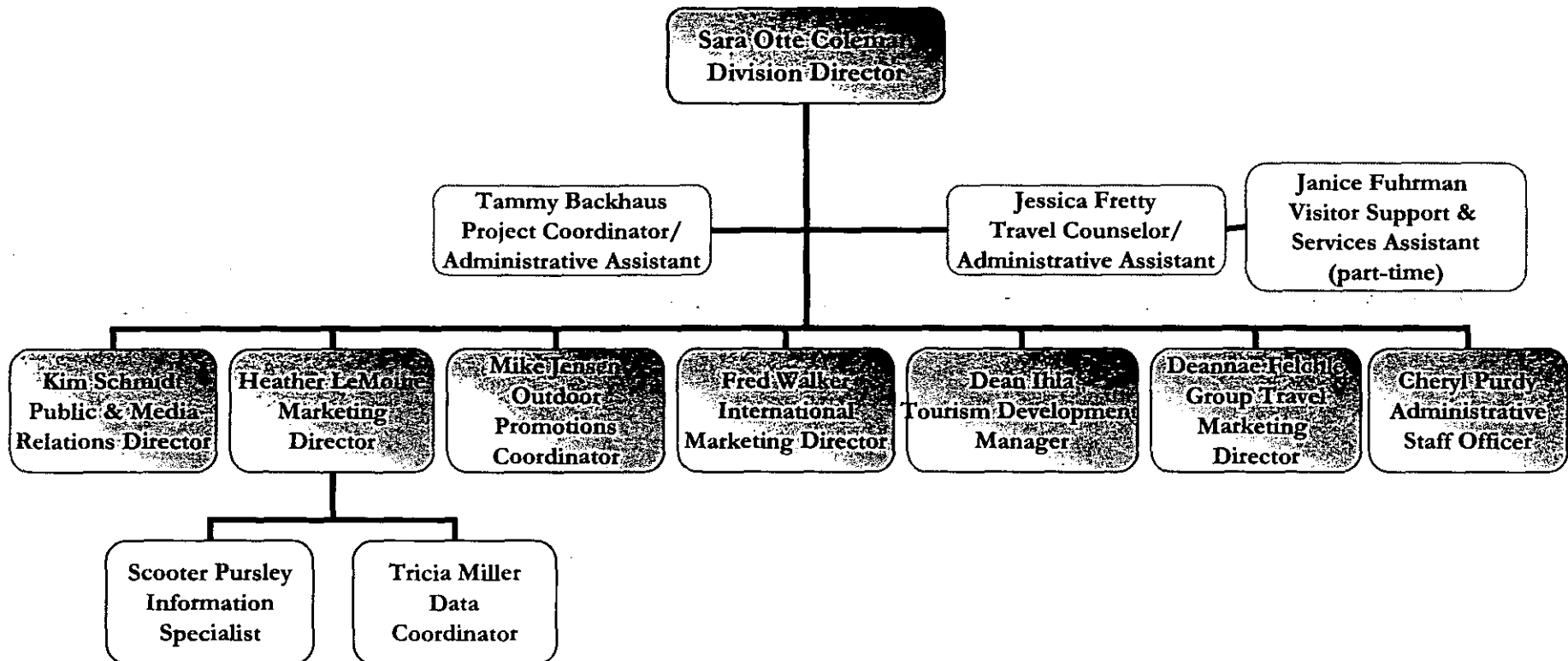


Tourism

IN THIS SECTION:

- Sara Otte Coleman's Testimony
- Tourism Industry At-A-Glance
- 2010 Annual Report

Division of Tourism Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

MARCH 15, 2011, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR HOLMBERG, CHAIRMAN

SARA OTTE COLEMAN – DIRECTOR, TOURISM DIVISION

Chairman Holmberg and members of the committee, I am Sara Otte Coleman, Director of the Tourism Division of the Department of Commerce.

As mentioned, our mission at the Department of Commerce is to lead North Dakota's efforts to attract, retain and expand wealth. In the tourism division we primarily work to invest in marketing programs that attract new dollars from out-of-state visitors and retain our residents' travel dollars by encouraging them to travel in-state.

Today I will show you how your investment in marketing North Dakota has paid back directly through state and local taxes paid by visitors and through increased visits, traffic and profits. I will also show you some examples of indirect benefits derived from tourism marketing like an improved image for our state. I will update you on our progress in tourism development and highlight a couple of ways we collaborate with local tourism marketers to provide more impact. I will list some other results and then briefly touch on the opportunities we have to use tourism to further North Dakota's economy.

Tourism Investment Pays Back:

Impact: Direct Benefits to the State

United States Travel Association (USTA) - reports that ND led the Nation in Growth: North Dakota continues to be the shining star in the nation's tourism industry. According to USTA's 2010 research, Impact of Travel on States Economies 2010, **North Dakota leads the nation in all four categories** of the report. The 2010 report covers the impact of travel on state economies in 2008 and the U.S. national economy for 2009.

According to the USTA, North Dakota led the nation in growth of travel expenditures, which was up by 10.8. In fact, North Dakota was the only state with double digit growth in this area.

For travel-generated payroll, North Dakota led the nation at 11.1%, and once again was the only state with double digit growth.

In the travel-generated taxes category, North Dakota experienced a 9.1% growth to \$345.8 million dollars. North Dakota also led the nation in travel-generated employment at 5.1%.

North Dakota State University research shows Tourism continues as a leader in North Dakota's economy:

NDSU research ranks tourism as North Dakota's third largest industry with \$4.36 billion spent by non-residents in 2009- **up 4.6% over 2008**. This information is useful in comparing tourism to other industries in-state and shows that tourism along with agriculture and oil are fueling our economic growth.

IHS/Global Insight shows ND Tourism growing faster than the nation.

Global Insight's tourism satellite account (TSA) project analyzed 2008 tax receipts as a follow-up to the 2006 study. The study reports North Dakota's core tourism grew by 10.7% from calendar year 2006 to calendar year 2008, compared to national growth of 8.1% during the same timeframe. Core tourism includes the primary industries of accommodations, entertainment, retail, dining and transportation.

\$370 million were paid in taxes by visitors

Approximately \$760 million in wages and salaries were generated by travel and tourism in 2008

31,208 jobs were created by travel and tourism economic activity, accounting for 8.5% of total employment in the state

67% of travelers are non-residents

ND visitation grew by 2.5%

Tourism expenditures grew by 5.1%

If tourism did not exist their research says every ND household would pay an additional \$646 per year in taxes. Each visitor generates \$157 in expenses of which \$74 goes to businesses that don't touch the visitor. **Tourism contributes disproportionately to state revenue. While the total impact of tourism is responsible for 4.1% of gross state product, it contributes 6.8% of state government revenue in 2008.** The analysis is all based on tax data and is not subjective. TSAs are the most reputed method for gathering economic data on the industry. This also gave us insight at the county level and showed that tourism benefits all counties in ND. While all counties grew, forty-six counties posted double-digit growth between 2006 and 2008.

Advertising Effectiveness Shows Payback:

The research shows that despite decreased buying power due to increased media, printing, and postage costs, the North Dakota Legendary ad campaign is delivering a strong ROI. The research done by Longwoods International showed that money invested in tourism advertising is an excellent investment and that in-fact tourism is self-sustaining.

- \$1.94 million in media advertising resulted in \$178.7 million in increased visitor spending.

-a \$91.13 return on investment for every dollar spent on advertising.

- \$1.94 million in media advertising resulted in \$12.7 million in state and local taxes paid.

-a \$7.65 return for every dollar invested.

The efficiency of the ad campaign has been measured since 2002 and has continued to be strong, costing the state only \$1.65 to generate a trip to ND from our target US markets, far below the \$2.00 benchmark used for rural states.

Indirect Payoffs:

Improved Image: Research shows that the image of the state improves among those who have seen tourism advertising - even if they have not visited the state.

Dakota Pride: Tourism public relations efforts have garnered **\$16.4 million dollars worth of exposure** for North Dakota since 2008. \$1.85 million of this is specific to international media. This coverage is not limited to attracting new visitors, it also highlights our quality of place and helps attract new residents and needed workers. The activities that attract visitors also provide recreation for our new and native residents. Children are tuned into the world and see a new light shed on North Dakota. The recent Delta Sky piece is a perfect example of a success in this area. We have been pitching stories to Delta's publishers consistently over the past 8 years - which obviously paid back huge with the October thirty-page feature.

Tourism Development:

Tourism is one of the few industries that impact the entire state. There are tourism businesses in every county in North Dakota.

North Dakota was the only state with a positive RevPAR (revenue per available room) in 2009, up 5.8% according to Smith Travel Research. The increase for 2010 is 14.3%. This strong growth in demand for accommodations has resulted in 22 known hotel

properties currently in development or newly opened. Our new tourism development manager is working to facilitate the development and expansion of new tourism operations especially in gap areas such as rural and Agritourism. Our new efforts in this area are focused on facilitating tourism infrastructure development in an area not covered by other economic development programs and are staffed within our existing structure and budget without an additional request from the legislature. This gap was a key finding of the tourism caucus meetings held across the state in 2007.

Recent expansions in Medora and Minot have resulted in a substantial growth and record attendance numbers in 2010 and the demand for our infrastructure grants far outnumbers our available funds. Last session the legislature requested our division work on a plan to prioritize tourism projects and requested a system be developed to rank tourism projects. That was completed with buy-in from the Destination Marketing Association of North Dakota, the Tourism Alliance Partnership and other stakeholders. The identified process could be used to award the dollars added by the House to address this need.

Partner Collaboration

Tourism roundtables held in five communities across the state last winter helped provided a mechanism for partners to understand and use the resources the tourism staff provides and for our staff to learn more about partner needs. The marketing resources available to partners continues to grow and includes: news releases, media pitches, cooperative advertising, free listings and postings, unlimited access to update on-line information, free photos, social media assistance and posts, research and continuing education. In 2010 we worked with over 150 tourism partners in our cooperative programs and customized e-mail, direct mail and radio spots to help partners draw in more visitor dollars. A total of 2,056 tourism offerings took advantage of our free listings.

Other Travel Results

Digital Strategy - has become a priority that is reviewed and tweaked monthly. Currently Travel ND or Legendary Travel has a monthly digital audience exceeding 80,000. This includes: Facebook, Twitter, Flickr, YouTube, email subscribers, blogs, the RU Legendary website and NDTourism.com. This has resulted in huge increases in our Klout ranking of 56, up from 18 just two months ago. The goal is to arm influencers with good information to help spread our marketing messages virally.

In Group Travel more than 600 new tour companies were contacted and provided with itinerary information. This resulted in an average of 18 bus tour groups per month - plus numerous reunion, RV and motorcycle rallies.

International demand continues to grow in our target markets: Australian visits to the US were up 24.8% with Germany up 5% and Sweden up 14%.

Outdoor marketing held promotions at eight sport shows along with our tourism partners, hosted numerous other outdoor media and sponsored ND's own outdoor celebrity Jason Mitchell. Outdoor travel ranked first in type of travel to ND in our 2008 visitor profile study.

Other stats from 2010:

Local lodging taxes collected in ND are up 12%.

Airline **boarding's** are **up 11%**.

Major **attraction** attendance across the US was down, but currently ND is **up 8%**.

Canadian **border crossings** continue to increase with ND crossings through November are **up 20%** and requests for information from Canadians are up 350%.

While business travel is down nationally, business travel and business/leisure travel are both up in North Dakota- with Business/Leisure travel registering as the second most popular reason to travel to ND in 2008. Business/Leisure travel now accounts for 19% of our overnight trips. A recent informal survey of CVB's helped determine that an estimated 45% of total hotel occupancy is attributable to business related travel.

Opportunity

Due to the world economy, travelers are shopping for value. They are researching on-line and they are looking for destinations close to home. To position ND as the place to vacation, ND Tourism is using the AAA's "most affordable destination" in our call-to-action and throughout our promotional efforts. We also will continue working our database to do more one-to-one marketing, more lower cost on-line marketing and social networking. As you have seen, these strategies have paid off- helping North Dakota lead the Nation.

As many states struggle with deficit budgets, the media is reporting disparity in how states are looking at tourism. Some states expect budget cuts while others like Connecticut, which is expecting a \$3.2 billion deficit is adding \$15 million to tourism marketing and Michigan who with a \$1.4 shortfall, is putting increase tourism advertising (\$25 million) dollars to work as a solution to growing their economy. With media, production, printing and postage continuing to increase and more options than ever available for marketing, the challenge is to keep make an impact with our messaging. I hope you can see the importance in maintaining our marketing programs so we can continue to grow North Dakota's third largest industry.



North Dakota
LEGENDARY

Tourism industry at-a-glance.

As an industry best practice, North Dakota Tourism uses an array of studies and methodologies to measure our state's tourism health. The key is that every one of North Dakota's numbers points to continued growth in our state's tourism industry, and our strong contribution to the state's positive economic climate.

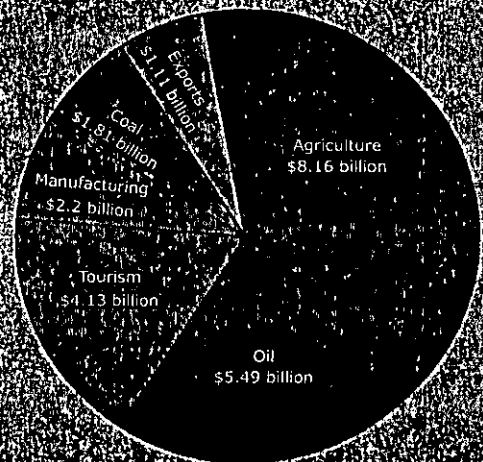
I AM LEGENDARY! *RU?*

Our investment in tourism pays back:

- Advertising North Dakota is a 1.9 return to the state's tax base. (Longwoods, 2007)
- \$374 million were paid in taxes by visitors. (IHS Global Insight, 2008)
- If tourism didn't exist, each North Dakota household would pay an additional \$646 in taxes. (IHS Global Insight, 2008)
- Each visitor adds .98% to the gross state product. (IHS Global Insight, 2008)
- One out of every 12 workers owes their job to tourism in North Dakota. (IHS Global Insight, 2008)
- \$760 million in wages and salaries are generated through North Dakota tourism. (IHS Global Insight, 2008)
- All North Dakota counties recorded strong tourism growth. (IHS Global Insight, 2008)

Direct benefits:

- Travel and tourism is a \$42.3 billion industry in North Dakota, the third largest industry after agriculture and oil. (NDSU, 2008)
- North Dakota's tourism industry has a 900% Return on Investment (ROI). (Longwoods, 2007)
- A \$1.66 million media advertising investment resulted in \$203.9 million in visitor spending.
- A \$123 return on investment for every dollar spent on advertising. The cost per trip of the campaign was \$1.35, well below the \$2 benchmark for rural states.



How North Dakota's tourism industry ranks nationally:

- North Dakota Tourism is leading the way, experiencing growth upon growth at a time when most states are just starting to recover from decreases in their tourism industry due to the national economy.
- North Dakota led the nation in growth of travel expenditures, which was up 10.8%. In fact, North Dakota was the only state with double digit growth in this area. (USTA, 2010)
- North Dakota also led the nation in growth of travel generated employment at 5.1%, payroll at 11.1%, and travel generated taxes at 9.1%. (USTA, 2010)
- North Dakota is outpacing the nation in core tourism growth, growing 10.7% from calendar year 2006 to calendar year 2008, versus 8.1% growth nationally. (IHS Global Insight, 2008)
- North Dakota was the only state with a positive RevPAR (revenue per available room) in 2009, up 5.8%. In 2010, RevPAR increased to 12.9% through November. (Smith Travel Research)

North Dakota's Economic Base
North Dakota's University Study, 2007

North Dakota's tourism industry does more than attract visitors. Promoting North Dakota also:

- Helps build a positive image of our state to our target audience and visitors. Public relations efforts have garnered \$16.4 million worth of exposure since 2008.
- Instills a sense of pride in our residents.
- Delta Sky's October 2010 issue had current and former residents puzzling about the 30-page coverage devoted to North Dakota.
- Is vital to workforce attraction. The combination of a positive image and proud residents creates an attractive place to live, work and play.

North Dakota's tourism industry is growing – and so are our infrastructure and offerings:

- The increased demand for hotel rooms has resulted in the opening or development of 22 hotel properties.
- North Dakota's agritourism infrastructure is an identified gap and focus for future growth.

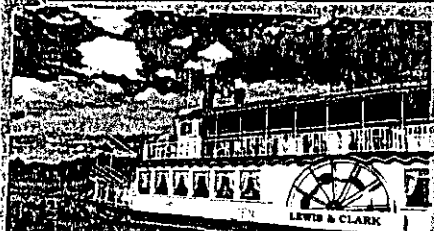
North Dakota Tourism offers many partner collaboration opportunities:

- Cooperative advertising plan – provides media research and opportunities for the industry to advertise dollars together to create greater presence and impact of messages.
- Media and public relations – North Dakota Tourism distributes partner press releases and shares them through www.ndtourism.com.
- Digital strategy – provides partner opportunities via website, blog, e-blasts, social media.
- Publications – partner content and advertising opportunities in the travel guide and Hunting & Fishing Guide.
- Grants – North Dakota Tourism provides three annual match grant programs.
- Group tour marketing – expos, familiarization tours and marketing sales missions allow partners to represent their products.
- Sports shows – partners can increase their visibility by providing brochures or staff at shows.
- International marketing – partners can strengthen presence through international trade shows.
- Brochure distribution – provides brochure distribution at interstate and highway rest areas, as well as the ability to order brochures online.
- Legendary merchandise – available for sales and promotion.
- Video/photo access.
- Research – reports available online.
- Hospitality Training Program – this training course is available online and on DVD.

**North Dakota
LEGENDARY**



Downtown Fargo



Lewis and Clark Riverboat, Missouri River



Frontier Village, Jamestown



Earthlodge Village, New Town



Medora Musical



I AM LEGENDARY! RU?

2010 Annual Report
North Dakota
Department of Commerce
Tourism Division



Tourism continues to be a key contributor to North Dakota's robust economy and ties in closely with other key industries in providing opportunities for our state's residents. A recent study by the United States Travel Association shows that in 2008, North Dakota led the nation in growth of visitor expenditures — an increase of 10.8 percent; growth in travel-generated taxes — up 9 percent; growth in tourism-generated jobs — up 5 percent; and growth in tourism payroll — up 11 percent.

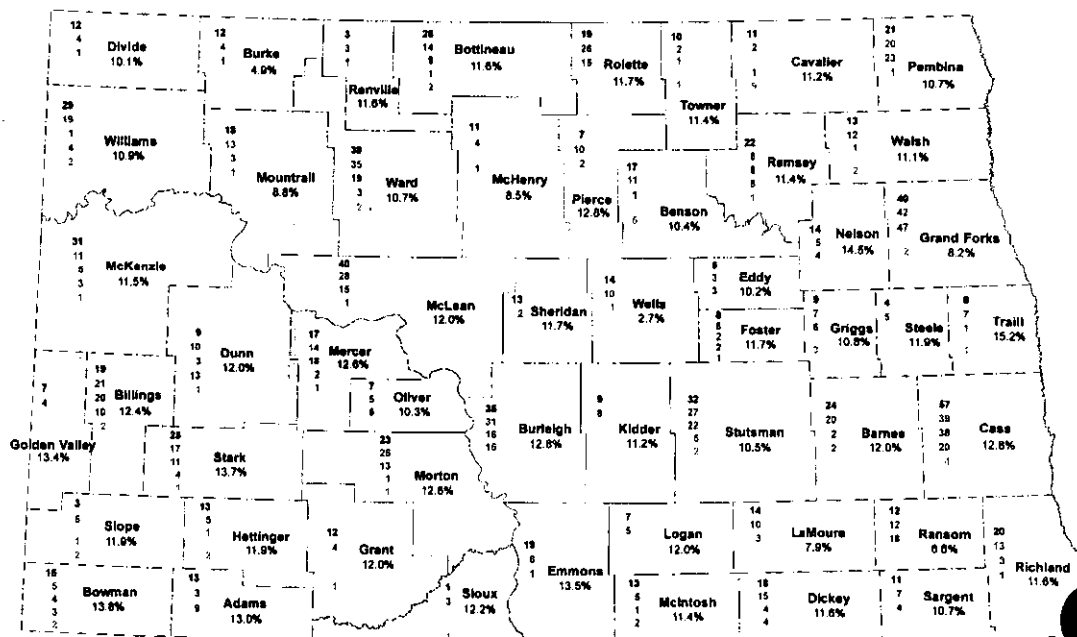
Tourism is growing our economy one trip at a time and as more people come to experience the extraordinary qualities of this beautiful state they take with them stories to share that will help us expand awareness and continue this trend.

North Dakota is also a national leader in agriculture and energy production. Driving many of our highways, visitors see wind farms and oil fields helping to grow our nation's future. Visitors see cattle grazing in pastures, fields of corn for renewable energy and our many other crops that help feed the world. We are excited to see the synergy among industries create even more tourism opportunities in areas such as agritourism and energy tours. Traditional visitors' experiences are built on our history, scenery, outdoors, city experiences and nationally known events, and these guests will continue to impact our economy.

In North Dakota, we continue to look ahead as we are reaping the rewards of our hard work, our careful fiscal management, our pro-business climate and our diversified economy. Thanks to the good work of 32,000 tourism employees, we are all feeling a bit more Legendary!

Accommodations 893
Attractions 636
Events 366
Vacation Packages 109
Education Vacations 52

Percent listed is the 06-08 expenditure growth according to IHS Global Insight research





Tourism has flourished in recent years in North Dakota

At the Department of Commerce, we believe our mission is to lead North Dakota's efforts to attract, retain and expand wealth. We strive to improve the quality of life of the people of North Dakota and target five industries to broaden the state's economic base, create new wealth and generate quality jobs for our people. Several of those industries, including tourism, have flourished in recent years.

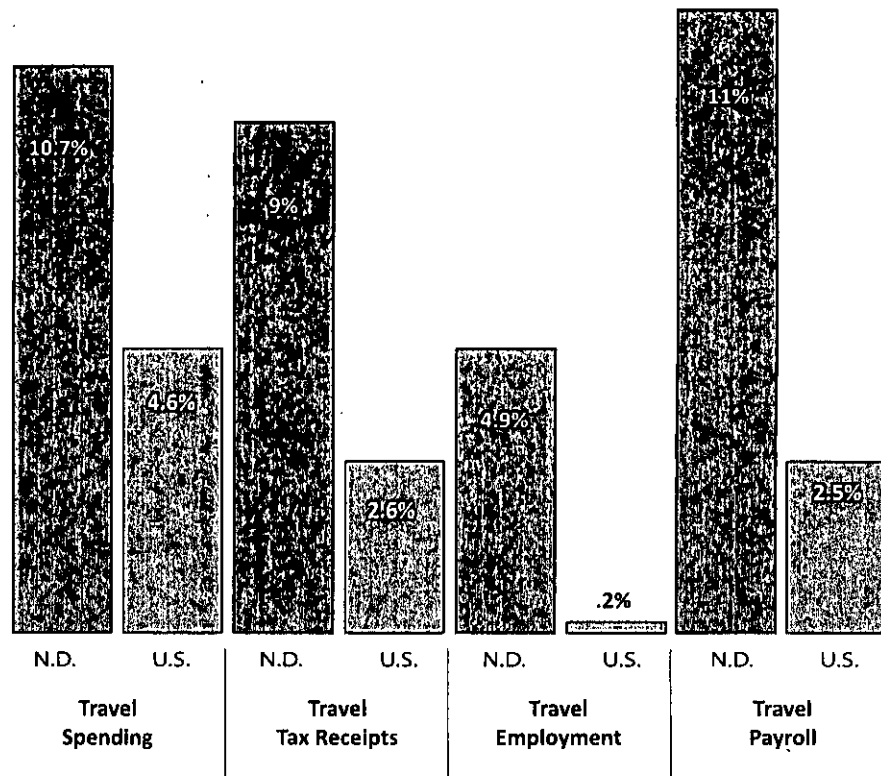
2010 was another successful year for tourism in North Dakota. The statistics show strong growth across the state in various sectors of the industry. Park and welcome center visitation, Canadian border crossings, airline boardings and accommodations are all enjoying double-digit increases over 2009. This may not be as unique this year compared to other states but the fact that this growth is on top of strong growth in 2009 when most states declined significantly sets North Dakota apart.

Another success story of 2010 was the 30-page feature story on North Dakota in Delta Sky Magazine. This combined effort from the Tourism Division staff and the Commerce communication team yielded a dynamic picture of North Dakota's quality of life, job and business vitality and our tremendous recreation opportunities for visitors. The publication has spawned a new buzz about North Dakota among its 5.3 million monthly readers.

The Department of Commerce works hard to deliver programs that help businesses and communities across North Dakota thrive, but in the end, it is the local CVBs, chambers, hotels, guides, attractions and event planners that deliver on the Legendary promise. Congratulations to the industry for your success in developing and marketing the experiences that continue to attract more visitors to North Dakota each year.

North Dakota Growth Leads the Nation

2007-2008 economic impact of travel and tourism, U.S. Travel Association





Each dollar invested in tourism returns \$91 in visitor spending



Our investment in marketing North Dakota is paying back directly through state and local taxes paid by visitors and through increased visits, traffic and profits.

New research on the 2010 advertising campaign shows that despite decreased buying power due to increased media, printing and postage costs, and increased competition in our key markets, the North Dakota Legendary ad campaign is delivering a strong return on investment. The research done by Longwoods International showed that money invested in tourism advertising is an excellent investment and that tourism is self-sustaining.

• \$1.94 million in media advertising resulted in \$178.7 million in increased visitor spending—a \$91.13 return on investment for every dollar spent on advertising.

• \$1.94 million in media advertising resulted in \$13.6 million in taxes paid—a \$7.01 return for every state dollar invested.

The Tourism Division has worked hard to maintain its traditional image marketing campaigns while employing new targeted online methods of reaching potential visitors. It has increased its emphasis on a digital strategy, which has become a priority and is reviewed and tweaked monthly. Website and social marketing efforts are reaching an increasing number of people each month with the monthly digital audience averaging 81,500.

While business travel is down nationally, business travel and business/

leisure travel are both up in North Dakota, with business/leisure travel registering as the second-most popular reason to travel to North Dakota in 2008. An informal survey of CVBs helped determine that an estimated 45% of total hotel occupancy is attributable to business travel. This strong demand has spurred the development of more than 20 new hotels.

When reviewing the year-end numbers, we found all positive numbers with strong lift from 2009 (which was also up). The only declining number the past two years has been traditional U.S. inquiries. Fewer people call or e-mail a request for the travel packet. This is a national trend and is balanced with the increase in new visitors to the website and the ability to access the guide online. Tourism shipped out all 325,000 guides by October, which shows increased demand, just not traditional call-ahead demand.

The tourism staff enjoyed roundtables in five communities across the state last winter. They provided a mechanism for partners to understand and use the resources the tourism staff provides and for our staff to learn more about partner needs.

The marketing resources available to partners continues to grow. In 2010, we customized e-mail, direct mail and radio spots to help partners draw in more visitor dollars. We continue to look for ways to serve our tourism partners and help them accomplish their goals of attracting more visitors to our great state.

Travel Industry Leadership

2010, Tourism Director Sara Otte Coleman continued to represent North Dakota and the tourism industry on the board for the U.S. Travel Association's Council of State Tourism Directors, the board's researcher's professional development group and the Research Development Team. She also is serving on the Education Committee of the Educational Seminar for Tourism Organizations (ESTO).



Regional Workshops

In February and March of 2010, North Dakota Tourism hosted five regional workshops in the communities of Watford City, Medora, Devils Lake, Oakes and Garrison. The workshops provided information and one-on-one in the areas of cooperative marketing, research, social media, familiarization tours, promotion and more. It was also an opportunity to provide information on infrastructure development. The hands-on workshops were attended by 141 industry partners.

Partner Access

Tourism entities are encouraged to list their attractions, events, accommodations and vacation packages on NDtourism.com, and need only to enter them through online Partner Access. In 2010, more than 1,700 were using NDtourism.com for free listings and 8,010 business and event links were provided on NDtourism.com and through e-marketing programs.

Representing North Dakota

Tourism Division staff members further represent the state with membership to the Central States Travel and Tourism Research Association, the Society of American Travel Writers, Outdoor Writers Association of America, Discover America, National Tour Association, Bank Travel, Heritage Club International, Family Motorcoach Association, the American Bus Association and 2 Nation Tours.

Travel Industry Conference

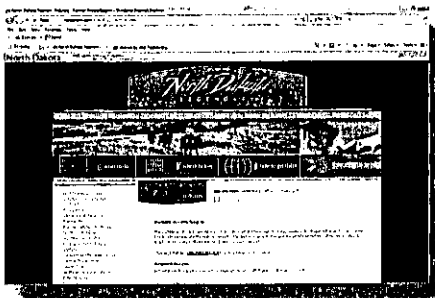
North Dakota Tourism, in partnership with the Destination Marketing Association of North Dakota (DMAND), helped coordinate the 2010 North Dakota Travel Industry Conference in Minot. A total of 185 tourism professionals attended the conference. The Governor's Awards for Travel and Tourism honored:



- Carla Borlaug, Hazen CVB, Travel & Tourism Industry Leader
- Pat Kiamis, El Rancho Hotel, Williston, Front-Line Employee
- Cole Carley, Fargo-Moorhead CVB, International Tourism Award
- Jim Cote, Park Superintendent, Williston Parks & Recreation, Behind the Scenes Tourism Employee
- Ronald Reagan Minuteman Missile State Historic Site, Cooperstown, Attraction of the Year
- The Sam McQuade Sr./ Budweiser Charity Softball Tournament, Bismarck, Event of the Year
- Bismarck-Mandan CVB, Tourism Organization of the Year
- Becoming an Outdoors Woman, Best Package

Newsletters, E-blasts

North Dakota Tourism continues to produce a monthly newsletter filled with notices, opportunities, development resources and much more. Archived copies of the newsletter are available online.



Hospitality Training

North Dakota Tourism continues to offer a DVD and web-based hospitality training program designed to help educate tourism-industry employees about the impact and value their job has on retaining dollars in their community.

A free training kit, with workbook and DVD is available online at <http://www.ndtourism.com/industry/hospitality-training-program/> or by contacting Tammy Backhaus at the Tourism Division 701-328-2526 or tbackhaus@nd.gov.

A survey was conducted in late 2010. Results from the survey will be compiled and the program adjusted to meet the industry's needs.



Hotel Inventories Rise Again

In 2010, 10 new hotel properties with a total of 506 rooms opened. An additional 14 properties are now under construction or in the planning stages, offering a total of 1,138 additional rooms.

North Dakota AGRITOURISM

*Turning Farms, Ranches and Gardens
into Great Destinations!*



Rolling Plains Adventures, McKenzie

by a series of educational programs in 2011. Agritourism presentations were also held in Jamestown, Hazen and New Town. The Tourism Division worked with nine new farm and ranch vacation providers in 2010. Five of these operators are prepared to welcome guests in 2011.

2010 Matched and Expansion Grants

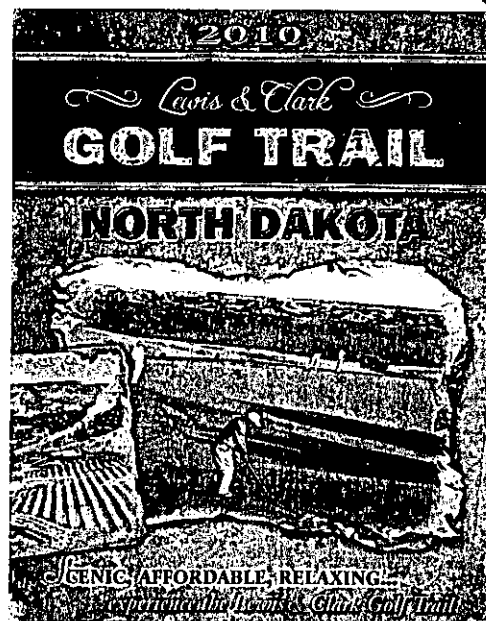
North Dakota Tourism matched grants totaling \$44,825 were awarded to six events and five marketing programs in 2010. Since the program began in 2003, 83 events and 91 marketing projects have been assisted with \$522,391 awarded in grants. Up to \$5,000 is available per project and the application deadline is the first Friday in September.

Expansion grants totaling \$99,312 were awarded to 10 projects from across the state for tourism infrastructure projects. The program combines dollars from the Tourism Division and Economic Development & Finance Division and has awarded a total of \$595,626 to 39 projects in North Dakota since the program began in 2007.

Criteria and applications for all tourism grant programs are available at <http://www.ndtourism.com/industry/nd-tourism-grants/>

Emphasis on Agritourism

A new emphasis was placed on the development of agritourism offerings in North Dakota in 2010. The Tourism Division formed a partnership with the NDSU Extension Service Center for Community Vitality and the North Dakota Agriculture Department to expand and promote agritourism and ranch vacation businesses in the state. The first event was a session on agritourism development at Marketplace of Ideas in Fargo in September. This will be followed



**The Lewis & Clark Golf Trail Guide
got a marketing match grant**

2010 Advertising Evaluation

Longwoods International is in the process of analyzing the effectiveness of North Dakota Tourism's 2010 advertising campaign. The state invested \$1.9 million advertising. That advertising motivated 1 million visits and \$176.9 million in visitor spending, or \$91 for every \$1 invested. A total of \$13.6 million was generated in state taxes. The study further shows that advertising has a positive impact on North Dakota's image as a whole.

2009 Canadian Visitor Traffic

North Dakota continues to be the 10th most-visited state by



Canadians. According to Statistics Canada, Canadians spent more than 1.5 million nights in North Dakota and spent more than \$196 million (US) - a

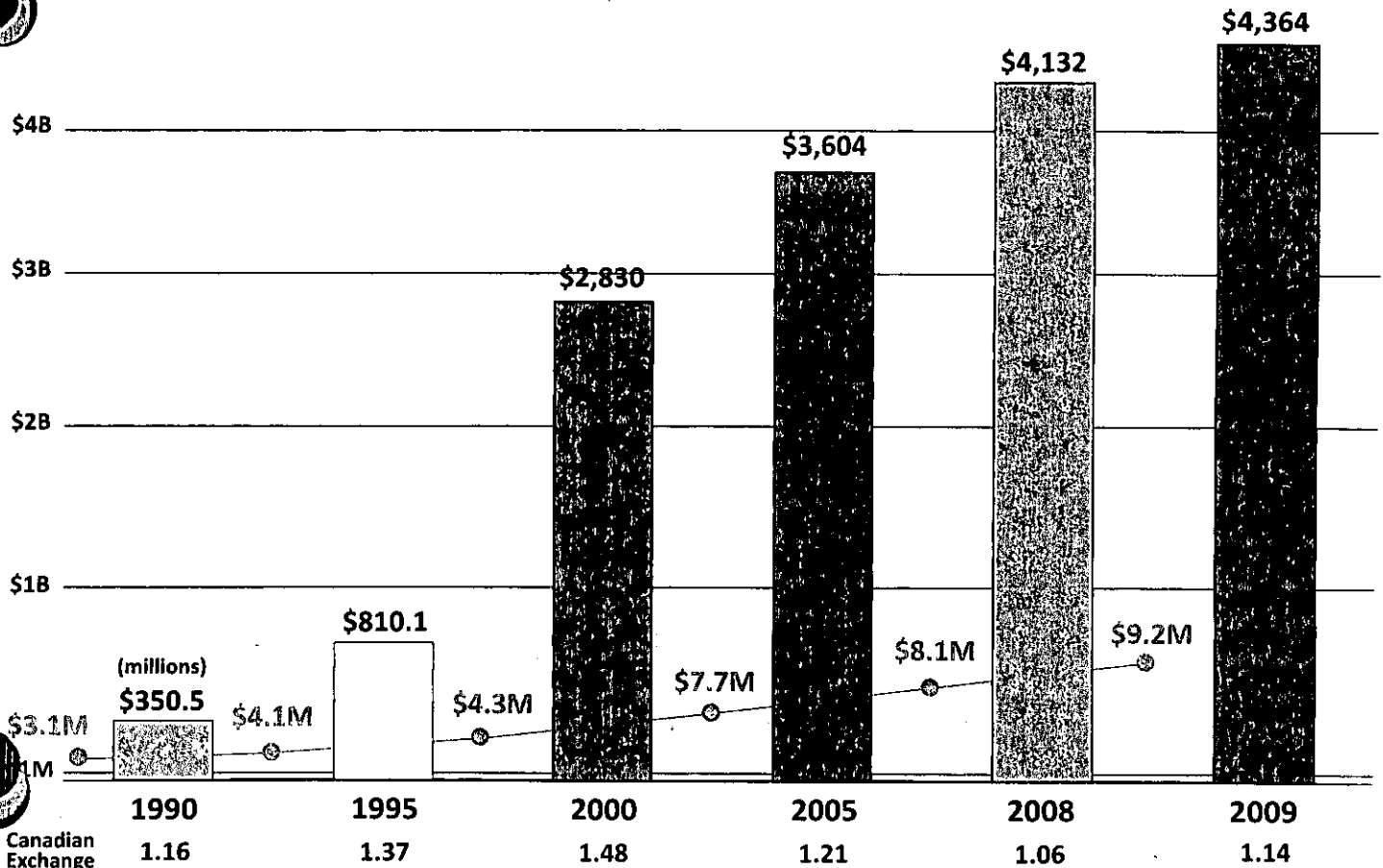
7% decrease from 2008. North Dakota saw an 11% decrease in auto border crossings in 2009, which rebounded with an improved economy and exchange rate. In 2010, there was a 20% increase in Canadian border crossings.

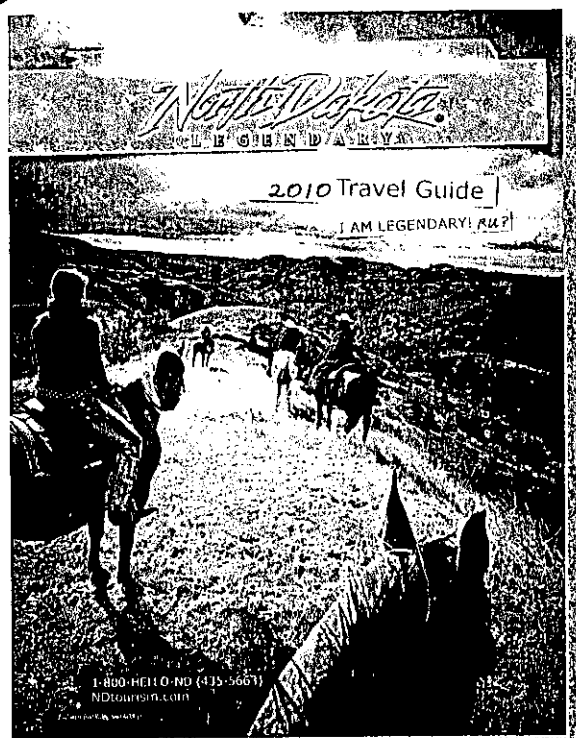
2009 N.D. Economic Base

Tourism continues to be a major part of North Dakota's economic base. According to North Dakota State University's latest research, non-resident spending totaled \$4.36 billion in 2009, a 4.7% increase over 2008.

ND Tourism Budget (non-designated)

Out-of-State Visitor Expenditures





Travel Guide

The 2010 Travel Guide was made available through request fulfillment, at sport and travel shows, at in-state rest areas, visitor centers, ports of entry, airports and traveler-frequented businesses. A total of 325,000 copies were printed and ran out in early October. Quantities were increased to 335,000 for 2011.

Publication Fulfillment

- For the fourth year, North Dakota Tourism partnered with One Fulfillment for collecting online brochure requests and fulfilling industry partner brochures. In 2010, a total of 60,075 orders were filled or referred.
- In the ninth year of the state's rest area brochure rack program, 110 tourism industry partners participated with 149 brochures. Usage of brochures and travel guides continued to increase. The ND Travel Guide had a 13% increase in distribution, even with the supply of Travel Guides being fully distributed by October.
- The Tourism Division will assist with national conferences and events in order to provide attendees with Travel Guides, maps and to answer questions. In 2010, the Tourism Division had booths at the Williston Basin Petroleum Conference and Marketplace.
- Fulfillment was also provided as a response to phone calls, e-mails and letters received by the Tourism Division, totalling more than 9,000.



Hunting/Fishing Guide

The 2010 Hunting & Fishing Guide was made available through request fulfillment, at sport and travel shows and at visitor centers and traveler-frequented businesses. Seventy-five thousand copies were printed.



Official Highway Map

The 2009-2010 Official Highway Map is distributed in partnership with the ND Department of Transportation. A total of 1.2 million copies of the map are printed for a two-year distribution at in-state rest areas, visitor centers and traveler-frequented businesses. They are also made available through request fulfillment.



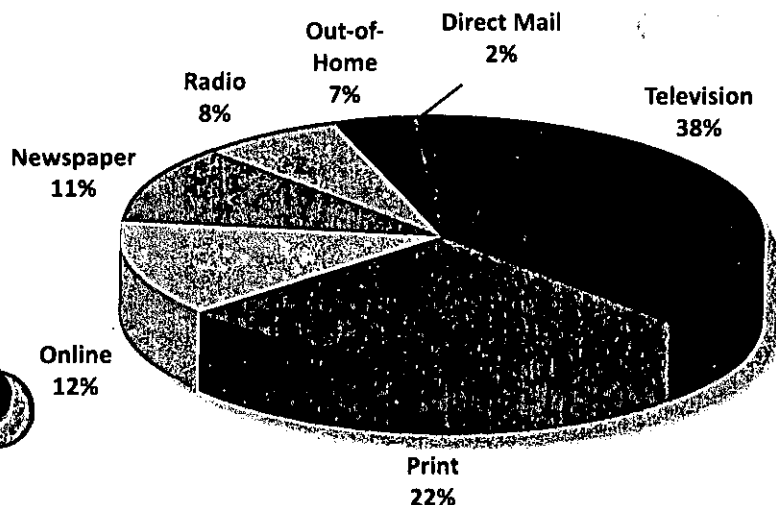
Culture & Heritage Guide

The Tourism Division continues to distribute the Culture & Heritage Guide upon request. This guide was printed in 2008.

I AM LEGENDARY! RU?

In 2010, a new Legendary campaign hit the airwaves, billboards, magazines, bus stops, newspapers and websites to promote North Dakota. The campaign had a new social media component and challenged viewers to find their inner legend with a trip to North Dakota. As part of this campaign, a website was launched: RULegendary.com.

Media Mix



Production Investment

\$185,610.98

Advertising Investment

\$1,940,000

<http://www.ndtourism.com/industry/references/media-plan/>

Border/City Experience Campaign

This strategy targets Manitoba and Saskatchewan, Canada, northern and western Minnesota, eastern South Dakota, eastern Montana.

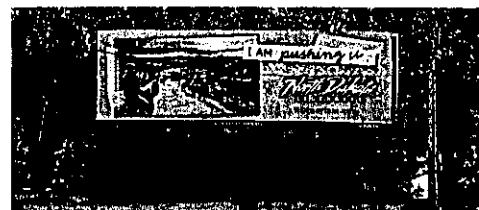
Television: Broadcast in two Canadian markets and three near-border U.S. markets; a TV channel listing in one Saskatchewan market was also used

Print: Ten pages of advertising with five publications having a circulation of 446,460

Newspaper: Spring insert with a circulation of 620,209, a new fall insert was distributed in seven Canadian newspapers with a circulation of 390,000

Radio: Two weeks in four Canadian markets and five U.S. markets with an additional fall week of radio in three Canadian markets

Out-of-Home: In Winnipeg – one LED sign, one backlit sign, 19 transit shelter signs



Legendary (Domestic) Campaign

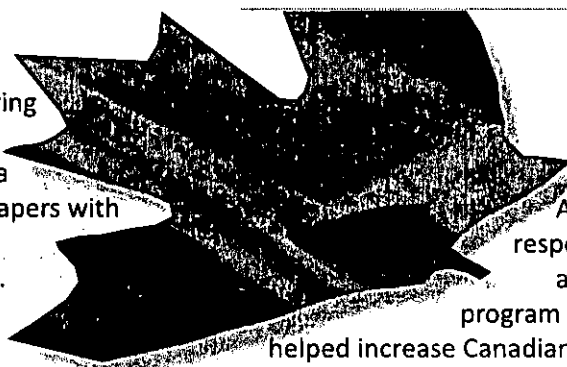
This campaign is targeted at metro Minnesota, Wisconsin and western South Dakota, it is also the strategy used with U.S. regional and national efforts.

Television: Broadcast in six markets, direct response in four markets (15 networks)

Print: A total of 18½ pages of advertising in 11 publications and a circulation of 6,263,419; additional circulation of 12,078,030 in travel directory advertising

Newspaper: The same insert was used for both U.S. and Canadian markets with a total circulation of 2.2 million

Out-of-Home: Ten skywalk panels in downtown Minneapolis-St. Paul, five billboards around metro Minneapolis



A new direct response online advertising program in 2010

helped increase Canadian inquiries by 350%.

Area of Travel	2010 1st Quarter	Change 10-09	2010 2nd Quarter	Change 10-09
State Park Visitors	64,344	15%	337,049	6%
National Park Visitors	10,760	66%	218,934	18%
Unique Visits (www.NDtourism.com)	86,069	30%	131,725	32%
Major Attractions	724,046	6%	972,355	9%
Local Visitor Centers	6,289	4%	21,906	6%
Canadian Border Crossings	130,873	13%	191,934	32%
Airport Passengers	193,657	11%	190,054	10%
Cumulative Lodging Tax	\$1,133,095.50	16%	\$1,362,859.49	15%
Hotel Occupancy Rate	Jan: 50.4% Feb: 60.2% Mar: 63.6%	Jan: -7.6% Feb: 5.1% Mar: 9.4%	April: 68.8% May: 71.4% June: 76.7%	April: 6.1% May: 6.8% June: 2.5%
Average Room Rate	Jan: \$71.83 Feb: \$73.08 Mar: \$74.48	Jan: 4.7% Feb: 7.1% Mar: 9.9%	April: \$72.19 May: \$73.52 June: \$76.15	April: 5.0% May: 5.1% June: 7.6%

Top 5 States Requesting Information

Requests came from all 50 states and District of Columbia, 9 Canadian provinces and 10 countries.



Largest Generators for Inquiries

1. Direct response Web. 2. NDtourism.com. 3. Valassis, America's Best Vacations. 4. Good Housekeeping. 5. Midwest Living

Comparison of Hotel Occupancy Rates

	2008	2009	2010	10 RevPAR
North Dakota	65.7%	65.1%	68.5%	14.3%*
West/North/Central Region	57.6%	52.8%	55.1%	5.4%
United States	60.3%	54.5%	57.6%	5.5%

* North Dakota leads the U.S. in RevPAR in 2010. This column represents percent of change from 2009.

2010 3rd Quarter	Change 10-09	2010 4th Quarter	Change 10-09	2010 YTD/ Change 10-09
593,082	0%	110,286	21%	1,104,761 4%
305,549	-6%	132,712	9%	667,955 5%
113,711	NA	62,258	NA	393,763 28%*
1,667,710	10%	1,286,280	6%	4,649,851 8%
50,793	6%	10,913	28%	89,901 8%
256,233	18%	182,928	15%	761,968 20%
210,992	9%	204,262	11%	798,965 11%
\$1,750,868.32	16%	\$1,596,788.06	12%	\$5,853,611.37 15%
July: 79.3%	July: 3.3%	Oct: 75.3%	Oct: 5.5%	68.5%
Aug: 79.2%	Aug: 2.5%	Nov: 66.5%	Nov: 13.4%	5.1%
Sept: 74.9%	Sept: 2.7%	Dec: 56.7%	Dec: 16.8%	
July: \$81.45	July: 9.6%	Oct: \$79.01	Oct: 8.5%	\$77.28
Aug: \$80.68	Aug: 8.9%	Nov: \$80.49	Nov: 11.7%	8.7%
Sept: \$80.76	Sept: 11.6%	Dec: \$81.02	Dec: 15.3%	

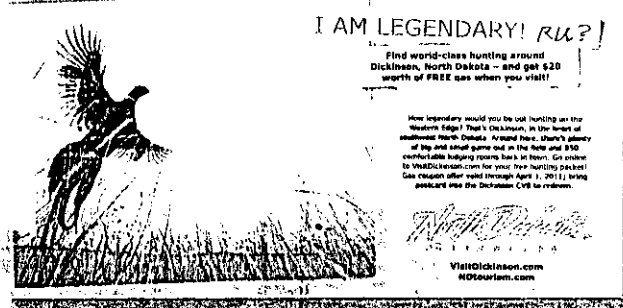
*Percentage increase
does not include
12-month comparison
due to incomplete data

Taxable Sales and Purchases Through 3rd Quarter 2009

Arts, Entertainment, Recreation 2010	Arts, Entertainment, Recreation 2009	Change 2010-09	2010 YTD	Change 10-09
1st Quarter: \$13,140,902	1st Quarter: \$12,470,853	1st Quarter: 5%	\$64,897,250	5%
2nd Quarter: \$21,388,426	2nd Quarter: \$21,556,875	2nd Quarter: 6%		
3rd Quarter: \$30,367,922	3rd Quarter: \$27,873,228	3rd Quarter: 7%		
Accommodations, Food Services 2010	Accommodations, Food Services 2009	Change 2010-09	2010 YTD	Change 10-09
1st Quarter: \$280,724,860	1st Quarter: \$265,542,237	1st Quarter: 6%	\$943,704,117	6%
2nd Quarter: \$318,209,682	2nd Quarter: \$301,192,232	2nd Quarter: 6%		
3rd Quarter: \$344,769,575	3rd Quarter: \$320,879,385	3rd Quarter: 7%		

Cooperative Advertising

- Publications – 148 partners advertised in the 2010 Travel Guide and an additional 23 in the 2010 Hunting & Fishing Guide
- Newspaper Inserts – 10 industry partners participated with cooperative advertising in the spring and fall newspaper inserts
- Direct Mail – Two partners took advantage of a new direct mail co-op program, which mailed to more than 160,000 households
- E-blasts – Four partners worked with North Dakota Tourism on a new e-mail promotion reaching out to more than 90,000 e-mail addresses in targeted niches
- Radio – Two partners tested a new in-state event promotion program on radio



Online

- Brand Awareness Efforts – TripAdvisor campaign, geo-targeted advertising on premium travel sites in 12 markets, Facebook advertising
- New program with Sojern which embedded North Dakota advertisements into online flight-check-in webpages and printed boarding tickets
- Lead Generation – Banner advertising on a network of 15 targeted web sites delivering 31,000 leads in the U.S. and Canada



Niche Campaigns

- History, Culture & Heritage – three pages of advertising in two publications with a circulation of 354,174
- Outdoor Adventure (also see page 18) – 20 weeks of cable television in five U.S. markets, Jason Mitchell Outdoors sponsorship, two birding ads in two publications, full-page golfing ads in three publications, online banner ads



In-State Efforts

North Dakota Tourism continued a partnership with the North Dakota Newspaper Association that places advertisements in all daily and weekly newspapers in June and July with a circulation total 248,470. Ads also ran with North Dakota Living and Horizons magazines.

RULegendary.com

In conjunction with the RU? campaign, a secondary website was launched. The tagline of "I Am Legendary! RU?" was added to advertising in order to drive traffic to a new social media-populated site. In addition to asking viewers to link their photos, videos, blog posts and testimonials, it directed traffic to a trip planner, partner-provided information and brochure fulfillment. This site was viewed 24,425 times.

**Digital Strategies**

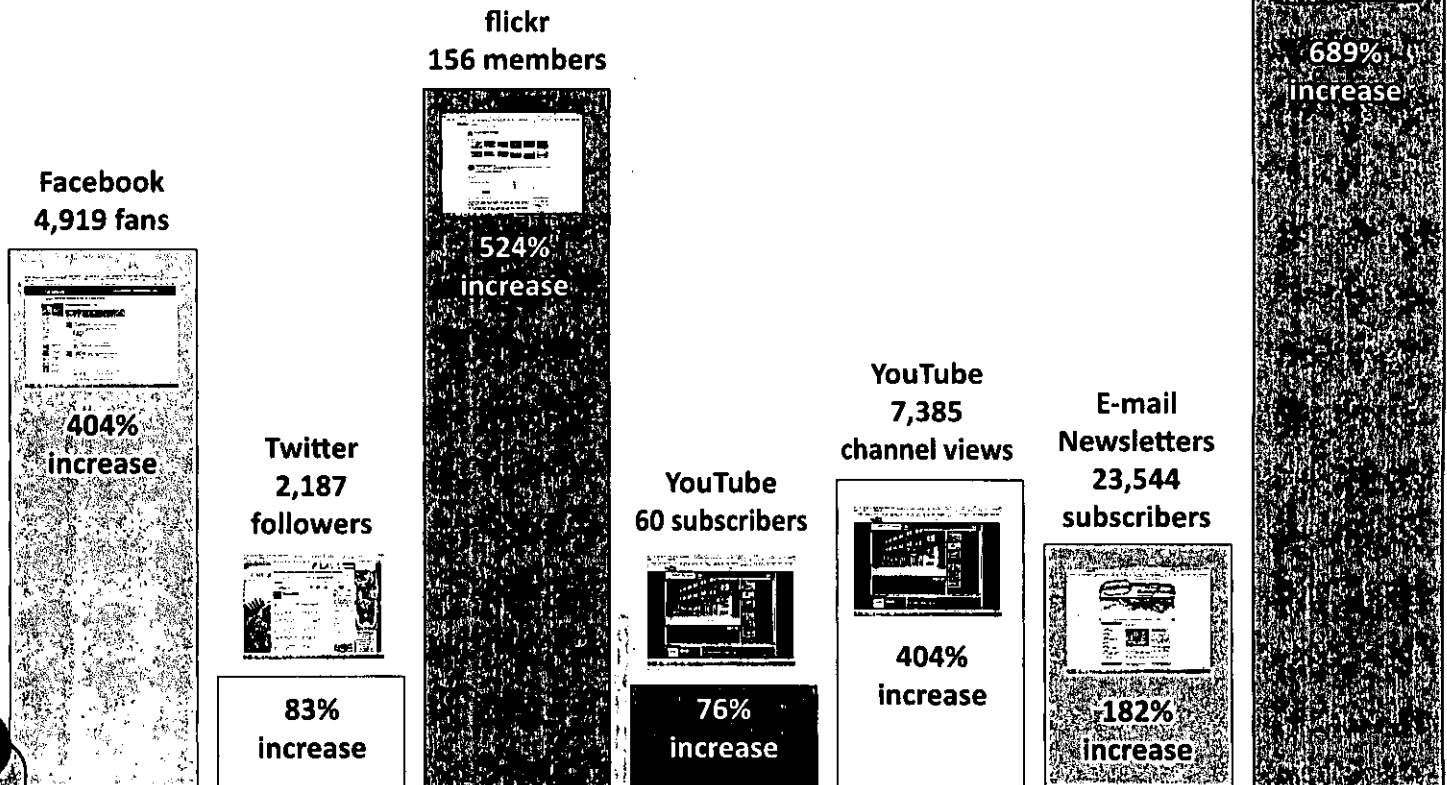
In 2010, the North Dakota Tourism Division and Odney Advertising built a digital strategy for representing North Dakota online. The foundation of this strategy comes from traditional advertising and public relations fundamentals with the goal of increasing North Dakota's presence, image and awareness while motivating trips. This multi-faceted strategy covers the areas of:

- ⊗ NDtourism.com
- ⊗ Social channels
- ⊗ Electronic newsletters
- ⊗ Digital travel guide
- ⊗ RULegendary.com
- ⊗ Keyword marketing
- ⊗ Mobile site

Socializing with North Dakota

In the social media realm, North Dakota Tourism has a presence with Facebook, Twitter, flickr, YouTube, TripAdvisor and a travel blog. North Dakota's total digital audience in 2010 exceeded 977,000. The Tourism Division encourages partners to participate in social media and is happy to cross-promote, retweet, link and feature guest blogs.

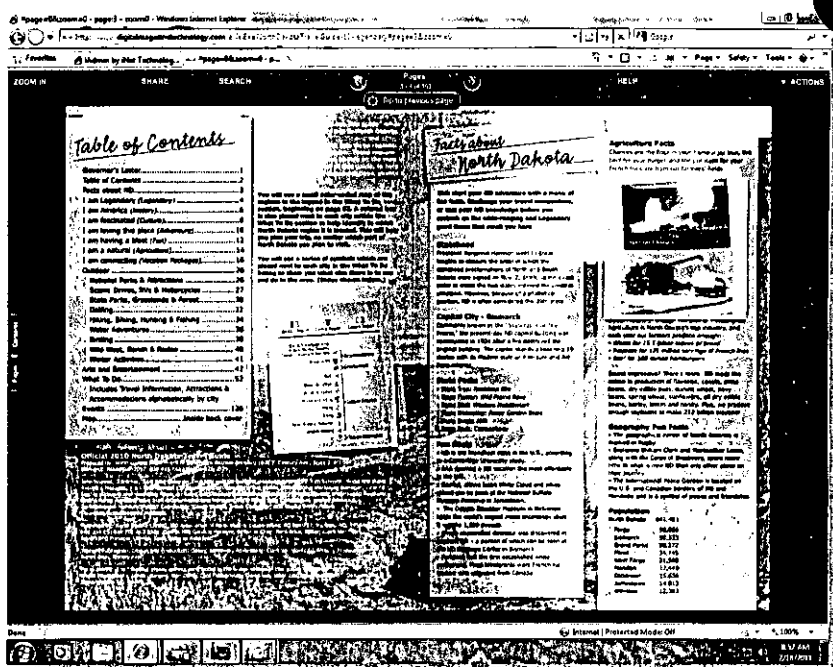
Blog
32,201
views



Enhancements to NDtourism.com

In 2010, the official North Dakota travel site went mobile. The mobile version of the website skims information down to four key areas: What to Do, Where to Stay, How to get There and general information about North Dakota. There are also options to contact the Tourism Division and to view the full site on mobile devices – an important feature for travelers who may access the site from an iPad.

A new digital travel guide was created in 2010 as well. This guide allows viewers to flip through the 154-page Travel Guide on their computer screens, and has features like live links to all advertisers and information listings with e-mails and websites provided. In 2010, this digital guide was accessed 23,425 times.



Media FAMs

In 2010, Kim Schmidt worked with several media including Kendra Williams with Midwest Living who continues to publish stories about their travels through North Dakota.

Writers Workshop

The 2010 Freelance Writers Workshop was held in Minot and offered insight on North Dakota Tourism's story ideas as well as valuable input from editors across the state. Social media strategies and leveraging relationships with publications were also discussed.



Legendary Media Coverage

Television

- CBS Early Show
- NBC Nightly News
- Sports Illustrated
- Washington Post
- Delta Sky
- Versus Television
- KSTP - Minneapolis
- USA Today
- Midwest Living

The Tourism Division is involved in multiple media and public relations efforts, including:

- Monthly event lists and interviews with in-state radio stations and partnerships such as Collective Travel Radio out of Texas
- Customized pitches to national media, niche and regional outlets and freelancers
- Partnerships with Media Kitty, TripAdvisor, NDNA and NDBA

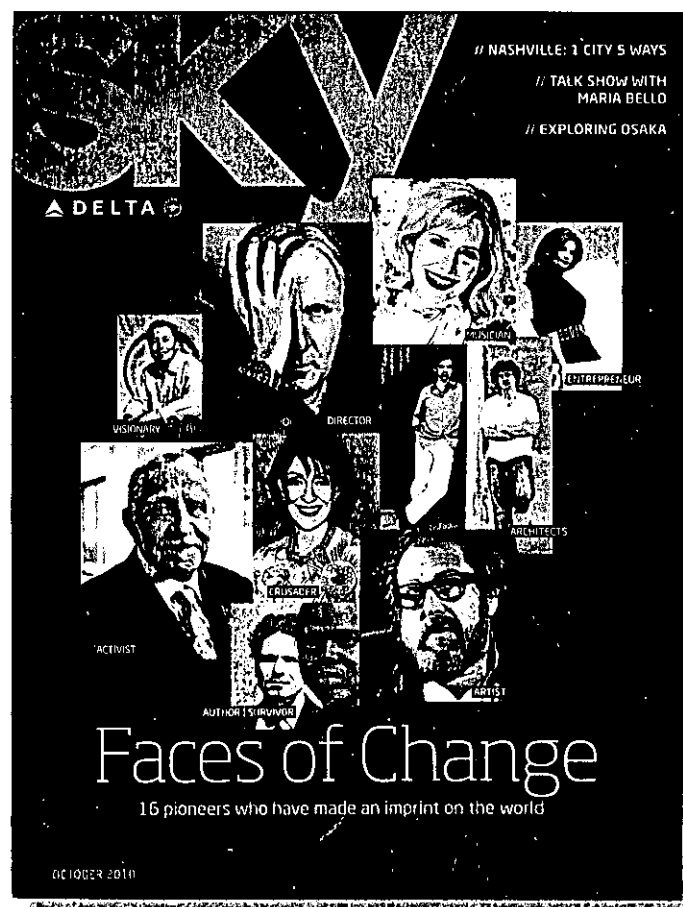
Legendary Promotions

North Dakota Tourism embraced the "I Am Legendary! RU?" campaign by encouraging visitors and media to share their experiences on RUlegendary.com. This theme was also promoted through social media, pitches and press releases throughout the year.

In 2010, 57 press releases were distributed by the division, with 115 specialty pitches prepared for more than 200 media entities. These efforts resulted in earned media of \$6 million in advertising equivalency.

Annual Promotional Efforts

- ⊗ National Tourism Week held the second week of May
- ⊗ Governor's Photo Contest announced in April/May with deadline in September



North Dakota was featured with 30-pages of editorial and advertising in the October issue of the in-flight magazine Delta Sky. The Tourism Division was a partner in the success of this piece, which carried a circulation of 5.3 million.

Media Advertising

In 2010, the North Dakota Tourism Division advertised its services to media professionals through PR publications of the U.S. Travel Association and the Society of American Travel Writers.

2010 Governor's Photo Contest winner: People category, Jessie Veeder, photographer

North Dakota Group Travel

The motorcoach market offers groups a safe and reliable form of transportation, along with creating unique experiences within North Dakota.

Group Travel Promotions

- North Dakota participated in eight group travel shows and expos in 2010
- The Group Travel Guide marketing profile printed in 2010 is the promotional piece used to give tour operators an overview of North Dakota's group tour potential
- Group Travel Media Kit highlights North Dakota itineraries, special events, attractions, learning-based experiences and more
- Special Group Travel promotions on twitter: follow @GroupTravelND

Group Travel Advertising

North Dakota advertising could be found in Group Travel Leader, Group Tour Magazine, Package Travel Insider, Courier, Destinations, Package Travel Insider, Leisure Group Travel, Canadian Traveller and Midwest Itineraries. Tourism took advantage of logo enhancements in the ABA Motorcoach Marketer and NTA Membership Directory.

Online Advertising

- Group Tour Magazine included the North Dakota logo and itinerary
- Two Nations Tours website included the logos and itineraries
- Midwest Itineraries website included itineraries



DMO: Destination Marketing Organization
2010 Marketing Profile



Named by AAA to be
America's Most Affordable
Vacation State

10 Legendary Education Vacations in North Dakota:
Step back in time, lend a hand in the kitchen or play in the dirt!

Agriculture Vacation - How do you make spaghetti noodles?
American Indian Studies Vacation - "Dakota" means "friend" in the Sioux Indian language
Artistic Vacation - Enjoy learning stained-glass design or Ukrainian Egg decorating "Pysanka"
Birding Vacation - 63 top birding locations
Culinary Vacation - Gourmet dining to organic farming
Living History Vacation - Step into the past
Paleontology Vacation - Up close and personal with prehistoric creatures
Shutterbug Vacation - Bring a camera and discover your skills
Crafts Vacation - Needlework, scrapbooking and quilting
Immigrant Cultures Vacation - What is a Pysanka? What is a romnegrot? Ask me!

NORTH DAKOTA - NEW

Ronald Reagan Minuteman III Missile State Historic Site - Cooperstown (East)
American Indian Earthlodge Village Experience - New Town (Northwest)
Dakota Sun Garden - Carrington (Central)

FAMS ON DEMAND or ATTEND NEXT SCHEDULED TOUR

JUNE 16-19, 2010-DISCOVER NORTH DAKOTA'S BADLANDS, NATIONAL PARK and CAPITOL CITY TOUR



1-800-435-5663 www.NDtourism.com dfelchle@nd.gov YouTube

Group Travel FAMS

Deanne Felchle organized two Group Travel FAMS in 2010. These trips include new tour business with operators from Minnesota, South Carolina and Iowa. Participants enjoyed more than 15 different North Dakota attractions and activities.

Editorial

Courier, Destinations, Canadian Traveller, Package Travel Insider, Bus Tours Magazine, Group Tour Magazine and Midwest Itineraries had feature stories showcasing North Dakota stakeholders in 2010.

In the Rebound

According to the U.S. Office of Travel and Tourism Industries, travel by overseas visitors to the United States rebounded by 11.6% in 2010. In North Dakota's key international markets, the U.S. saw 4.2% growth from Western Europe and 24.8% more traffic by Australians. These solid markets continue to shape North Dakota's international marketing strategies.

International Promotions

- North Dakota Tourism participated in 18 international travel trade shows and expos in 2010, showcasing North Dakota to more than 300,000 show attendees. More than 300 leads were collected from the shows
- 1,265 ND Travel Guides and nearly 3,200 state highway maps were distributed at shows
- Custom CDs with information relevant to the market are also produced for each show
- On twitter you can follow North Dakota's international efforts at @InternationalND



International Advertising a \$30,800 Investment

North Dakota's international advertisements appeared in America Journal, Quarter Horse Journal (German version) as well as Knecht Reisen, DERTOURS, Meiers, America Unlimited, CANUSA, Discover America USTravel Association Travel Guide, and the Scandinavian Discover America Magazine. The ad was translated into Spanish, Danish, Swedish, Finnish, Norwegian, Japanese, French, Italian and German.

International FAMs

Fred Walker worked with five international media and travel industry FAMs in 2010. These trips included eight individuals from Denmark, Norway, the UK and Sweden.

North Dakota Tourism international booth display.

Outdoor/Adventure FAMs

North Dakota Tourism will work with on-assignment and independent writers to experience North Dakota's great outdoors. The Tourism Division is a member of the Outdoor Writers Association of America and will also participate with radio shows and online promotions.

Promotional Efforts

- North Dakota has a new social media presence to promote its great outdoors. On twitter, @OutdoorsND, began in September and has rapidly grown. Latest fishing reports are also promoted through this news feed
- North Dakota was represented at eight sport shows and expos in 2010
- Ten partners participated in cooperative opportunities at shows
- In addition to the ND Travel Guide and Hunting & Fishing Guide, cooperative partner brochures were also

distributed at shows

- A presentation on horseback riding and the Maah Daah Hey Trail was given at the Minnesota Horse Expo

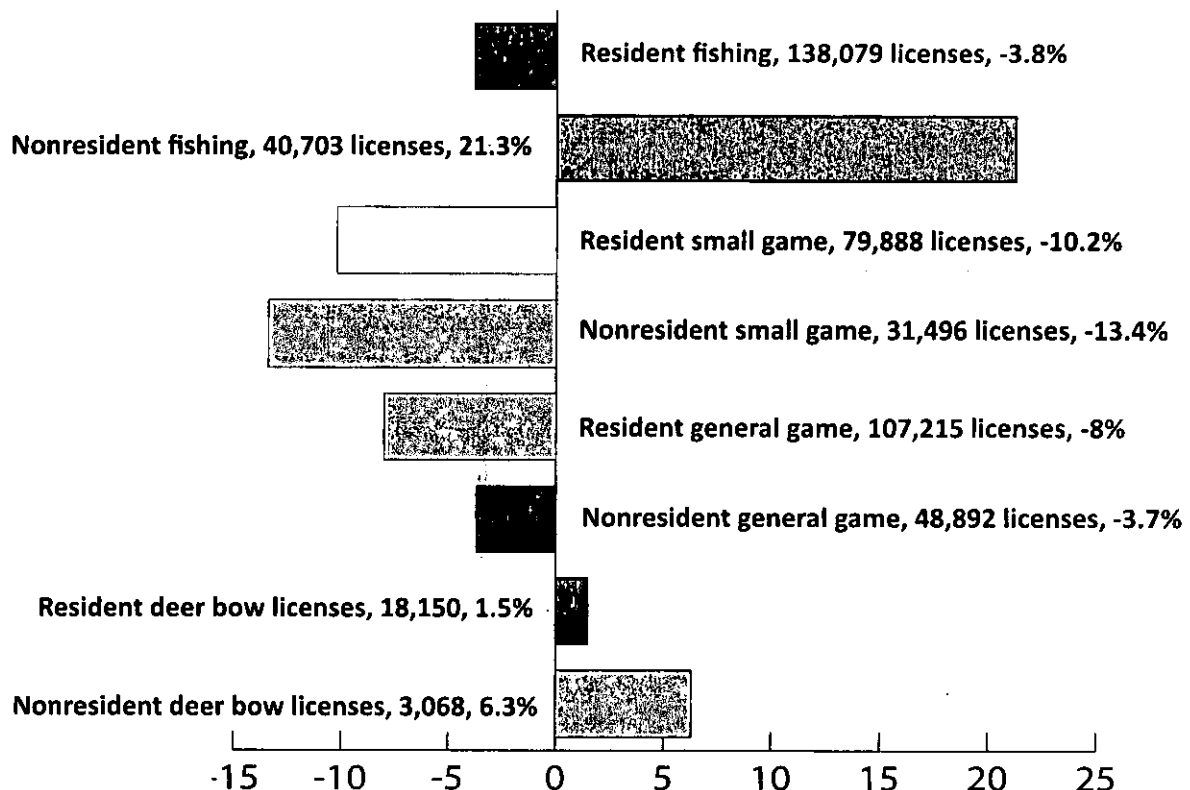
Outdoor/Adventure Advertising

- Birding – two full-page ads in publications with a 48,000 circulation
- Golf – three full-page ads in publications with a combined 301,000 circulation
- Hunting & Fishing – For the first time in nearly a decade, North Dakota Tourism had a new hunting and fishing television commercial, which aired as part of a 12-week first-quarter cable buy and eight-week fall cable buy. It was also seen during the Jason Mitchell Outdoors program, which North Dakota Tourism continued to sponsor in 2010. Online banner ads were run on two sites.

More information and advertising investment on page 11.

ND Game and Fish License Comparison 2009-10

The Game and Fish Department recently tallied fishing and hunting license sales for the 2009-2010 seasons.



Date	Show	Location
January 13-17	Reiseliv	Lillestrom, Norway
January 15-17	Kansas City Sport and Boat Show	Davenport, Iowa
January 15-19	American Bus Association	National Harbor, Md.
January 19	Discover America	Stockholm, Sweden
January 26	Danish Travel Agenbt Seminar	Copenhagen
January 27	Discover America	Gothenburg, Germany
January 28-31	Ferie Trade Show	Denmark
February 7-9	Bank Travel Conference	Milwaukee, Wis.
February 11-14	Minneapolis-St. Paul RV and Camping Show	Minneapolis
February 14-18	Discover America Australia	Australia
February 17-21	Duluth Sport Show	Duluth, Minn.
February 25-28	Omaha Sport Show	Omaha, Neb.
February 26-28	Pheasant Fest	Des Moines, Iowa
March 5-6	Swanson Travel Show	Osby, Sweden
March 7-8	Agent Training Knecht Reisen	Zurich, Switzerland
March 9-14	ITB Berlin	Berlin, Germany
March 10-14	Milwaukee Journal Sentinel Show	Milwaukee, Wis.
March 16	Discover America	Malmo, Sweden
March 24-28	Northwest Sport Show	Minneapolis
March 24-28	Heritage Club International	Oklahoma City, Okla.
April 8-9	USTA Leadership Forum	Washington, D.C.
April 13-15	Tourama, Tourco, Firstline Tours	Turtle Lake, Wis.
April 14-17	RMI Roundup	Great Falls, Mont.
May 15-19	International Powwow	Orlando, Fla.
June 2-6	Travel Alliance Partnership	Branson, Mo.
June 10-13	Outdoor Writers Association	Rochester, Minn.
August 8-10	USTA ESTO & NCSTD	Savannah, Ga.
September 22-24	CenStates TTRA	Springfield, Mo.
September 27-October 2	Norsk Hostfest	Minot
October 26-27	USTA Marketing Outlook	Las Vegas, Nev.
November 13-17	National Tour Association Conference	Montreal, Canada
November 14-16	World Religious Travel Association	Montreal, Canada
November 17-19	Social Media Tourism Conference	Loudon County, Va.

International Show

Sports/Outdoors Show

Group Travel Show

Marketing/PR Event

North Dakota Department of Commerce Tourism Division
1600 E. Century Ave., Suite 2, PO Box 2057
Bismarck, ND 58502-2057
800-435-5663 NDtourism.com

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701-328-2527 socoleman@nd.gov

Tammy Backhaus, Program Specialist/Executive Assistant
701-328-2526 tbackhaus@nd.gov

Deanne Felchle, Group Travel Marketing Manager
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Jessica Fretty, Travel Counselor/Administrative Assistant
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Janice Fuhrman, Travel Counselor
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Dean Ihla, Tourism Development Manager
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Tricia Miller, Data Specialist
701-328-5328 tamiller@nd.gov

Cheryl Purdy, Administrative Staff Officer
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Scooter Pursley, Information Specialist
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Kim Schmidt, Public and Media Relations Manager
701-328-2532 ksschmidt@nd.gov

Fred Walker, International Marketing Manager
701-328-3502 fwalker@nd.gov

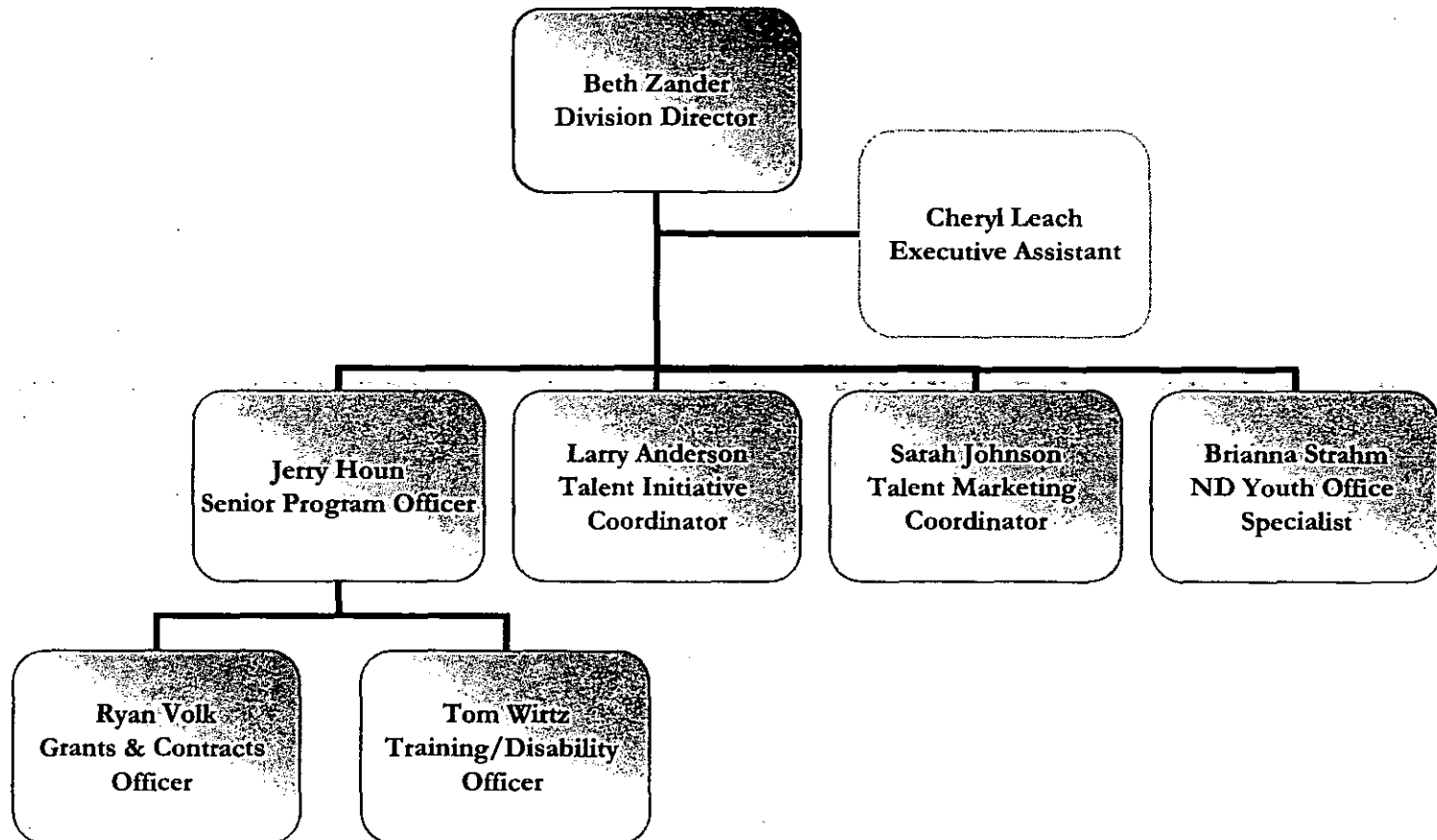


Workforce Development

IN THIS SECTION:

- Beth Zander's Testimony
- N.D.C.C. §50-11.1-14.1
- Workforce Enhancement Grants Summary

Division of Workforce Development Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

MARCH 15, 2011, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

BETH ZANDER – DIRECTOR, WORKFORCE DEVELOPMENT DIVISION

Chairman Holmberg and members of the committee, I am Beth Zander, Director of the Workforce Development Division of the Department of Commerce.

While I'm new to the Division, I've been in our workforce system for several years. I've seen great strides in collaboration among partners and I see great opportunity for our continued joint work to address North Dakota's workforce needs.

While workforce system partners represent separate entities with distinct charges, we are also a collective – collaborators on the strategic level with an eye on the big picture for North Dakota – identifying and meeting workforce needs with focus, broad reach and minimized duplication.

Within this collective, the Workforce Development Division delivers some direct services. These programs fill some of the gaps in our partnership network of services.

Our current direct program delivery includes:

- **AmeriCorps** and **Learn and Serve** programs, which utilize volunteerism to fill unmet community needs while keeping individuals connected to their communities and providing them with educational opportunities.
- **Jobs for America's Graduates**, JAG Pilot Programs designed to keep youth in school.
- **Operation Intern**, a program enacted by the legislature in 2007 to expand the number of new internship, work experience and apprenticeship positions with North Dakota employers.
- The **Relocation Program**, which gives people interested in moving to, or back to North Dakota a key contact to help them with their job search and keep them engaged in their relocation efforts.
- **Workforce Enhancement Grants**, enacted by the legislature in 2007 to increase training responsiveness to employer needs through grants to the four designated training community colleges.
- **Community Labor Availability Studies** that provide local communities with labor availability and skill information to support business retention, expansion and recruitment.

Our strategic work in the division involves engaging our workforce partners in organized efforts to share expertise, mitigate duplication and expand access, develop a current and future state plan for workforce, and achieve that future state through coordinated effort.

We provide administrative support to Governor-appointed councils and commissions. These groups have similar missions, but must be distinct to meet requirements of various federal programs.

Our support to the groups expands our access to interested employers, service providers and policy makers, giving us a broader base for planning and implementing strategic efforts.

The Governor-appointed **Councils and Commissions** to which the division provides administrative support include:

- North Dakota Workforce Development Council
- North Dakota Youth Development Council
- North Dakota State Commission on National and Community Service
- Office of Faith-Based and Community Initiatives

In the fall of 2009, the Department of Commerce announced the creation of the **North Dakota Youth Office** designed to invite young people to stay in North Dakota and to incorporate existing youth-related programs under one office. This too is part of our workforce system's strategic effort to attract, retain and expand the state's workforce.

There are some changes to our budget from the last biennium, which I'll briefly explain.

Recommendation #5 from the Early Childhood Education section of the report from the North Dakota Commission on Education Improvement calls for funding for 125 scholarship grants to individuals working in the childcare industry who wish to obtain a **Child Development Associate** credential. The CDA National Credentialing Program is a system designed to improve the quality of early childhood education programs by improving the professional competence of the childcare providers.

The Governor's budget proposal of \$150,000 for the CDA credential matched the Commission's recommendation.

Approximately five million dollars was appropriated in our budget by the House for overall child care business recruitment, retention and training. The funds are designated for ongoing development and increased child care capacity as established in HB1418 (2009) found in NDCC 50-11.1-14.1. I have attached that section of the code for your reference. The Child Care Initiative established by HB1418, was implemented by Child Care Resource and Referral (CCR&R). Program achievements to date include: 112 new in-home child care businesses and 9 new child care centers have been created, adding 1700 new child care spaces; 80 hours of online training have been made available, and have been taken over 17,000 times; and, 164 existing providers have enrolled in CDA and other activities designed to strengthen their businesses.

As North Dakota's economy grows, communities struggle to meet the demand for quality child care needed to support their expanding workforce. Child care industry standards suggest the child care supply meet 50% of demand. CCR&R data indicates that North Dakota's supply meets 40% of the demand—we need an addition of 8,000 spaces to reach 50%. This shortage grows as energy and other economic development brings in new, young families.

WorkKeys is a job skill assessment system developed by ACT, the nationally known non-profit research and assessment organization. In 2009, the legislature enacted a scholarship program for all North Dakota students, including a Work Keys option. Expanding the use of Work Keys to adult job seekers and incumbent workers through this project will clarify the skill needs of employers and give them a proven tool for measuring skill levels. It will also help job seekers identify and address their skill gaps.

Our project will involve educating employers and job seekers on:

- The profiling process and the database of profiled jobs
- Use of ACT-provided job profile information in writing better job descriptions
- Use of assessment results to assist in employee selection
- Use of assessment results to understand staff training needs

The project budget of \$125,000 for program education, promotion and assessment administration was eliminated in the House. We ask that you consider adding this opportunity back into our budget.

Jobs for America's Graduates, or JAG, is a nationally recognized, nationally administered program designed to serve youth at risk of dropping out of school. The JAG model provides course curriculum and mentoring to encourage students to complete school, secure quality employment leading to a career, or pursue postsecondary education.

The Workforce Development Division took the lead in implementing JAG in North Dakota by offering seed funding to schools interested in developing and maintaining JAG programs. We currently have high school-level programs in Williston and New Town. Early College Success Programs at Williston State College and United Tribes Technical College apply the JAG model at the post-secondary level.

We requested \$100,000 for the biennium, to provide a limited level of funding to the programs for two more years, as they develop sustainability plans. This was removed in the House and we ask that you consider adding it back to the budget.

We requested an increase to the **Workforce Enhancement Grant** program, which the Governor proposed as **Workforce Centers of Excellence** under the combined Centers of Excellence concept. This program was funded at \$2 million for the 2007-09 biennium

and at \$1 million for the current biennium. \$2 million has been appropriated by the House.

Current funds are fully obligated. We're seeing the demand for flexibility in programming to keep workers current with employer need. Employer commitment is apparent through the dollar-for-dollar match being provided.

Operation Intern puts focus on higher education internships in target industries. Matching funds equal to 50% of the compensation paid to interns are available to businesses creating new internship, apprenticeship and work experience opportunities in North Dakota. Students enrolled in a North Dakota college or university, a registered apprenticeship program, or high school juniors and seniors are eligible.

Since program inception in 2007, over 180 businesses have participated in the program and 320 new internship, apprenticeship and work experience opportunities have been created.

The current biennium appropriation of \$900,000 has been fully obligated. Our budget request maintains this funding level. We are also asking for an emergency clause on the appropriation. In addition, continuing appropriation would allow the program to more easily assist internship opportunities that span multiple biennia, particularly the summers between biennia.

Mr. Chairman, members of the committee, this concludes my testimony. I would be happy to answer your questions.

50-11.1-14.1. Workforce development - Quality improvement – Technical assistance - Capacity building.

1. The department shall provide voluntary, progressive training opportunities leading to credentials and shall provide supports for the early childhood care and education workforce. The department shall implement a registry to track workforce participation.
2. The department shall implement a voluntary quality improvement process for licensed early childhood facilities. The department may provide a quality incentive payment and a higher reimbursement rate for child care assistance program payments to a participating early childhood facility. The department may provide technical assistance and support to an early childhood facility that applies for quality improvement and may provide financial incentives to an early childhood facility that sustains and increases program quality. The department may contract with a private, nonprofit agency to provide technical assistance under this subsection.
3. The department may provide supports and incentives to build child care capacity, including:
 - a. Technical assistance and support to individuals who want to establish a new program or expand existing capacity to include information on needs assessments, regulatory processes, facility design and furnishings, startup and operating budgets, staffing patterns, curriculum evaluation, and development of business plans.
 - b. Grants to programs with a viable business plan to support early childhood facility development and expansion in areas with a demonstrated need.
4. The department shall coordinate with other state agencies as necessary to implement the provisions of this section.

Workforce Enhancement Grant Program
2009-2011 Biennium

North Dakota State College of Science

- Automotive Diagnostic Certification Center: \$265,000
Provides diagnostic equipment, software and consulting, training platform, instructor training and curriculum development to train and certify automobile technicians in diagnostics.
- Industrial Controls and Communications Training Initiative: \$108,000
To stay current with industry trends away from analog instrumentation and toward networked electrical control systems, NDSCS will upgrade both permanent and portable training platforms in its electrical training programs with current distributed control systems, automation controllers, and human machine interfaces.

NDSCS Total: \$373,000

Bismarck State College

- Automotive Collision Technology Program: \$76,368
For the purchase of a state of the art Semi Downdraft Double Prep Station (paint booth) for the Automotive Collision Technology (Auto Collision Tech) program at Bismarck State College.
- Line Worker –Skid Steer Loader: \$45,968.00
For the purchase of a Skid Steer Loader to support an introduction to pole climbing for the line worker program at Bismarck State College.
- Welding Partnership Program : \$96,990
Education and welding training delivered to inmates from the North Dakota Department of Corrections through the use of Virtual Welding Training Units.
- Electronics and Telecommunications Project: \$102,116
To enhance and expand the Electronics and Telecommunications programs by locating the program and offering dual credit at the Bismarck Career Academy, which serves 10th, 11th and 12th graders.

BSC Total: \$321,442

Williston State College

- Transportation Initiative: \$265,000
Makes certificates available in Suspension and Computerized Alignment, Electronic Diesel Engines, Automatic and Electronic Transmissions and Clutches, Transmissions and Electronic Controls.

- Commercial Drivers License Initiative: \$50,000
Funds the purchase of a pickup large enough to transport the CDL training lab. This will assist with onsite CDL refresher training for area trucking companies and remotely located companies that employ truck drivers.
- System Integration and Emerging Technology Program: \$50,000
Funds applied to development of the System Integration and Emerging Technology Center. The Center will offer courses in the following areas: IP Telephony, Communication Systems, Computer Systems, Information Technology (IT), Networking (Switching and Routing), Security and Life Safety Systems, Fire Detection Systems, Audio Visual Systems, Home Automation and Control, Industrial/Commercial Automation and Control, and Low Voltage Wiring (Voice, Data, Audio, Video, Security and Fire). Includes training to secondary and post-secondary students and incumbent workers.

WSC Total: \$365,000

NOTE:

- Lake Region State College turned back grant funds due to inability to obtain match.

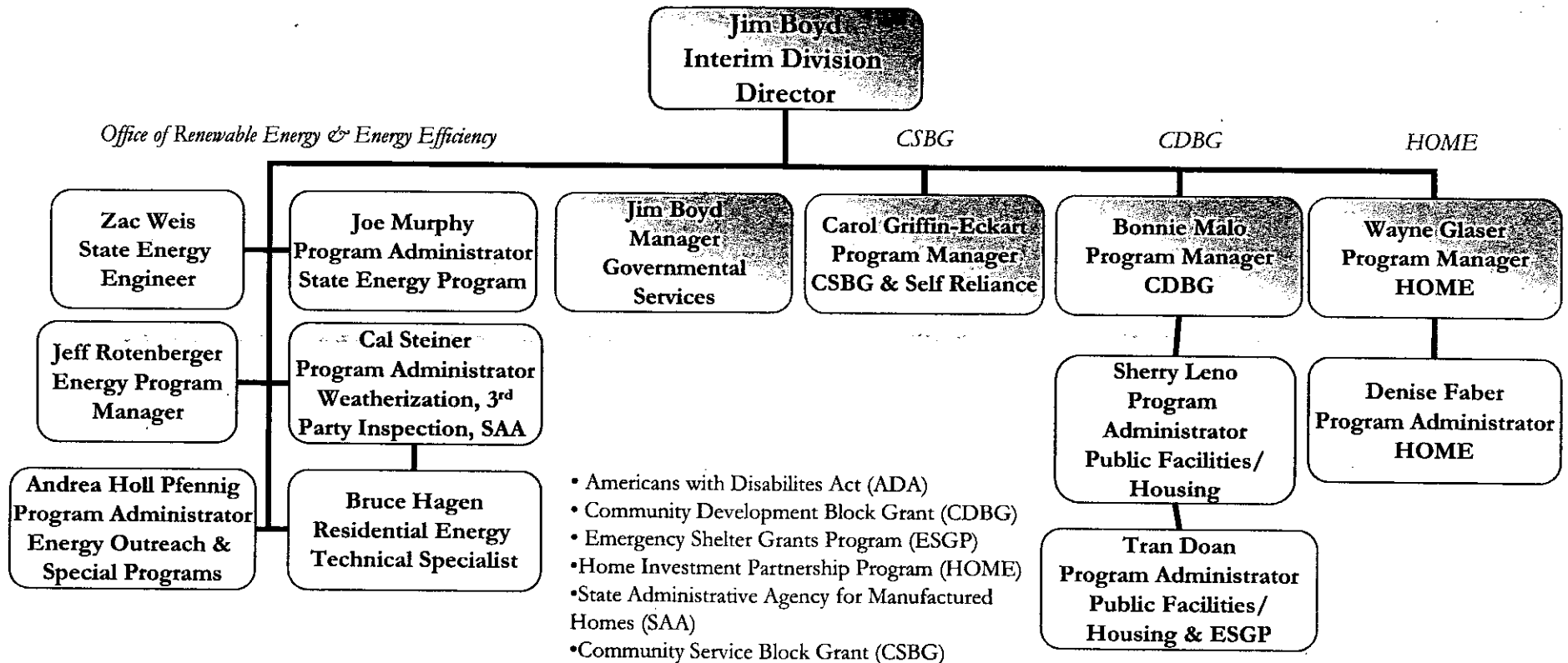


Community Services

IN THIS SECTION:

- Jim Boyd's Testimony
- Division Budget Charts
 - Funding Source
 - Line Item
 - Program Area

Division of Community Services Organizational Chart



DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018

MARCH 15, 2011, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

HARVEST ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

JIM BOYD – INTERIM DIRECTOR OF THE DIVISION OF COMMUNITY SERVICES

Good morning Mr. Chairman and members of the committee. I'm Jim Boyd, Interim Director of the Division of Community Services.

The total appropriation request for the biennium for the Division is just over \$86.4 million. Of that amount, just under 3% of the budget is proposed to come from the General Fund.

I'd like to refer you to the pie charts included in your handouts. The first chart is the "Funding Request by Funding Source". You will note that approximately 97% of the division budget consists of federal or special funds.

It's important to note that the federal funds amount in your budget packet includes slightly over \$24.4 million in Recovery Act funding authority necessary to complete the community development and energy efficiency initiatives begun during the current biennium.

The \$2.4 million General Fund request represents nearly a \$5.6 million decrease from the current biennium's budget. While the general fund budget contains \$530,338 from the executive recommendation to continue the child care program grants, the majority of reductions come from the elimination of the Great Plains Applied Energy Research Grant as well as the State Blender Pump initiative.

The second chart, "Funding Request by Line Item", shows where the dollars will be spent.

- Over 95% of the funds we receive is used to provide grants local organizations throughout the state (city/county governments, Community Action Agencies, etc.);
- almost 3% will be used for salaries and wages; and
- about 1.3% will be used for operating expenses.

The third pie chart is the "Funding Request by Program Area" which describes what we will do with the money in the next biennium. The Division of Community Services consists of four different program areas:

- 1) Community Development
- 2) Office of Renewable Energy and Energy Efficiency
- 3) Self-Sufficiency
- 4) Technical Assistance

The Community Development program normally invests from \$15 to \$25 million in development projects during a biennium. From July 1, 2009 to January 1, 2011, 188 community

projects were approved for a total of just over \$17.2 million. The following are a few examples of the diverse type of community projects we get involved with all across the state:

- Awarded \$333,641 for construction of a 36 unit affordable rental housing project in Dickinson.
- Provided \$100,100 to the City of Lehr to replace water mains.
- Awarded \$162,500 to the City of Stanton to rehabilitate a Mercer County Housing Authority 8- Plex.
- Provided \$35,800 to Stutsman County to remove architectural barriers in the county courthouse.
- Provided \$585,000 for a 17 unit affordable housing development project which rehabilitated the former hospital building in Stanley.
- Awarded \$ 2.8 million in assistance to sub-recipients for housing rehabilitation and homebuyer acquisition activities statewide including projects in communities ranging in size from Lehr and Zeeland to that of Bismarck and Fargo.
- Funded the redevelopment of 124 affordable housing units in Fargo with over \$2.3 million.
- Provided over \$2.2 million in funding to the City of Bismarck for the redevelopment of 33 units of affordable housing units.
- We provided close to \$746,000 to 24 homeless shelters; including shelters in Bismarck, Dickinson, Fargo, Grand Forks, and Williston. On any given night, these shelters serve approximately 1,100 homeless people in North Dakota.

On to the Office of Renewable Energy and Energy Efficiency and some recent examples of activities.

- 1,765 homes occupied by low income families received weatherization assistance with 719 home furnaces repaired or replaced last year.
- Awarded approximately \$ 5.2 million to implement energy efficiency projects in 10 state owned institutions.
- Awarded \$2 million to Minot State University for a heating system retrofit project utilizing Geothermal Energy.
- In our efforts to work with small cities and counties we have awarded over \$8.1 million in assistance to 104 units of local government for energy efficiency projects to reduce their energy costs.

As far as the Self Sufficiency program area is concerned, we will provide an estimated \$6.9 million of Community Services Block Grant dollars to fund numerous programs and services in the next biennium. Most of these dollars go to the Community Action Agencies to help them work with some of our most vulnerable people. This current biennium approximately \$4.5 million of ARRA funds were available to supplement the ongoing program funds.

The programs and services include Head Start, surplus commodity food distribution, self sufficiency assistance, employment education, income management, health services and emergency housing needs.

These federal funds are provided by the U.S. Dept. of Health & Human Service's Office of Children & Family Services. One of the requirements of the program is to hold a public hearing in conjunction with each legislative session. Traditionally time is set aside during our budget hearing today to receive comments and meet this federal requirement.

Our final program area is best described as technical assistance.

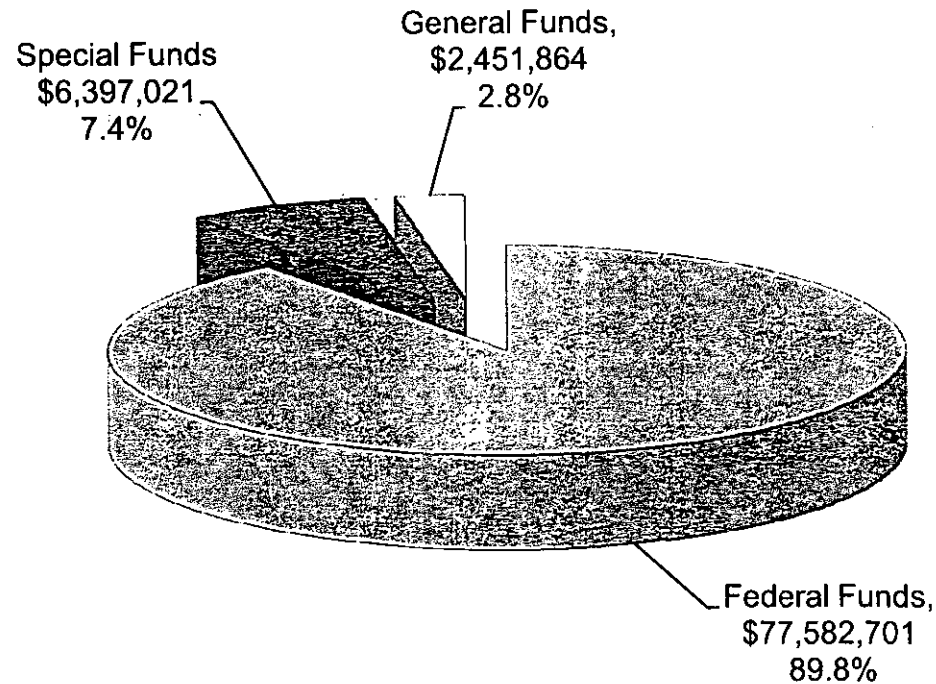
- This includes the Renaissance Zone program which we manage. We now have 49 cities, including Ashley, Beach, Bottineau, Bismarck, Dickinson, Fargo, Grand Forks, Hazen, Jamestown, Minot, Valley City, Watford City and Wishek with designated Renaissance Zones. To date we have over approved 950 Renaissance Zone projects statewide.
- This program area also includes the manufactured home installation program. The program was implemented in 2006. The purpose of the program is to ensure the proper installation of manufactured homes; thereby, reducing problems with the new homes.

In closing I'd just like to acknowledge the help and collaboration we get from the 8 Regional Councils and the 7 Community Action Agencies in the delivery of some of our programs.

All the Division of Community Services programs are geared to improving the quality of life for the people of North Dakota; thereby, supporting the efforts of the Department of Commerce to attract, retain and expand wealth here in North Dakota.

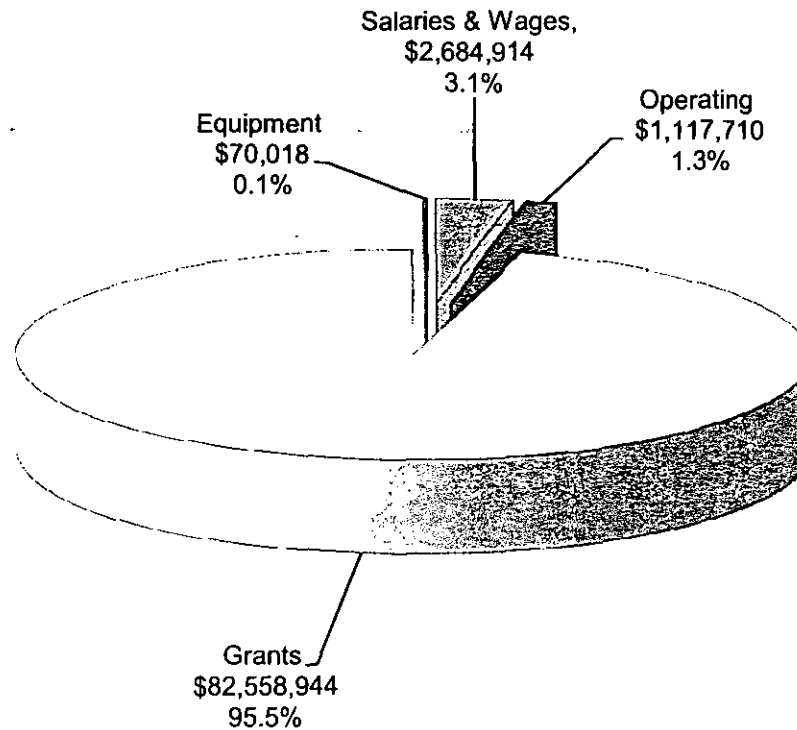
Division of Community Services 2011 - 2013

Funding Request by Funding Source



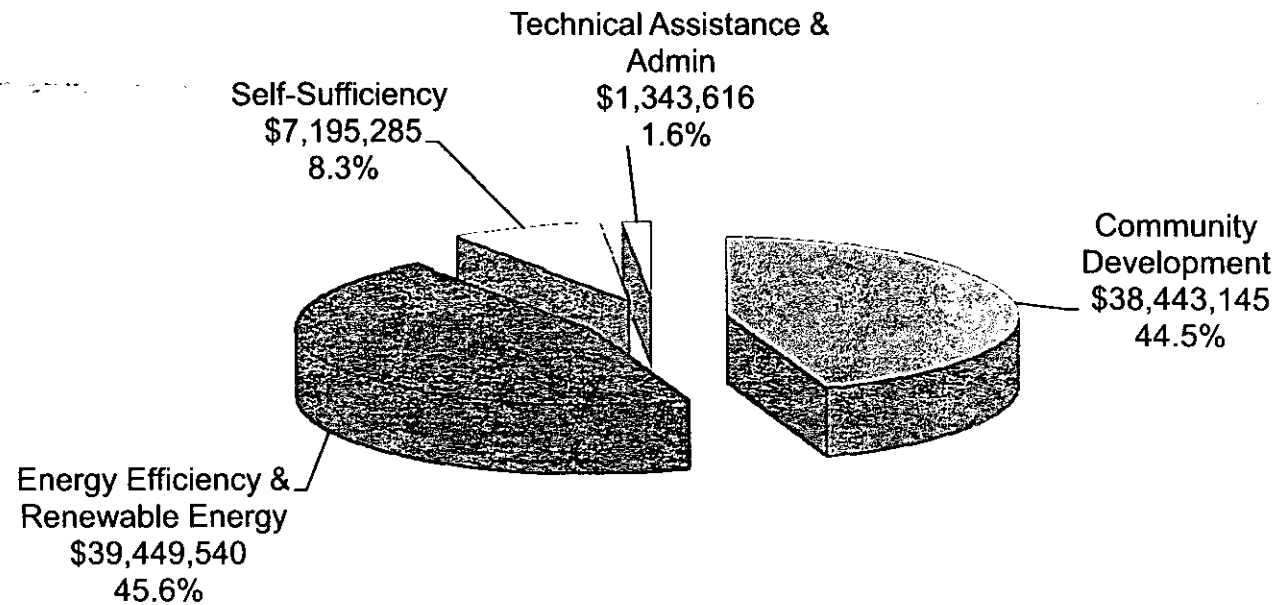
Division of Community Services 2011 - 2013

Funding Request by Line Item



Division of Community Services 2011 - 2013

Funding Request by Program Area



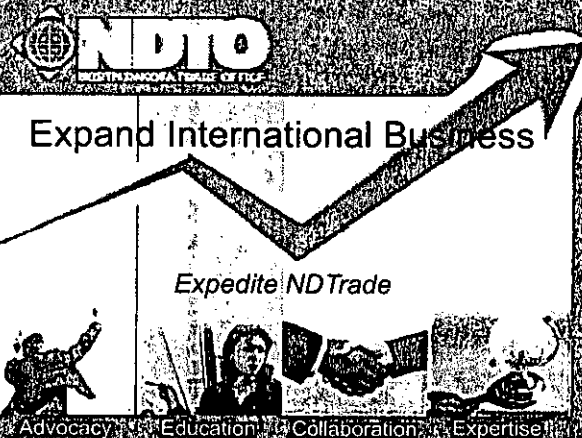


IN THIS SECTION:

- ND Trade Office Slides
- Economic Impact of ND Trade Office



Presentation for ND Legislature March 2011



About the North Dakota Trade Office:

Non-profit dedicated to expanding North Dakota's international trade
Funded by membership dues, North Dakota tax monies, International
Business Resources and fee for service
Staff of professionals dedicated to international trade expansion

Board of Directors

Chairman

Lt. Governor Drew Wrigley

Vice Chairman

Representative Alan Carlson
Carlson Construction Inc.

Paul Govig

Interim Commissioner, ND Dept. of
Commerce

Howard Dahl

President, Amity Technology

Bob Sinner

President, SB&B Foods

Steven Dickinson

Shareholder and Board Member,
Fredrikson & Byron, P.A.

Doug Goehring

Commissioner, ND Dept. of Agriculture

Bob Pelka

Vice President of Structured Trade Finance,
Wells Fargo HSBC Trade Bank, N.A.

Eric Bartsch

General Manager, United Pulse Trading, Inc.

Bob Majkrzak

President, Red River Commodities

Sherman Wehlender

Export Sales & Logistics, Bobcat Co.

Tom Shorma

Chairman, North Dakota District Export Council
President, WCCO Belting

Members

North Dakota Trade Office members are manufacturers, distributors, processors and service providers of:

- Agriculture equipment
- Value-added crops and seed
- Aviation equipment and services
- Transportation equipment
- Many other industries

Current membership numbers:

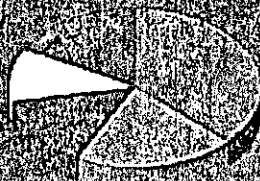
- 70 exporter members from throughout the state
- 20 International Business Resource providers

Mission Statement

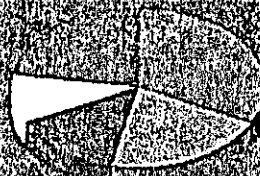
To expand North Dakota's global trade through advocacy, education and expertise.



What We Export



2009



2010: Q1-Q3

	Product	Value (\$)		Percent	
		2009	2010: Q1-Q3	2009	2010: Q1-Q3
333	Machinery Manufactures	\$804,518,479	\$824,160,574	36.7 %	32.7%
111	Crop Production	\$454,670,984	\$546,854,108	20.7 %	21.7%
311	Processed Foods	\$322,362,210	\$356,555,255	14.7 %	14.1%
211	Oil & Gas Extraction	\$232,815,547	\$247,997,871	10.6 %	9.8%
	All Others	\$378,644,153	\$546,242,035	17.3 %	21.7%
	Grand Total	\$2,193,011,373	\$2,521,809,843	100 %	100%

Source: Office of Trade and Industry Information (OTII) Manufacturing and Services International

Trade Administration, U.S. Department of Commerce

Our Global Customers

Partner	2005	2006	2007	2008	2009	2010
World	1,191,735,128	1,519,649,294	2,046,659,843	2,772,203,944	2,193,011,373	2,521,809,843
Canada	544,912,090	737,121,388	1,002,082,961	1,428,603,923	1,251,386,885	1,555,600,347
Mexico	50,848,186	55,085,764	122,544,135	198,722,443	197,260,562	165,954,126
Australia	76,131,511	80,048,650	56,746,573	88,697,153	102,084,311	67,940,254
Belgium	108,509,234	161,589,422	121,761,312	94,859,625	33,975,105	53,973,557
Germany	21,424,306	45,959,309	76,142,860	93,951,169	33,746,113	37,405,245
Venezuela	2,765,463	1,963,238	7,922,139	5,163,545	1,209,901	36,765,879
Brazil	3,317,830	5,229,809	8,492,534	26,930,829	14,096,810	36,499,617
Saudi Arabia	9,405,892	12,466,476	20,303,931	16,687,123	38,244,115	35,738,328
India	5,470,836	9,881,366	20,847,873	28,990,610	39,341,363	30,975,416
Spain	24,808,693	26,812,190	40,728,854	30,428,619	20,809,772	30,545,114
Japan	24,228,753	23,244,543	30,254,478	21,963,256	20,527,187	29,697,061
United Kingdom	25,168,598	20,379,706	27,046,150	36,467,512	35,504,579	26,766,424
Czech Republic	7,047,765	2,792,723	1,148,295	28,380,930	10,178,304	25,714,315

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services International Trade Administration, U.S. Department of Commerce

ND Ag Exports

North Dakota ranks 8th in the nation with \$3.19 billion in agricultural exports in 2009.

National Rank	Commodity	North Dakota Ag Exports in USD
#2	Wheat & Products	1.15 billion
#11	Soybeans & Products	612 million
#12	Feed Grains & Products	286 million
#2	Feeds & Fodders	340 million
#4	Vegetables & Preps	334 million
#1	Sunflower seed & Oil	111 million
#3	Seeds	83 million
-	Live Animals & Meat (exc. Poultry)	7.6 million
-	Other*	246 million
-	Total**	3.19 billion

* Other pertains to sugar and tropical products, minor oilseeds, essential oils, flavorings other than juice, nursery and greenhouse, wine, and misc. vegetable products.

** Totals may not add due to rounding.

Source: Compiled by ERS using data from USDA National Agricultural Service and U.S. Department of Commerce, Census Bureau.

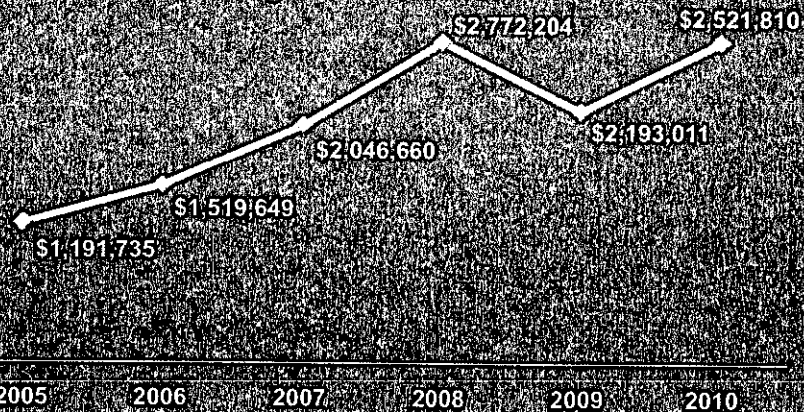
Top 10 Destinations for US Agriculture and Livestock Products

Rank	Country	2010	2009
1	China	15.44 billion	11.60 billion
2	Canada	7.84 billion	7.14 billion
3	Japan	7.67 billion	7.15 billion
4	Mexico	6.53 billion	5.81 billion
5	South Korea	3.34 billion	2.70 billion
6	Taiwan	2.08 billion	2.14 billion
7	Turkey	1.68 billion	1.13 billion
8	Egypt	1.63 billion	1.06 billion
9	Indonesia	1.47 billion	1.16 billion
10	Germany	1.34 billion	1.13 billion
World Total		68.31 billion	57.647 billion

Source: USDA's National Agricultural Statistics Service and U.S. Department of Commerce, Census Bureau Trade Data Express

ND Manufactured Exports to the World

Figures in billions USD



Source: U.S. Dept of Census, GTIS, World Trade Exports

Trade Office Membership



Trade Office Outreach

Export Management Course

- 12 Week Course
- Held in the fall at UND
- Held in the Spring at NDSU

Trade Talks

- Live seminars and online webinars
- 18 events this biennium
- 371 participants
- 90% satisfaction rate

Export Assistant Program

- 13 export assistants placed in ND companies

Website and Global Business Expo

- New website launched in July 2010
- Expo showcases members and their products

ExporTech

- Launched in spring 2009
- Partner with MEP and US Commercial Service

Trade Office Outreach

Global Business Connections

North Dakota Trade Office's Global
Business Conference
*Where the global business community
comes to you*

Wednesday, March 30 and Thursday, March 31, 2011
Ramada Plaza/Suites, Fargo, ND



Featured Speaker
Greg Page
Chairman and CEO of Cargill

Page joined Cargill in 1974. Over the years, he held a number of positions in the United States and Singapore. He was elected chairman of the board on Sept. 11, 2007 and CEO on June 1, 2007.

Global Business Connections is a valuable education for emerging and experienced exporters and export service providers.

Network with exporters, meet international business professionals, attend breakout sessions designed to help you expand your international business and tour the conference's exhibition to learn more about successful exporters and the companies that serve them.

Trade Missions

Biennium to Date

7 countries

**55
companies**

**\$5.75 million
immediate
sales**

**\$13.4 million
projected
increase in
sales**

Reverse Trade Missions

Biennium to Date

340 visitors
from 21
countries

108
companies

\$4.68 million
immediate
sales

\$10.86 million
projected
increase in
sales

Budget Enhancement

\$489,000

Capital
Formation

Logistics
Coordination

Upgrade
Information
Systems

ND Economic Impact

Benefits

Increased Exports 2009 to 2010
New Employment this biennium
Gross State Product 2009
New State Tax Revenue
Member Export Growth

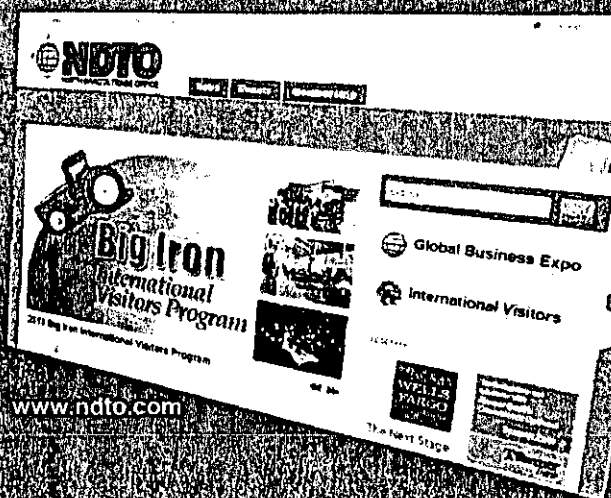
Results

\$60MM
284
\$32MM
\$3.4MM
+70% vs. 2009

Source: North Dakota State Data Center's December 2011 Economic Brief
U.S. Department of Labor

Contacting NDTO

North Dakota Trade Office
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Dept. 10510 P.O. Box 6050
Fargo, ND 58108 USA
Phone: +1 701 231 1150
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Economic Impact: Biennium 2009 - 2011

Mission

The NDTO mission is to expand export volume through advocacy, education and expertise.

State Funds

The NDTO received \$2.064MM in state funding in the present biennium, with a match requirement of \$750,000 in private funds from exporters, export service providers and federal grant authorities.

Profitable Entity for the State

In the current biennium the Trade Office has been true to its mission and has continued to be a highly profitable entity for the state.

Data based on surveys returned from Trade Office members (representative sample) and data returned on surveys from Trade Office members who traveled on Trade Missions or who took part in reverse missions indicate these companies generated \$60 MM in incremental export sales over the previous 12 months resulting in \$3.4 million in incremental state tax revenue. In essence, the annual state tax revenue generated from these members represents more than twice the state funding provided the Trade Office during the biennium.

Increased Trade Office membership by 55%

July 2009 membership = 46

January 2011 membership more than 70

Member renewal rate of 90%

Expanded to Global Offices

Kazakhstan, Ukraine, Turkey, South Korea, and China/ Hong Kong. NDTO contracted with 5 dedicated overseas representatives in these markets to continue business development in existing countries and to strengthen partner relations overseas. Our representatives have enabled us to identify, recruit and build relationships with key distributors and customers; as well as troubleshoot on behalf of our exporters. These representatives are the critical to advancing our success.

Outreach and Resources to Members

- Export Management Course: We successfully launched our (for credit) Export Management Certificate Course in conjunction with the University of North Dakota (fall of 2009) and North Dakota State University (spring 2010). The course is 12 weeks and





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educates university students, export assistants, and international export managers and staff with expertise from industry experts and business resource providers. The course is unique in that each week the instructor is different and is an expert in their field of international business. Panel discussions with an array of local business leaders are often highlights providing the students with insight into how business is really done; including the obstacles and challenges exporters face. The capstone of the program is a group project with a local export company, in which the students prepare a detailed export management plan for the exporter, complete with selection of a new market, research and recommendations for market entry.

- **Trade Talks:** NDTO trade talks include a combination of live seminars and on-line webinars. Over the present biennium, 18 events were held, with 371 participants and a 90% satisfaction rating. Trade Talks were expanded in this biennium to include technical export issues, high level trade discussions from experts, and country market experts. We are committed to utilizing local business resources providers as experts when and where possible for the benefit of the members.
- **Export Assistant Program:** This innovative program places graduate students with participating companies where the skill set and company needs are best met. The export assistants, students at North Dakota State University, work up to 20 hours a week, and full time over the summer. The companies commit to a 2 year relationship, and the graduate students help build the global business. The students gain work experience related to their graduate studies, college credit and tuition assistance; and upon graduation move onto careers in international business or assist the companies in pursuit of global business opportunities that would not have been realized. In addition, half of the student's earnings are paid by the company. Currently there are 16 assistantships and 13 are filled.
- **Website enhancement and Exporter Expo:** July 2010 saw the launch of a new NDTO website. The new website launch included a new look for the trade office complete with a new logo and new branding. The website includes a business expo, a unique and versatile approach enabling member companies to showcase their products in a trade show-like format. Available to members and non-members on a fee basis. The website serves as a global resource for our country representatives, member and non-member companies, their products and the NDTO.





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- **ExporTech**: Launched in the spring 2009, the ExporTech program is designed to help small to medium sized companies enter or expand into global markets by helping them to understand how exports can be a major growth driver; identify hurdles to expansion, and work one-on-one with facilitators and experts to develop their export growth plan. By utilizing a team of experts, ExporTech helps the companies move quickly beyond just planning, into actual export sales. Our local team consists of Dakota Manufacturing Extension Partnership (MEP), and the US Commercial Service. We have completed 4 programs over the past 2 years; 2009 North Dakota/ South Dakota; 2010 North Dakota/ NW Minnesota; and 2011 being scheduled for May 2011.
- **Global Conference**: Global Business Connections will be held in Fargo, ND, March 30-31, 2011. Greg Page, Chairman and CEO Cargill will be a Key Note speaker. The conference, held every 2 years, focuses on bringing exporters, together with service providers and international industry professionals for networking, break-out sessions, and information on current subjects of international interest.

Trade Missions

- Escorted 55 companies to 7 countries
- Total reported immediate sales: \$5.75 million
- Total reported projected increase in sales: \$13.4 million

Reverse Missions

- Hosted 340 visitors from 21 countries with 108 companies participating
- Total reported immediate sales: \$4.68 million
- Total reported projected increase in sales: \$10.86 million

The Road Ahead

The road ahead will be challenging given the current worldwide economic situation:

1. Member donations will be increasingly scrutinized
2. Access to growth capital has become a significant issue
3. Access to and aid in finding qualified customers in priority markets will be sought after
4. International management expertise/education must be increased significantly to enable export success on both sides of the ocean
5. We recommend exploring new ways to bring "smaller exporters into the fold"
6. Lack of skilled professionals in North Dakota continues to be an issue despite the recession





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7. Logistics issues continue to be a problem for ND exporters adding to the cost of their products

Budget Enhancement Recommendation:

The Trade Office is recommending a budget enhancement of \$ 489,000 to accomplish the tasks and goals of the organization.

1. Finance the resource management initiative to solicit, educate, and enable access to capital growth and a wider supplier network for established ND companies with strong international expansion opportunities. This function is currently supported by an EDA grant, EDA is not optimistic about funding for the 2011-2013 biennium.
2. Replicate our successful overseas representative business model in two additional countries to enhance / drive distributor and customer business identified during past trade missions.
3. Increase reverse trade missions to facilitate sales and reduce the sales cycle time timeframe. Data supports that outbound trade missions generate NDTO memberships and reverse trade missions generate sales for member companies. Add one reverse trade mission per 6 month period.
4. Enhance the student recruitment and internship program with select universities to recruit and train foreign students in subject areas that will increase export potential for ND companies. The areas of interest are international agribusiness, agricultural equipment and international management.
5. Upgrade information systems of the NDTO to increase efficiency and client support. Upgrades include a CRM program, training and technical support.
6. Facilitate the development of logistics coordination services in North Dakota to educate, review and advise on the use of containers and trans-loading in conjunction with local logistics providers, railroad and steamship service offerings. Broaden and increase the use of the Port of North Dakota and coordination of exports.

ND Export Growth

What does trade means to North Dakota? Trade means jobs.

- In 2010 North Dakota exported 2.5 billion in manufactured goods, which supported over 17,000 manufacturing jobs.
- Manufacturing exports have increased + 200%, more than 300% since 2005
- Manufacturing companies have added 284 jobs in 2010





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- In 2009 North Dakota exported 3.19 billion in agricultural products, which supported over 45,170 agricultural jobs
- North Dakota exports over \$500 million in services
- 1 in 3 acres of agricultural product is exported

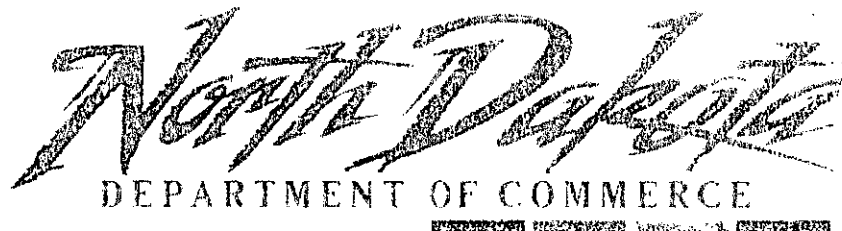
ND Exports Economic Impact

Exports are a \$7.7 Billion Industry; +55% (2009 total exports as compared to 2007 total exports)

Increased exports:

- ✓ Exports from 2005 to 2010 have more than doubled from \$1.2 billion to \$2.5 billion in manufactured goods; and the fastest growth rate among the 50 states over that same time period.
- ✓ New employment: 284 jobs
- ✓ New state tax revenue: 3.4MM
- ✓ Member export growth: 70% in 2010 vs. 2009





Partner Programs

IN THIS SECTION:

- Paul Govig's Testimony
- ND Small Business Development Centers
- Rural Development Council and Center for Technology & Business
- Dakota MEP

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
MARCH 15, 2011, 8:30 A.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

PAUL GOVIG – ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

The Department of Commerce provides funding to some of our partners to accomplish our mission. They include:

- Small Business Development Centers
- Center for Technology and Business (Rural Development Office/ Women's Business Development Office)
- American Indian Business Development Office
- Dakota Manufacturing Extension Partnership

Small Business Development Centers

The ND SBDC exists to provide high quality business assistance in the form of counseling, training, and research to existing and prospective small businesses which results in job creation or retention and economic wealth.

Rural Development Council/Center for Technology and Business

The Department of Commerce contracts with the Center for Technology and Business for the provisions of the Women's Business Development Office and the Rural Development Office. We are requesting the same level of funding that they received this biennium. These programs are involved with computer education, rural outreach, rural housing, childcare and the North Dakota Young Professionals network.

American Indian Business Development Office

The purpose of the office is to enhance the business opportunities available to Tribes and tribal members. This important initiative was contracted out to the Prairie Consulting Group of Bismarck during the 2009-2011 biennium. Accomplishments included a Research, Insights and Opportunities Report to provide a good understanding of the capabilities. In addition, a number of prospect leads and site visits were conducted on the reservations.

Dakota Manufacturing Extension Partnership

The purpose of the Dakota MEP is to increase the competitiveness of manufacturing companies and thereby, strengthen our economy.

More detailed information is included for each of these organizations in the written testimony provided. I would be happy to answer any questions you have on these partners and many of them are represented in this room.

Testimony in support of **HB 1018**
ND Department of Commerce Appropriation
Senate Appropriations Committee

Bon Wikenheiser, State Director, ND Small Business Development Centers

Mr. Chairman and members of the committee, I am Bon Wikenheiser, State Director for the Small Business Development Center. I ask your support for HB1018, the 2011-13 appropriation for the ND Dept. of Commerce, submitted at the request of the Governor. The SBDC is funded in the Partner Programs line item of the DOC budget.

The ND SBDC exists to provide high quality business assistance in the form of counseling, training, and research to existing and prospective small businesses which results in job creation or retention and economic wealth. SBDC consultants prepare and present funding packages for clients seeking to finance new businesses and existing business expansion, help with workouts for stressed businesses, as well as provide general business consultation. Regional offices are located in Bismarck, Fargo, Grand Forks, Minot, Jamestown, Williston and Dickinson. Tribal offices are located in Fort Yates and Belcourt. The lead center is hosted by UND.

SBDC network state funding was restored to its 1999 level of funding during the 2009 session. That investment of state funding resulted in these outcomes from **7/1/2009 to 12/31/2010**:

- Provided 12,752 hours of direct client consultation to over 2,000 small businesses and nascent entrepreneurs. Served clients in all 52 counties.
- Assisted clients in acquiring \$130,289,000 in capital for small business. Eighteen percent of all clients seen by the SBDC have realized direct capital infusion. ND SBDC ranks 15th overall in the country for capital access results for clients, realizing \$51 of capital acquired for every dollar of cash invested in program. National average for SBDC programs is \$17.
- SBDC consultants have assisted clients in receiving capital from commercial banks and credit unions, Bank of ND, SBA, Certified Development Corps, Small Business Investment Centers, USDA, CDBG, APUC, ND Development Fund, regional and local revolving loan funds, venture capital firms, private investors, tribal entities and federal, state and local grants.
- The SBDC network used available state funds to partner with local economic development, county and city government entities to add business consultation services in their local regions to assess the need for continued service. In the 4th Q of 2010, SBDC assisted services have been expanded in Williston, Dunn County, Beach, Bowman, Tioga, Watford City, Bottineau, Devils Lake, the IDEA Center, Marketplace of Ideas and Wahpeton. All partner entities invested local dollars to match the state and federal funds designated for the local services.
- Assisted with 182 business starts, 805 jobs created and 784 jobs retained as defined by SBA.
- Completed a pilot program in the Wahpeton region following the Imation and Industrial Plating plant closures. In addition to direct business consultation, the SBDC assisted the Wahpeton economic developers mitigate the business concerns surrounding the infrastructure updates the area implemented following the floods.
- Assisted Red River Regional Council in completing the Northwood recovery plan following the tornado, while assisting businesses with their recovery plans.
- Complied with all regulations and program requirements to acquire national certification, which is necessary to be eligible for federal funding.
- Allowed the program to match the increase in federal funds allocated for the program. The state received an additional \$340,552 in federal funds because of the program's ability to match available federal funds.
- Improved the client record management system to better verify and track results and trends by region and satellite center.

The SBDC's plans for the next biennium's service are determined by the regional stakeholder needs and the overall plan for economic development priorities defined by the state government and EDND.

Specific activities slated for the next biennium include:

- The establishment of SBDC satellite offices hosted by ND State College of Science, Dakota College, the IDEA Center, Marketplace of Ideas and North Central Planning Council for the 2011 calendar year. Re-establish the Grafton satellite center hosted by Red River Regional Council.
- The expansion of services in the western part of the state as administered through Williston State College and Dickinson State University's Strom Center. WSC will oversee satellite centers in Tioga, Crosby, Tri-County Regional Council and Watford City. DSU's Strom Center will oversee satellite centers in Beach, Bowman and Dunn County. These centers will work in conjunction with local developers already hired to serve the area.
- Provide capital access expertise to the ND Trade Office. This service's costs are included in a one-time federal grant allocated for SBDC. The grant will cover costs for one year for this position.
- Partner with the Underwood Area Development Corp. to provide services to McLean and Sheridan counties as outlined in the SBDC federal grant and the local development plan.
- Continue to build business succession planning services necessary for rural communities.
- Working with the Grand Forks Base Realignment Impact Committee to establish federal and state procurement technical assistance for small businesses in and around the Grand Forks Region. A three-year commitment of federal funds has been awarded to begin these services, matched by BRIC committee authorized Center of Excellence funds allocated for this region.
- Redo the ND SBDC website and provide technical support to regional offices. This activity was planned for the 2009-11 biennium, but the funds allocated for this were redirected to the regions for additional client services at the request of the local area developers.
- Explore additional value-added agriculture technical expertise. The ND SBDC currently serves a proportionately small number of ag related businesses. Changes in the SBA lending regulations as well as proposed changes in banking lending policy indicate an opportunity for SBDC to better serve ag-related businesses in ND.

The SBDC works.

Your support of the SBDC is most appreciated. ND SBDC has successfully demonstrated its value as a valid component of the economic development community. Maintaining the state's commitment as included in the Governor's budget allows SBDC to continue our services and local partnerships as ND grows and prospers.

I would be pleased to answer any questions you may have.

Contact information:

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State Director
Bank of ND
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Bismarck, ND 58506-5509

Phone: 701-328-5375
Cell: 701-202-2679
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Rural Development Council

The Rural Development Council was initiated with federal funding and was turned over to the state to fund in 2002. Seeing the value and need for outreach to rural ND, the Department of Commerce uses discretionary funding to provide resources for their work in rural North Dakota. The office has resided with the Center for Technology and Business since 2004. The Rural Development Council provides rural outreach and is a resource for rural communities, organizations, economic developers, and businesses. The program cost shares and funds have been used for maintaining a website, printing, electronic commerce, and staffing.

Examples of accomplishments include:

- Crash Course, a regional program developed to help students and their parents identify course majors and trades that could place them in a job within ND after graduation. More than 350 parents and high school students have received hands-on training in scholarship programs, financial aid, career exploration, and ND's job outlook with an emphasis on areas of demand. This program gives students and their parents the information they need to know about the jobs available in the state rather than forcing them to look elsewhere for positions after college graduation. Five more are scheduled to take place in January and February.
- The North Dakota Young Professionals (YP) Network engages young professionals statewide, connects the individual YP chapters, offers encouragement and support for new chapters, and provides outreach making these individuals more valuable to their employers and communities.
- Childcare Roundtables are held across the state to bring childcare business development resources to rural communities and help make small businesses aware of all the available resources. This gives the local, state, and federal programs a way to reach out to families, communities, and businesses that rely on childcare to retain employees.

Center for Technology and Business

The Center for Technology and Business provides services to the Department of Commerce as the Women's Business Development Office. This office provides business and computer training in many different communities across North Dakota, provides one-on-one counseling to women's businesses owners, and certifies businesses owned by women for state and federal contracting.

Examples of accomplishments include:

- Increased payrolls by \$3,020,160.
- Trained and counseled 1,766 students in computer skills and business practices.
- Certified 45 new Women Owned Businesses across the state.
- \$90 Return on Investment per state dollar invested.

TESTIMONY

To: North Dakota Senate Appropriations Committee
Cc: North Dakota Department of Commerce
From: Dakota MEP
Date: March 15th, 2011
Subject: State of North Dakota Support for Dakota MEP (2011 – 2013 Biennium)

The testimony provided in this document is specific to the work of the Dakota MEP¹ in carrying out the work of the national Manufacturing Extension Partnership (MEP) in North Dakota. It does not include the work of the Dakota MEP in working with other MEP programs throughout the national MEP network.

Background

The purpose of Dakota MEP is to increase the competitiveness of manufacturing companies, other new wealth creating companies² and related industries that impact such enterprises, in order to strengthen North Dakota's and our nation's economic vitality.

As of 2009, there were 23,600 employed in North Dakota in manufacturing with annual average compensation of \$52,418 (as compared to \$46,238 for the rest of the North Dakota workforce). Manufacturing represents nearly 10% of the state's economy and represents 69% of the state's exports

¹ Dakota MEP is organized as a non-profit organization (501c3) and is an affiliate of the Manufacturing Extension Partnership (MEP) – the nation's largest business assistance network dedicated to developing domestic manufacturing – our nation's largest creator of new wealth. As an MEP affiliate, it is able to introduce world class best practices complemented by objective assessment, technical assistance and training services locally to manufacturers, other new wealth-creating companies and related industries in order to strengthen their economic vitality and that of our region and nation. Dakota MEP also maintains affiliations with other organizations to strengthen its value proposition. See www.dakotamep.com for additional information. For more information on the national Manufacturing Extension Partnership see www.nist.gov/mep.

² New wealth creating companies, including many manufacturers, drive economic prosperity by importing wealth to the local or regional economy through the production of goods and the development of intellectual products and processes exported to national or international markets. These companies are not constrained by the size of the local market.

to other countries. From 2003 – 2008 (pre-recession), the manufacturing industry made up 44% of the total growth in North Dakota's economy.

Dakota MEP is organized as a private / public partnership providing assistance to any company seeking to become more competitive, more productive and more profitable. We currently have twelve full time employees operating in North Dakota. The governance of the Dakota MEP is led by a Board of Directors that includes:

- Dan Antrim, VP – North American Operations, Bobcat / Doosan, Gwinner, ND
- Kari Warburg Block, CEO, Earth-Kind, Bismarck, ND
- Bryan Bossert, VP – Operations, Phoenix International, Fargo, ND
- Bart Brost, Engineering Manager, Showplace Wood Products, Harrisburg, SD
- Chuck Crary, President, J5 Oil & Transport, West Fargo (Chair - Crary Industries, West Fargo, ND)
- Brian Dahl, VP – Operations, Amity Technology, Fargo, ND
- Don Hedger, President, Killdeer Mountain Manufacturing, Killdeer
- Dan Hoefs, President, Padgett Business Services, Fargo (formerly of Gremada Industries, Fargo)
- Marianne Von Seggern, Bell Incorporated, Sioux Falls and
- Tammy Wierenga, Employment Manager, Raven Industries, Sioux Falls.

In addition the Board includes ex-officio members representing our federal and state investors: MEP NIST (current Account Manager), the State of North Dakota / Department of Commerce (Paul Govig – formerly Shane Goettle).

Next Biennium (2011 – 2013) Baseline Funding

The State of ND funding level in the table below is identical to that provided during the current biennium (2009 to 2011). The baseline budget for each MEP program generally consists of 1/3 federal (MEP NIST); 1/3 state and 1/3 supports from the private sector (i.e. fees for service).

	Dakota MEP Biennium Baseline Funding	State of ND	MEP NIST	Private Sector	Total
1	2011 – 2012 Baseline Budget	\$475,000	\$475,000	\$475,000	\$1,425,000
2	2012 – 2013 Baseline Budget	\$475,000	\$475,000	\$475,000	\$1,425,000
3	Total 2011 – 2013 Baseline	\$950,000	\$950,000	\$950,000	\$2,850,000

Dakota MEP Services

The Dakota MEP provides assessment, technical assistance and training services to companies in manufacturing and related industries, particularly but not exclusively small and medium sized enterprises (SMEs). The Dakota MEP supports a business improvement roadmap that helps companies identify where improvements may need to be made and helps them implement these improvements. Most services are provided by Dakota MEP staff. Additional services draw on the expertise of other MEP programs and on the expertise of approved third party service providers that work – under the guidance of the Dakota MEP – successfully with companies we partner with.

Services are designed to help companies improve financial performance, expand in profitable markets and build greater capacity and competitiveness through improved processes and people.

Examples of services provided by Dakota MEP include:

- Applying and sustaining continuous improvement to companies,
- Assessing the strengths and weaknesses of companies,
- Developing leaders at all levels of an organization,
- Helping companies build their capacity to better compete,
- Helping companies generate, prioritize and implement new ideas for business growth,
- Helping companies with leadership and ownership succession,
- Identifying new technologies for developing or enhancing new products and processes,
- Improving how companies measure performance and organize their efforts,
- Improving processes (flow of value in an organization at the demand of customer),
- Improving productivity (improving value of output per employee),
- Improving profitability,
- Improving the performance of supply chains,
- Increasing sales (especially in a tough economy) and
- Making new investments (i.e. plant, equipment, information systems, and workforce).

In addition to the Manufacturing Extension Partnership, Dakota MEP is an affiliate of the Association for Manufacturing Excellence (AME), the Shingo Prize (known as the “Nobel Prize” for Business Excellence) and the Society of Manufacturing Engineers (SME). It is one of the nation’s leaders in helping businesses develop internal capacity in becoming a “Lean Enterprise” through its Lean Enterprise Certification Program. It also has two of the nation’s two hundred Shingo examiners trained to evaluate the progress

that organizations are making in world class performance. This is particularly critical as developing a roadmap and measuring progress in implementing best practices is difficult within most organizations.

Dakota MEP Two Year Performance

Over the past two year period, the Dakota MEP has served 216 manufacturers in North Dakota. These companies have a primary or secondary manufacturing industrial classification code. See the table below - for a list of those companies.

One way that companies are served is through improvement projects. Improvement projects are designed to address specific company issues, needs or opportunities. Over the past two years, seventy eight companies partnered with Dakota MEP on improvement projects in North Dakota. Fifty seven of those companies responded to an independent 3rd party survey on the benefits and impacts they realized through the Dakota MEP assisted improvement projects.

During a very difficult economy, these companies reported **\$79.9 million in quantifiable benefits and impacts (\$1.4 million on average per company)**. These same companies reported that **259 manufacturing jobs** were created or retained. These jobs have an estimated gross wages of **\$13.6 million³**. Given the State of North Dakota support for Dakota MEP, this would reflect an investment of **\$3,668 per job** in manufacturing.

**Dakota MEP Manufacturing Companies Served in North Dakota
(2009 – 2010)**

Manufacturer	Community	State
Aaseby Industrial Machining, Inc.	Wahpeton	ND
Agri-Cover Inc	Jamestown	ND
Alien Technology Corp.	Fargo	ND
Alion Science and Technology	Bismarck	ND
All Service Manufacturing	Carrington	ND
Alloway Ag Systems	Horace	ND
Amber Waves, Inc.	Richardton	ND
Amity Technology, LLC	Fargo	ND
Appareo Systems LLC	Fargo	ND
Applied Engineering Inc	Bismarck	ND

³ Manufacturing jobs in North Dakota have 'average wages' (\$52,418), \$6,181 greater than the 'average wage' for jobs provided by all other employers in the state (\$46,238). Manufacturing also typically has the largest positive indirect economic impact on non-manufacturing jobs.

Applied Products, Inc	Grand Forks	ND
Arrow Industries	Neché	ND
Arrow Tech	Rolla	ND
Baker Boy Supply	Dickinson	ND
Basin Electric	Bismarck	ND
Basin Printers	Williston	ND
Benchmark Electronics	Dunseith	ND
BII Fargo Inc	Fargo	ND
Bismarck Aero Center	Bismarck	ND
Bobcat - Bismarck	Bismarck	ND
Bobcat - West Fargo	West Fargo	ND
Bobcat - Gwinner	Gwinner	ND
Bordertown Wire	Neché	ND
Bourgault Industries	Minot	ND
Branick Industries, Inc	Fargo	ND
Bri-Ton Mfg.	Lisbon	ND
Butcher Block Inc.	Oakes	ND
Cardinal IG	Fargo	ND
Cargill Malt	Spiritwood	ND
Case IH - New Holland	Fargo	ND
Caterpillar Reman Drivetrain	West Fargo	ND
Central Machining & Pump Repair, Inc.	Minot	ND
CHS Nutrition	Edgeley	ND
CHS Sunflower	Grandin	ND
City Air Mechanical Inc	Bismarck	ND
Cloverdale Foods Company	Mandan	ND
CNH America	Fargo	ND
Colman Enterprises Inc	Fargo	ND
Com Del Innovation	Wahpeton	ND
Concrete, Inc.	Grand Forks	ND
Crane Creek Gardens	Stanley	ND
Crary Co.	West Fargo	ND
Custom Design	Dickinson	ND
Custom Graphics	Fargo	ND
D M I Industries, Ottertail Corp.	West Fargo	ND
Dakota Audio Inc	Bismarck	ND
Dakota Brand International	Jamestown	ND
Dakota Growers Pasta Co.	Carrington	ND
Dakota Micro, Inc.	Cayuga	ND
Dakota Molding	Fargo	ND
Dakota Prairie Organic Flour	Harvey	ND
Dakota Screen Arts Inc	Bismarck	ND
Dakota Specialty Milling	Fargo	ND
Dakota Storage Products Inc	West Fargo	ND
Dave's Welding and Metal Fabrication	Fargo	ND

Deckmasters	Fargo	ND
Drayton Enterprises	Fargo	ND
Eagle Ditcher	Milnor	ND
Earth Harvest Mills Inc	Harvey	ND
EARTH-KIND, Inc.	Minot	ND
Eastside Machine Co Inc	Fargo	ND
Easy Risers Inc	Cooperstown	ND
Ebel Integrators	Williston	ND
Enduraplast	Neché	ND
Engine Rebuilders	Oakes	ND
F/S Manufacturing	West Fargo	ND
Fargo Assembly Co., Inc. (HQ)	Fargo	ND
Fargo Automation	Fargo	ND
Fargo Northwest Pipe Fittings Inc	Fargo	ND
Fargo Parts & Equipment Inc	Fargo	ND
Faul Mfg Inc	Harvey	ND
Fiberglass Specialties - Minot	Minot	ND
Forum Communications	Fargo	ND
Frontier Inc	Wahpeton	ND
FRS Industries, Inc. Fargo	Fargo	ND
Funshine Express Inc	Dickinson	ND
Gate's Manufacturing	Lansford	ND
General Equipment & Supplies	Fargo	ND
Giant Snacks, LLC	Wahpeton	ND
Global Electric Motorcars, LLC	Fargo	ND
Golden Plains Frozen Foods	Leeds	ND
Goodrich Corp., Cargo Systems	Jamestown	ND
GPK Products Inc	Fargo	ND
Gremada industries	West Fargo	ND
Grotberg Electric	Valley City	ND
H & J Machining	Carrington	ND
Harris Machine Company	Oakes	ND
Harriston Industries Inc	Minto	ND
Hauff Machine Products	Lehr	ND
Heartland Flax	Valley City	ND
Heartland Products	Valley City	ND
Hebron Brick Co	Hebron	ND
HelpMate Services	Williston	ND
Hess Corp	Tioga	ND
Horn Plastics Inc	Fargo	ND
IDA Corp.	Fargo	ND
Image Printing Inc	Bismarck	ND
Imation Corp.	Wahpeton	ND
Industrial Contractors Inc	Bismarck	ND
Interstate Power Systems	Williston	ND

IPC	Pembina	ND
Iron Unlimited Inc	Argusville	ND
J & M Printing Inc	Fargo	ND
J.R. Simplot Co.	Grand Forks	ND
J5 Oil & Transport Company	West Fargo	ND
Jeld-Wen Inc	Fargo	ND
John Deere Seeding Group	Valley City	ND
Johnson Bridals	Dickinson	ND
Johnston Fargo Culvert Inc	Fargo	ND
JSM Woodworks	West Fargo	ND
K & J Jewelry Mfg	Grand Forks	ND
Kelly's Welding	Oakes	ND
Kerian Machines Inc	Grafton	ND
Killdeer Mountain Manufacturing	Killdeer	ND
King Coal Furnace Corp.	Bismarck	ND
Klemetson Woodworking Inc	Bismarck	ND
Kohl Waters Inc	Dickinson	ND
Kringstad Ironworks, Inc.	Hoople	ND
Kustom Machine, Inc.	Oakes	ND
Leonardite Products, LLC	Williston	ND
Longview Fibre	Grand Forks	ND
Lundeby Mfg	Tolna	ND
Magnum Manufacturing	Amenia	ND
Mandan Steel Fabricators	Bismarck	ND
Marvin Windows & Doors	Grafton	ND
Microlap Technologies	Rolla	ND
Microsoft Business Solutions	Fargo	ND
Mid America Steel Inc	Bismarck	ND
Mid-America Aviation Inc	West Fargo	ND
Midland Garage Door Mfg. Co.	West Fargo	ND
Mike's Custom Truck Builders	Northwood	ND
Minnkota Windows	Fargo	ND
Missouri River AG Processing	Williston	ND
Modern Machine Works	Williston	ND
Motor Coach Industries	Pembina	ND
NATCO	Williston	ND
ND Mill & Elevator	Grand Forks	ND
New Products Marketing Corp	Williston	ND
Newman Signs, Inc.	Jamestown	ND
Northern Improvement Co.	Fargo	ND
Northern Pipe Products, Inc	Fargo	ND
Northwestern Equipment Inc	Fargo	ND
O'Day Equipment, Inc.	Fargo	ND
Oil Transfer Systems LLC	Horace	ND
Orr-Iginals	Jamestown	ND

Palmer Bit Co Inc	Williston	ND
Phoenix International Corp.	Fargo	ND
Pierce Printing & Office Supplies	Fargo	ND
Plastics Plus Inc	Bismarck	ND
Pond Doctor Inc	Bismarck	ND
Pond Filtration Inc	Fargo	ND
Posi Lock Puller Inc	Cooperstown	ND
Prairie Bilt Sleds	Luverne	ND
Precision Machine	Fargo	ND
Primewood, Inc	Wahpeton	ND
Print Shoppe Inc	Wahpeton	ND
Production Specialties Corp.	Grand Forks	ND
Pump Systems, Inc. (Solar Bee)	Dickinson	ND
Quest Engineering Inc	Mandan	ND
R & S Casework Inc	Fargo	ND
Ray-Mac Inc	Gwinner	ND
Red River Commodities Inc	Fargo	ND
RediFlame Inc	Finley	ND
Reechcraft inc	Fargo	ND
Ro-Banks Tool & Mfg Co	Wahpeton	ND
Rock Industries Corp	Fort Yates	ND
Roger Gussiaas Farm	Carrington	ND
Roll-A-Ramp	West Fargo	ND
Rommemo Companies	Fargo	ND
Rough Rider Industries	Bismarck	ND
Rugby Mfg Co	Rugby	ND
Saxerud Inc	Lisbon	ND
SB&B Foods	Casselton	ND
Schepp's Dakota Deli	Lansford	ND
Scherr's Cabinet & Doors Inc	Minot	ND
Sheyenne Dakota Inc	West Fargo	ND
Sheyenne Tooling and Mfg Inc	Cooperstown	ND
Shocker Hitch Inc	Arthur	ND
Sign Pro	West Fargo	ND
Signs & Wonders Inc	Bismarck	ND
Sioux Manufacturing Corporation	Fort Totten	ND
Sky Creek LLC	Voltaire	ND
Solid Comfort, Inc.	Fargo	ND
Spectrum Aeromed	Fargo	ND
Spit 'n Image	Bismarck	ND
Standard Industries, Inc.	Fargo	ND
Star Burst Designs	Dickinson	ND
Steffes Corporation	Dickinson	ND
Summers Manufacturing Co Inc - Devils	Devils Lake	ND
Sund Mfg Co Inc	Newburg	ND

Superior Silk Screen Inc	Bismarck	ND
Sure Foot Corp	Grand Forks	ND
T S R Parts Inc	Colgate	ND
TC Nursery	Minot	ND
Tecton Products, LLC	Fargo	ND
Telpro Inc	Grand Forks	ND
Thermal Energy Products Inc	Fargo	ND
Thermal Line Windows	Mandan	ND
Thompson Customizing	Wyndmere	ND
Tiffany Glass Works	Hazen	ND
Tioga Machine Shop Inc	Tioga	ND
Titan Machinery	Fargo	ND
TMI Systems Design Corp	Dickinson	ND
Top Taste Inc	Finley	ND
Trail King Industries	West Fargo	ND
TRS Industries	Fargo	ND
Two Rivers Printing	Jamestown	ND
Ultratec Products	Dickinson	ND
W C C O Belting, Inc.	Wahpeton	ND
Wieser Screen Printing	Fairmount	ND
Window World Inc	Williston	ND
Wood Craft Unlimited Inc	Bismarck	ND
Wood Products Inc	Grand Forks	ND
Woodside Industries	Cavalier	ND
Young Mfg., Inc.	Grand Forks	ND
Zachmeier Mfg Inc	Mandan	ND

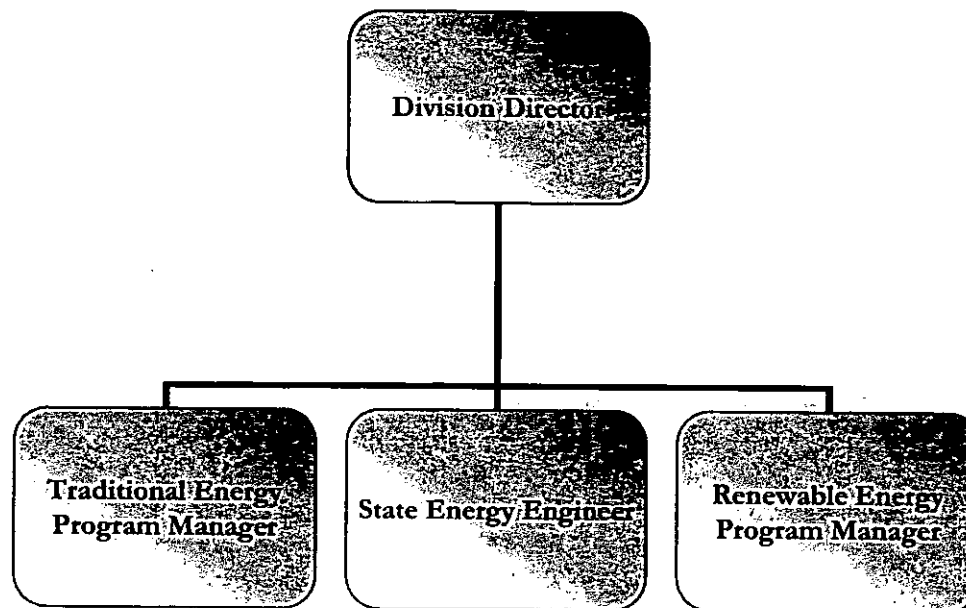


Energy Division

IN THIS SECTION:

- Paul Govig's Testimony

Division of Energy Organizational Chart



**DEPARTMENT OF COMMERCE TESTIMONY ON HB 1018
MARCH 15, 2011, 8:30 AM
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN**

PAUL GOVIG-ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

North Dakota's many opportunities in energy production continue to grow, yet there is no comprehensive function in state government to support and promote the development of all energy sources as a whole.

An Energy Division within the Department of Commerce will proactively address the challenges facing North Dakota's existing energy industry and also embrace the other opportunities.

The time has come to implement a new, comprehensive effort that moves the energy industry forward by addressing both the opportunities and challenges that face all forms of energy production. An Energy Division will also eliminate any perceived conflict between the promotion and regulation of the energy industry.

The Department of Commerce proposes a modest internal restructuring and the hiring of two employees: a Division Director and a project manager for traditional energy sources. The proposal also calls for transferring two existing employees to serve in the Division in the roles of State Energy Engineer and a project manager for renewable energy resources.

Simply put, the Energy Division will take on the responsibility to support the development of all forms of energy development. The Division will embrace the energy industry's major opportunities such as:

- Promotion of local, small businesses that supply equipment, materials and services.
- Promotion of infrastructure for renewable fuels.
- Promotion of coal-to-liquids energy plants.
- Promotion of transportation of liquid fuels.

The Energy Division will also tackle the major challenges of the energy industry, such as:

- Development of adequate employee housing.
- Assistance in navigating state and federal regulations.

The structure of the Commerce Department is organized as individual developers working on specific company projects. The Energy Division will more effectively deal with industry wide opportunities and challenges.

The proposed Energy Division has two objectives:

- 1) Carry out the goals and objectives of the state's energy strategies.
 - a. Empower ND has played a strategic role in positioning North Dakota's energy industry for long-term growth. The Energy Division will carry out the goals of Empower ND, a very defined role that requires the full attention of a Division Director.
 - b. Empower ND includes 20 goals, 51 policy statements and 98 action items. The Energy Division will help implement these initiatives and policies recommended by the Empower ND Commission.
 - c. The Energy Division will also play an important role coordinating between state agencies, political subdivisions and industry leaders involved in developing and regulating North Dakota's \$7 billion energy industry.
- 2) Anticipate and address the challenges associated with energy development:
 - a. Rapid growth in the energy industry is creating significant demands on state and local infrastructure. The Executive budget includes nearly \$1 billion in funding for roadways, residential infrastructure and other infrastructure needs. The Energy Division will work with local leaders on planning of infrastructure needs and coordinate between the various state agencies involved in making the best use of these funds.

TESTIMONY
TO THE
SENATE APPROPRIATIONS COMMITTEE
OF THE
NORTH DAKOTA LEGISLATURE

RE: HOUSE BILL 1018

TESTIMONY
BY
KENT SATRANG
GENERAL MANAGER, PETRO SERVE USA
311 11th AVENUE SOUTH FARGO ND

March 15, 2011

Good morning Chairman Holmberg and Members of the Senate Appropriations Committee. I am Kent Satrang and I reside in Fargo. I am the CEO ~ General Manager of Petro Serve USA. I stand in support of House Bill 1018. We have 20 locations in a dozen cities and our closest station is just one block to the north. Thanks to your leadership, this store now offers six new blender pumps. That gave Bismarck-Mandan choice at the gas pump and corn farmers and ethanol market access.

You showed leading edge innovation and vision in the 61st session by a 93% vote in passing blender pump legislation. Nationally you put ND on the National Energy Policy map, on the front page of Ethanol Producers Magazine and in the pages of major American newspapers. This legislative body and its work on blender pumps was the talk of a recent Growth Energy Conference in Las Vegas and of the recent Governors Conference in Washington DC. You authored the partnership of rural corn and soybean fields with the oil fields of western North Dakota. That blossomed our economy all the way from Williston to Wahpeton with the bookend sectors of oil and agriculture.

I am a past Industry Member of the Board of Directors of the ND Corn Growers, of the Cenex Retail Advisory Board and I am a current member of the Tesoro Jobber Council. I've been a CEO in the North Dakota petroleum business for over 30 years.

I ask you to continue your incredibly successful bio-blender fund opportunity for three reasons:

1. It's worked just as you designed it. We now have 117 ethanol blenders and 9 soy diesel blenders in service and paid for. We had about 15 blenders before the program started and so we estimate 141 North Dakota blender pumps. We have 11 soy diesel applications and another 64 ethanol blender applications. This brings our total to 216 blender pumps which will by far keep us the highest number of blender pumps for any state. We believe it is no coincidence and thanks in great part to our state government's policies that we are the only state that produces more ethanol gallons than it uses per year in gasoline gallons. North Dakota's Legislature and Governor structured and authored this economic model and the business community has now perfectly executed the first phase of your plan.
2. Blender pumps allow the driving public "Market Access" and a safe and sound economic choice as to which fuel is economically and philosophically best in their minds. These pumps unlike every pump in America sold before March 2010 are UL Approved and they offer 100% gas, E10 Super Unleaded, Premium, E30 and E85. We don't support ethanol mandates for E10 or E15, however by the same token we don't support a mandate where the gas pump can only sell gasoline and can't dispense mid-range ethanol blends either. As promised, choice at the pump did result in change in the pockets of drivers with E85 selling below \$1.99 a gallon last summer. Today, E85 in Bismarck sells at \$.85 less than regular gas (-23%) and E30 is selling for \$.40 less than regular gas (-11%). Proof that people like to choose the fuel that works for them is my recent ethanol sales are up 300%.
3. As we predicted, this has taken time. Independent and Cenex branded stations were very receptive to the blender pump program and as expected blenders are now in 27 different towns. Tesoro stations however, didn't participate because its corporate office mandates three and not two grades (like Cenex) of branded gasolines. Tesoro did finally approve blender pumps under their branded canopies, but only at the 11th hour and they approved a pump that didn't offer consumers a full choice. This resulted in very poor participation by Tesoro retailers. They are ready to install blenders now because a newly designed bio-blender model is being test marketed as we speak. This new model will open the doors for Tesoro branded stations to not be left behind in this innovative cutting edge program.

Progressive North Dakota gas station retailers support House Bill 1018 because it allows us an opportunity to partner Regional Petroleum Refiners, with local Ethanol Plants to help build a competitive pipeline to our states customers cars and it enhances energy independence here in the heartland of America. Retailers want the opportunity to upgrade to a UL approved pump and they want to be able to double their product offerings with a blender pump. These UL approved pumps and petroleum project upgrades such as pump sumps will greatly reduce the risk of spills and leaks.

The blender pumps in HB 1018 are an opportunity for North Dakota to continue to lead America away from its addiction to Middle East Oil imports. Let's develop the Bakken for sure, but let's also develop this renewable fuels retail market with market access from blender pumps for the additional volume that our states new ethanol facilities have already created. I ask you to exercise your potential to continue to make ethanol, a North Dakota home grown fuel, a North Dakota manufactured fuel, as common at our neighborhood gasoline pumps as regular unleaded, super unleaded or premium. Help our Corn and Soybean family farmers, our rural communities, our environment and most importantly American men and women in our Armed Forces to continue this blender pump legislation that sent a message that was heard all across America. You can make it possible to have the choice to fill it up, with a fuel grown and refined right here in North Dakota. We committed to you and we have proven to you that it is a mathematical certainty that choice created by bio-blender pumps has and will continue to put change in all of our pockets.

Thank you for the opportunity to testify and I respectfully ask you to support House Bill 1018.

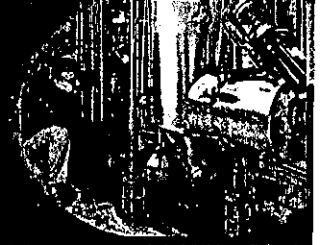
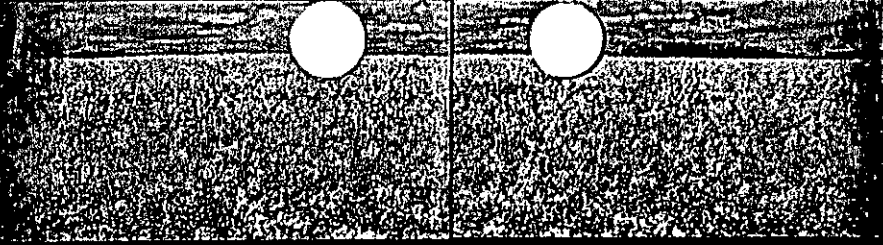
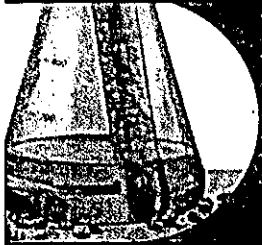
BIOFUELS BLENDER PUMP PROGRAM

North Dakota
DEPARTMENT OF COMMERCE

**BIOFUELS BLENDER
PUMP PROGRAM**

North Dakota
DEPARTMENT OF COMMERCE

© October 2010



BIOFUELS BLENDER PUMP PROGRAM

The 2009 American Recovery & Reinvestment Act has provided funding for a Biofuels Blender Pump Program to support the installation of blender fuel pumps at North Dakota service stations.

Award Ceiling

\$5,000 per pump, \$40,000 per retail location.

Retailers installing ethanol blender pumps may be eligible for an additional grant of \$2,500 per pump from the North Dakota Corn Council. Please visit www.ndcorn.org for details.

Match Requirements

Dollar for dollar cash match.

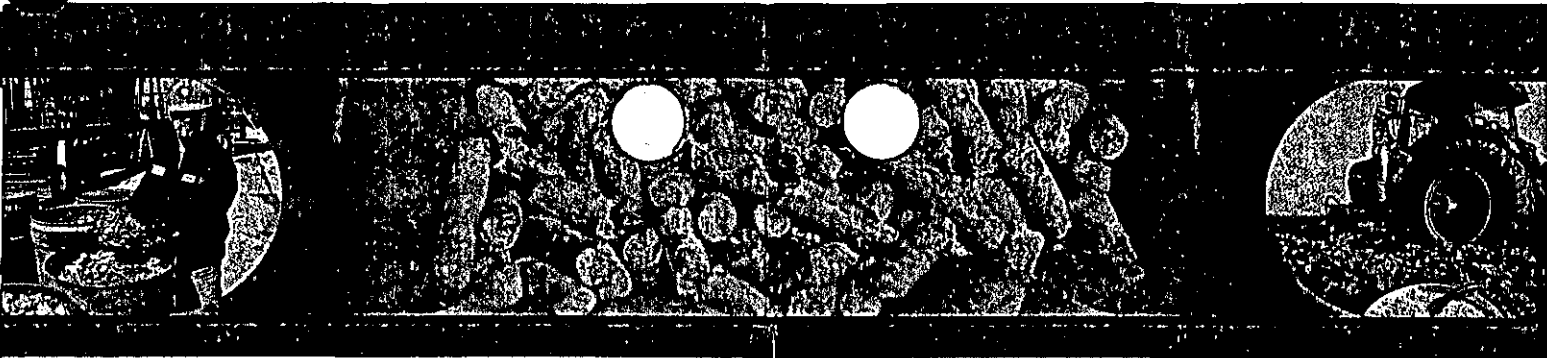
PROGRAM GUIDELINES

Funds can only be used for dispenser and associated hardware. No funds will be used for installation, storage tanks, above or below ground, or any other infrastructure from the tank to the pump.

Funds will be provided to grantees on a reimbursement basis with proper supporting documentation. Supporting documentation must include:

- Confirmation that match requirement is met,
- Invoice documenting total cost,
- Certification of proper installation from the State Health Department,
- Pump manufacturer's warranty or other appropriate document,
- A photo of the installed pump detailing the number of hoses and blends, and
- Pump specifications.

North Dakota



Awardees must continue to sell biofuel blends for a minimum of 24 months after receiving assistance, or repay the grant award. Repayment will be based on a pro-rated percentage. Exceptions to this repayment requirement will be considered on a case by case basis and will be at the sole discretion of the Department of Commerce.

Projects must be completed and reimbursement must be requested by Oct. 31, 2011.

A final report of quantities of biofuel blends sold will be required at the end of the first 12 months.

Funds will be awarded on a first-come-first-served basis.

North Dakota motor fuel retailers must agree to comply with pump removal guidelines, and dispose of replaced pumps according to state law.

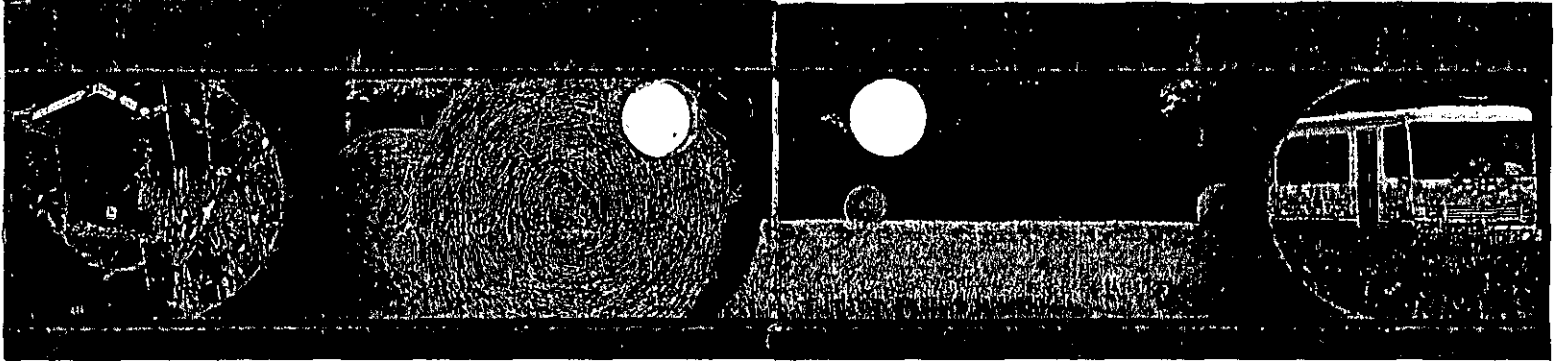
QUALIFICATIONS

A certification form from the State Health Department verifying proper installation and labeling will be required with the application form.

NOTE: This certification form acknowledges that a site's existing or new infrastructure has been approved to handle blends greater than E-10. This form must be submitted and approved by state officials before any work can be done on a site.

Ethanol blender pumps must be installed at a retail location and:

- Dispense a blend of gasoline and ethanol in the ratio selected by the purchaser.
- Be manufactured to an industry standard and carry a manufacturer's warranty for compatibility with dispenser components and documentation of product compatibility with associated storage and piping systems.
- Comply with all alternative fuel, biofuel, and flexible fuel requirements established by law.
- Have at least 4 hoses and dispense the following: A blend of E10 or the minimum blend approved for all vehicles by the EPA; A blend of at least 20 percent ethanol; and E85.



Biodiesel blender pumps must be installed at a retail location and:

- Dispense varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser.
- Comply with all alternative fuel, biofuel, and flexible fuel requirements established by law.
- Be manufactured to an industry standard and carry a manufacturer's warranty for compatibility with dispenser components and documentation of product compatibility with associated storage and piping systems.

HOW TO APPLY

Mail completed application form, available at www.blenderpumps.nd.gov, and supporting documents to:

Andrea Holl Pfennig
North Dakota Department of Commerce
Office of Renewable Energy & Energy Efficiency
P.O. Box 2057
Bismarck, ND 58502
701-328-5300
ahpfennig@nd.gov
www.blenderpumps.nd.gov



Testimony for HB1018

Mr. Chairman & Members of the Committee:

For the record my name is Tom Lilja. I am Executive Director of the North Dakota Corn Growers Association. The Association represents over 1,400 members.

We want to thank our citizen legislators for supporting the blender pump bill in the 2009 legislature and hope that you will consider renewing it for the following reasons:

- 1) It has been a successful program. 117 pumps have been installed during the life of the program.
- 2) We are not asking for new money, only that the program be allowed to continue through the next biennium for other station owners to have an opportunity to participate.
- 3) It was good to see different agencies such as Commerce, The State Health Department and the Fire Marshall all work together on a project such as this. The blender pump program may be a good case study for communications between agencies.
- 4) The North Dakota Corn Growers partnered in this initiative last biennium contributing \$2,500 per pump and want to make this a successful program once again. The corn board has stated that as long as the program is around we will contribute to make this program work.
- 5) For consistency from last biennium's program, we are offering amendments that will state "a maximum of \$20,000 per retail location to motor fuel retailers for the installation of

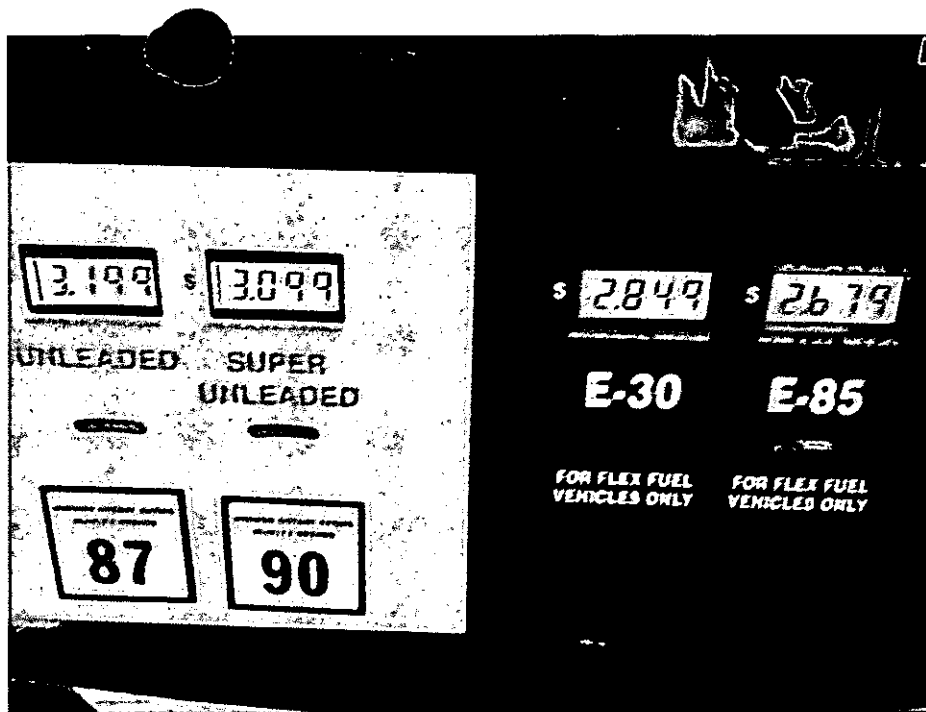


biofuel blender pumps.” This will allow the Department to be able to administer the program just as it did in 2009-2010.

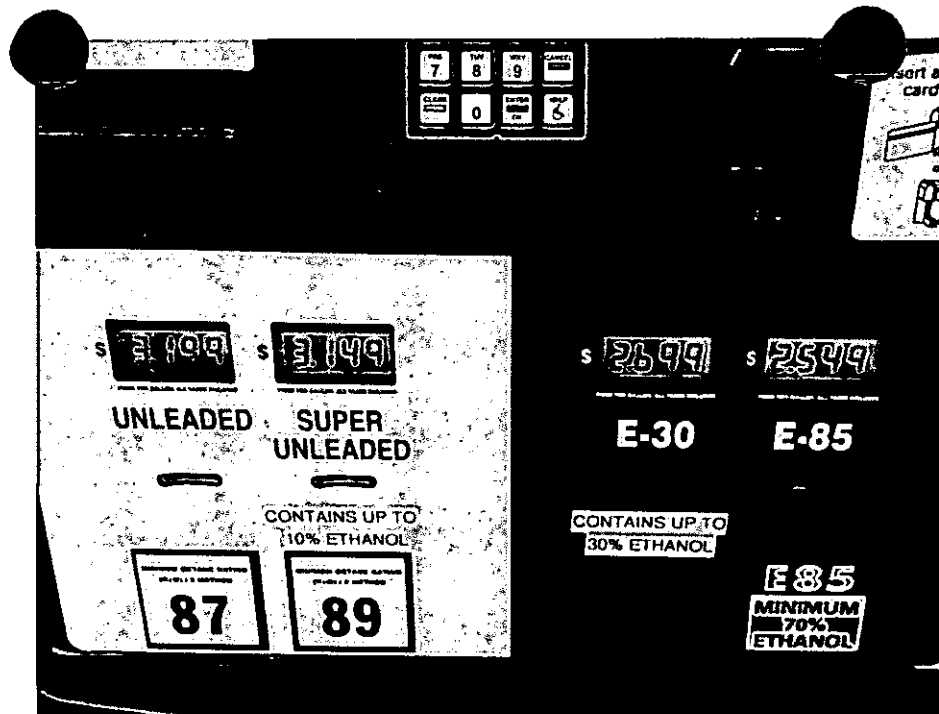
- 6) The Petroleum Marketers are requesting additional language that states “and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the piping systems and storage components, when blender pumps are installed for a maximum grant of thirty four thousand dollars per location.” We agree with this amendment.

I’ll leave you with the attached photo’s. A funny thing happened to me in early January this year. For the first time in my life, I filled up my tank for less money in Bismarck than in Fargo. Comparing apples to apples E-30 cost me \$2.84 in Fargo on January 6th and \$2.69 a gallon in Bismarck the next day. This is because that station owner can go directly to Blue Flint Ethanol 45 miles to the north and fill his trucks on their unloading skid. You will also notice by the photo’s that E-30 typically saves a consumer over 30 cents a gallon and does not sacrifice mileage. This is a good thing for our working families.

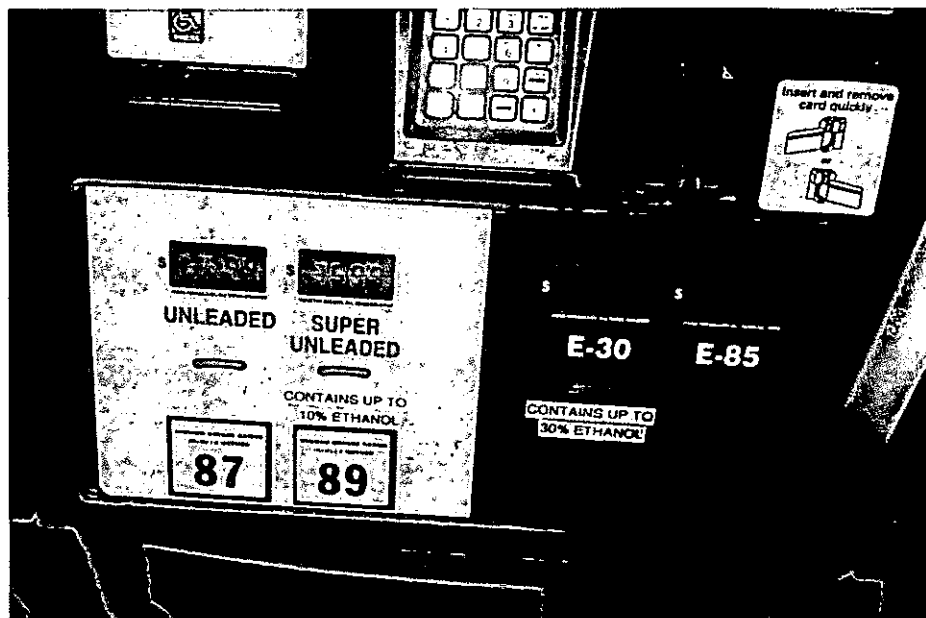
The North Dakota Corn Grower’s Association wants to thank you for allowing market access and competition to fuel markets in our state. North Dakota is being looked to as a model to our nation for partnering our oil interests with our ethanol interests and helping us wean ourselves away from dependence on foreign oil.



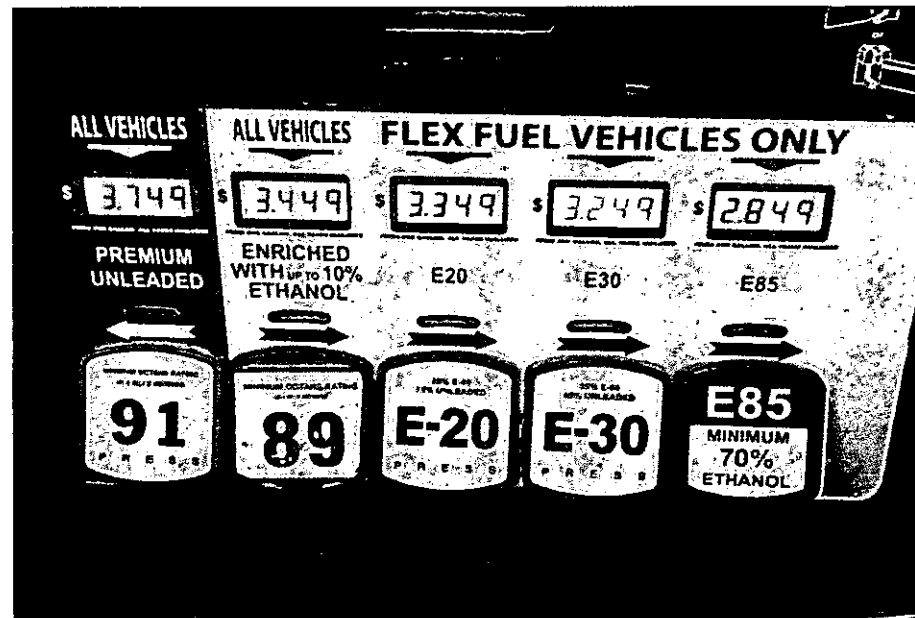
Fargo – January 6, 2011



Bismarck – January 7, 2011



Bismarck – March 10, 2011



Fargo – March 11, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 10, line 27, after the second "to" remove the remainder of that line and insert immediately thereafter "a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the piping systems and storage components, when blender pumps are installed for a maximum grant of thirty four thousand dollars per location."

Page 10, remove lines 28 through 30

Page 11, remove lines 8 through 10

Renumber accordingly



4
72 EAST MUSEUM DRIVE
DICKINSON, NORTH DAKOTA 58601
701.483.4988 | 800.279.7391
F: 701.483.9261
E: INFO@VISITDICKINSON.COM

www.visitdickinson.com

Testimony of Terri Thiel, Executive Director of the Dickinson CVB
House Bill: 1018
March 15, 2011

Chairman Holmberg, and members of the Senate Appropriations Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau. The Dickinson Convention & Visitors Bureau is in support of the governor's proposed budget for the ND Tourism Division 2011-2013 biennium marketing and ask that you also include an additional \$1.15 million for the following enhancements.

\$600,000 for additional marketing –

- ND Tourism Division competes for the same market with a smaller budget

Additional marketing would be used for:

- Expand the new "I Am Legendary, RU?" campaign to create further interest
- Increase the presence in Canada
- Increase the presence in current markets

\$50,000 funding for implementation of an organized system of Visitor Information Centers

- ND used to have a state-funded program in the 1980's and 1990's and is currently one of only 15 states that doesn't have such a program.

The funding would –

- Provide welcoming people to give information, directions and suggestions to our visitors as they enter into our state.
- The front line people would **help** visitors with any questions; **assist** them with problems they may encounter.
- The staff would give the visitors all the details on places to see and where to go - \$\$\$\$

Move the \$100,000 appropriated for the USS ND and add \$50,000 = \$150,000 total.

\$500,000 funding for small project infrastructure grants

- The ND Department of Commerce created the Tourism Infrastructure and Expansion Grant Program in 2007. 2:1 Match is required, non-profit status.

The additional dollars would:

- Be used for the additional requests that are not able to be fulfilled due to restricted funds available.
- In 2010, there were 30 grant requests, asking for more than \$440,000. There were five that were funded for a total of \$93,500.

Move \$2 million earmarked for special infrastructure projects in 2009 – 20011 to a large grant program.

- The 2009 appropriation, SB 2018, included language stating the ND Tourism Division was to develop criteria and a method for setting funding priorities in future biennium's.

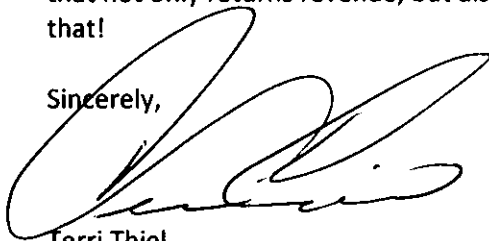
Explore
the WESTERN EDGE

As Executive Director of the Dickinson CVB for the past thirteen years, I have seen positive changes and enthusiastic energy from not only within the state's tourism industry, but also increased interest, visitation and tax revenues for southwestern North Dakota. While other North Dakota industries have produced wonderful material products, tourism has created not only an increased the revenue statewide, but has also lent itself to the positive "image marketing" that has been cited as being nonexistent in previous years.

Repeatedly image marketing was cited as one of the issues that the state needs to address. Lack of image has been the statement repeated. Tourism is changing that perception. It is one of the tools that quality of place can be showcased, from the Pembina Gorge in the eastern part of the state, to the Badlands of western North Dakota. When the ND Tourism Division markets in national publications for vacation plans, it also conveys a marketing image that North Dakota is a wonderful experience, and that we do have an image, a very welcoming one.

Please support the governor's proposed tourism marketing budget, along with seriously considering investing in the additional dollars for the tourism marketing budget, the industry that not only returns revenue, but also produces an image for the state, and a positive image at that!

Sincerely,

A handwritten signature in black ink, appearing to read "Terri Thiel", written over a horizontal line.

Terri Thiel
Executive Director



Testimony of Sheri Grossman
President, Destination Marketing Association of North Dakota
House Bill 1018
March 15, 2011

Chairman Holmberg and Members of the Senate Appropriations Committee:

My name is Sheri Grossman and I am the Director of Sales for the Bismarck-Mandan Convention & Visitors Bureau and President of Destination Marketing Association of North Dakota (DMAND). DMAND is a cooperative association of independent Convention and Visitor Bureaus, as well as additional communities who share a broad-based community support and whose primary objective is the promotion of North Dakota.

Convention and Visitors Bureaus throughout the state, both large and small, greatly rely on partnering opportunities with the Tourism Division to effectively market their communities. Many communities don't have the resources to conduct the type of research necessary to determine the best place to use their limited marketing dollars. They rely on the Tourism Division's marketing budget to do the research, analyze and plan media, and offer cooperative opportunities for partners to participate in. Without this opportunity, many communities simply couldn't effectively market their destinations.

As one of the largest CVBs in the state, the Bismarck-Mandan CVB significantly relies on the Tourism Division to market to leisure travelers. We partner with Tourism on cooperative efforts, especially to our neighbors in Canada. In addition, by having the Tourism Division do the majority of marketing for leisure travelers, we can use more of our marketing dollars to bring in larger conventions and events—allowing all of us to bring in the greatest amount of out-of-state visitors and dollars to help stimulate our North Dakota economy.

After 14 years in this industry, I know how important it is to be competitive with our neighboring states. The proposed annual budgets for our surrounding states are twice as much as the proposed budget for North Dakota: South Dakota \$11.4M, Minnesota \$9.2M and Montana \$9.3M and North Dakota is \$4.7M. Our state can't continue to let our neighbors capture these visitors and risk losing the economic impact these visitors could bring to North Dakota. It is imperative to attract this business to fill our hotels, restaurants, gas stations, and stores.

The Tourism Division has been accountable and prudent with the state's investment, returning a strong profit to the state coffers. Recent United States Travel Association research shows North Dakota leads the nation in growth of travel expenditures, travel generated payroll, travel generated taxes, and travel generated employment. The Tourism Division does a remarkable job leveraging their funds to provide measureable results. Please consider what a greater investment will return to North Dakota!

Thank you for your time and consideration.



Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

MEMBERS

AmeriFlax
BNSF Railway Company
Independent Beef Association
of North Dakota
Milk Producers Association
of North Dakota, Inc.
Minn-Dak Farmers Co-op
North Dakota Ag Aviation Association
North Dakota Ag Consultants
North Dakota Agricultural Association
North Dakota Agri-Women
North Dakota Association
of Agricultural Educators
North Dakota Association
of Soil Conservation Districts
North Dakota Barley Council
North Dakota Beef Commission
North Dakota Corn Growers
Association
North Dakota Corn Utilization Council
North Dakota Crop Improvement
Association
North Dakota Department of
Agriculture
North Dakota Dry Bean Council
North Dakota Dry Edible Bean
Seed Growers
North Dakota Elk Growers
North Dakota Ethanol Council
North Dakota Farm Bureau
North Dakota Farm Credit Council
North Dakota Farmers Union
North Dakota Grain Dealers
Association
North Dakota Grain Growers
Association
North Dakota Lamb and Wool
Producers Association
North Dakota Oilseed Council
North Dakota Pork Council
North Dakota Soybean Council
North Dakota Soybean Growers
Association
North Dakota State Seed
Commission
North Dakota Stockmen's Association
North Dakota Wheat Commission
North Dakota State University
Agriculture and University Extension
Northern Canola Growers Association
Northern Food Grade Soybean
Association
Northern Plains Potato Growers
Association
Northern Pulse Growers Association
Red River Valley Sugarbeet Growers

6

**Testimony of Alexis Brinkman
North Dakota Ag Coalition Administrator
HB 1018
March 15, 2011**

Mr. Chairman and members of the Committee, my name is Alexis Brinkman, and I am the administrator of the North Dakota Ag Coalition. I am here today in support of HB 1018, specifically as it relates to funding for biofuels blender pumps.

The Ag Coalition has provided a unified voice for North Dakota agricultural interests for more than 25 years. Today, we represent more than 40 statewide organizations and associations that represent specific commodities or have a direct interest in agriculture. The Ag Coalition takes a position on a limited number of issues brought to us by our members that have significant impact on North Dakota's agriculture industry.

The Ag Coalition supports the continuation of funding for the cost-share program encouraging the installation of retail biofuels blender pumps. This has proven to be a very successful program, both for North Dakota's renewable fuels industries and its agriculture industry. Biofuels have been and will continue to be a driving force in the future of North Dakota's agriculture industry.

We appreciate your past support and would encourage your continued support of incentives for biofuels and North Dakota's agriculture industry.



Testimony of

Economic Development Association of North Dakota

HB 1018

March 15, 2011

Chairman Holmberg and members of the committee, my name is Cal Klewin. 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.

EDND has a long-standing and complementary relationship with the North Dakota Department of Commerce. We believe the Department of Commerce provides valuable tools, programs and resources for the economic developers in our state.

While EDND is supportive of the continuation of all Department of Commerce programs, we want to take this opportunity to specifically express our support for the Centers of Excellence.

EDND has supported the Centers of Excellence program since its inception. We recognize the need to enhance and provide clarification to this program and support the changes originally outlined in this bill. Entrepreneurship and small business growth are crucial to North Dakota's economic future. Entrepreneurs and small businesses are leaders in the nation in employment growth.

We feel that the Centers provide a vehicle to leverage our resources and investment to assure accessible entrepreneur and small business assistance across every region of the state.

EDND supports HB 1018.

Thank you. I would be happy to answer your questions.

North Dakota

Tourism Alliance Partnership

8

P.O. Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

2010/2011 MEMBERS

Basin Electric
Power Cooperative

Bismarck-Mandan CVB

Buffalo City Tourism

Days Inn - Grand Dakota Lodge

Destination Marketing
Association of North Dakota

Devils Lake CVB

Dickinson CVB

Fargo-Moorhead CVB

Fort Abraham
Museum Foundation

Grand Forks CVB

International Peace Garden

Lewis & Clark Fort
Mandan Foundation

Minot CVB

Municipal Airport Authority
of the City of Fargo

ND Tourism Division (ex-officio)

Newman Outdoor Advertising

Norsk Hostfest Association

Odney Communications Group

Select Inn of Bismarck

Spirit Lake Casino and Resort

State Historical Society of
North Dakota Foundation

Theodore Roosevelt
Medora Foundation

Three Affiliated Tribes
Tourism Dept.

White Mountain
Band of Chippewa Indians

Williston CVB

Woodland Resort, Inc.

Testimony of Bill Shalhoob
Tourism Alliance Partnership Chairman
HB 1018
March 15, 2011

Chairman Holmberg and members of the committee, my name is Bill Shalhoob. As chairman of the Tourism Alliance Partnership (TAP), I am here today asking for your support of the tourism portion of HB 1018. TAP is a coalition of tourism industry stakeholders, including convention and visitors bureaus (CVBs), state attractions, businesses and other organizations in the viable and growing sector of North Dakota's economy.

The tourism industry in North Dakota has seen tremendous growth in recent years. From 2006 to 2008, North Dakota's core tourism grew by 10.7 percent compared to 8.1 percent nationally. In 2009, the state's hotel room profitability increased by 5.8 percent, the only state in the nation to show a positive increase, and continued on this positive trend to boast a 12.9 percent increase as of November 2010. The state's airports also posted a 5 percent increase in boardings in 2009, while global airlines suffered a 3.5 percent decrease. This trend has continued with a 12 percent jump in airline boardings in 2010.

Tourism is currently a \$4.13 billion industry in North Dakota, employing more than 31,000 people annually and accounting for \$760 million in total wages. While these results are exceptional, a greater potential remains for the tourism sector. Increased interest in rural tourism, agritourism, city offerings and outdoor recreation provides an outstanding opportunity for North Dakota's tourism industry. Taking advantage of this opportunity begins with the

marketing budget for the Tourism Division. While we understand the Governor's budget recommendations, it falls short of what the North Dakota tourism industry needs to be competitive.

North Dakota's tourism budget has been relatively flat since 2003, while advertising costs increased by about 5 percent each year. Please refer to the attachment that includes a state spending summary. North Dakota's current annual tourism budget of \$4.6 million puts us in last place among our neighboring states. We are trailing the \$9.2 million per year spent by Minnesota as the next lowest amount, and are drastically behind the \$11.4 million spent by South Dakota. In 2008, more than 500 industry stakeholders participated in the 2008 Tourism Congress, stating a lack of marketing dollars was the number one challenge for the tourism industry across the state. Even if we want to stay even in our marketing efforts in the upcoming biennium, we need annual increases just to purchase the same amount of marketing and make the same impact as we did this past biennium. Any additional dollars you could appropriate for tourism marketing would be an excellent investment.

The second area in which we need to start moving forward is infrastructure development. Governor Dalrymple noted an increase in tourism across North Dakota's counties this biennium. In order to remain competitive, we must develop resources that will increase interest and visitation. In the last biennium, we created a system for an infrastructure grant pilot program through the Department of Commerce and the Tourism Division. This program focuses on making good decisions regarding which tourism projects deserve funding based on their potential impact. The Tourism and Economic Development and Finance division carved limited dollars out of their budgets to create a program to fund small projects and to date, nearly \$500,000 has been awarded in infrastructure grants. The House added \$1 million for the program, and we ask that you would concur.

We hope this program can be allowed to continue to develop with an appropriation that will allow us to measure the results.

North Dakota is the most affordable vacation state according to the AAA. We need to continue to invest in marketing ourselves as an affordable and must see destination. In addition, we need to invest in the infrastructure to keep our visitors in state and returning for future vacations. During this downturn in the economy, we have an opportunity to take advantage of our position with more marketing dollars.

Tourism marketing is one of the few parts of the budget that can show a positive return on investment for the state. Advertising in North Dakota is a 1:9 return to the state's tax base. The \$1.66 million investment in advertising in 2007 returned more than \$12 million to the state's general fund and \$2 million to local funds. This same advertising campaign also returned \$203.9 million in visitor spending that year. New research numbers on the 2010 campaign will be available later this session.

The outlook for our industry is bright and the future limited only by a few dollars and our imagination in developing the marketing necessary to attract visitors. Led by the Tourism Division and working together with our cities, attractions and businesses, we can continue to drive more sales into our state, more sales into the economy and more tax collections into the state treasury. It's a true win-win for everyone.

In addition to the state spending summary, I have also attached to my testimony:

- Information regarding the economic impact of tourism
- letters of support

Thank you for your consideration, and I would be happy to answer any questions.

Tourism is one of North Dakota's largest and fastest-growing industries,

offering some of the best opportunities for economic development. North Dakota's diverse and unspoiled travel destinations attract visitors from all over the nation. New interest in North Dakota is due to a focus on rural tourism, agritourism, city offerings and outdoor recreation. It provides strong incentives for industry growth.

AN ESTABLISHED FORCE

- Travel and tourism is a \$4.13 billion industry in North Dakota (NDSU).
- The North Dakota travel industry supported more than 31,000 jobs and accounted for \$760 million in total wages in 2008 (IHS Global Insight).
- Domestic travel spending in North Dakota generated \$370 million in federal, state and local tax revenue in 2008 (IHS Global Insight).

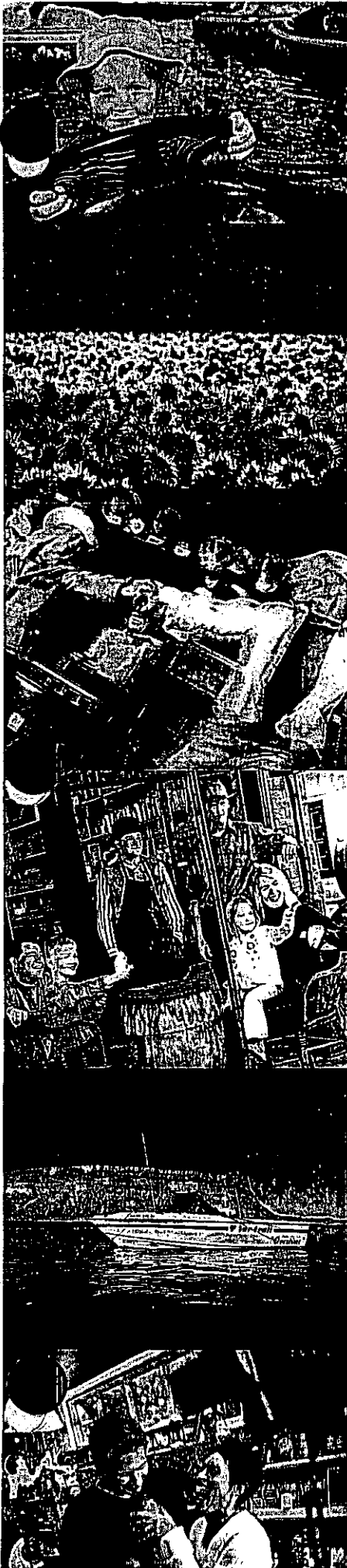
A GROWING INDUSTRY

North Dakota leads the nation in the growth of travel expenditures, travel-generated employment, payroll and taxes paid according to the US Travel Association's most recent study.

- From 2006 to 2008, North Dakota's core tourism grew by 10.7 percent compared to 8.1 percent nationally (IHS Global Insights).
- Since 1990, tourism expenditures have grown 655 percent, more than any other North Dakota industry (NDSU).
- In 2009, North Dakota's hotel room profitability increased by 5.8 percent, the only state in the nation to show a positive increase, and was up 12.9 percent in 2010. The state airports also posted a 5 percent increase in boardings in 2009, while global airlines suffered a 3.5 percent decrease.

A SURE SUCCESS

- The tourism industry in North Dakota rests on a strong foundation. The state boasts a fully functioning travel industry, together with a well developed system of state parks, wildlife refuges, historical sites, and gaming and convention facilities.
- Investments in tourism generate money for North Dakota. According to Longwoods International, every dollar spent on advertising returned \$123 in spending in 2007. The same dollar returned \$9 in state tax revenue. (2010 research is currently underway)
- Research shows the Legendary branding campaign is bringing people to North Dakota's cities, attractions, and outdoors in increasing numbers (Longwoods International).
- Many different segments of local economies benefit from the visitors the tourism industry bring to the state. Investing in North Dakota tourism is an investment in the entire state. In fact, all 53 counties have seen growth in tourism and 46 have seen double-digit growth.





Marketing North Dakota

The primary competition for North Dakota's tourism industry is neighboring and nearby states. In 2009, North Dakota ranked 45th in the nation in tourism funding and exhibited the smallest tourism budget compared to its neighbors and competitors.

State	2008-2009	2009-2010	Source
North Dakota	\$4.4 million	\$4.6 million	95% General Fund 4.5% Special Fund
Montana	\$9.1 million	\$9.3 million	99% Lodging Facilities Tax .5% Ad Sales, Conference Registration
Minnesota	\$10.0 million	\$9.2 million	99% General Fund 1% Federal Scenic Byways Fund
South Dakota	\$11.7 million	\$11.4 million	50.4% Tourism Promotion Tax 28.9% Gaming Tax 18.6% General Fund
Wisconsin	\$15.1 million	\$13.1 million	61.2% Gaming Revenue 24.2% General Fund 14.5% Rental Car Fee
Wyoming	\$12.7 million	\$10.8 million	100% General Fund

Source: Travel Industry Association, Pennsylvania Tourism Office

REPORT TO TAXPAYERS On CENTERS OF EXCELLENCE
62 LEGISLATIVE ASSEMBLY
Reported as of March 1, 2022

A. Individual Data on each New North Dakota Company

1. Name of New North Dakota Company _____
2. Owner(s) of New North Dakota Company _____
3. Latest IRS reported annual income of New North
Dakota Company _____
4. Parent, Sister, or other companies owned by said
Owner(s) of New Company _____
5. Latest IRS reported annual income of parent, sister, or
other companies owned by said owners of New North Dakota
Company _____
6. Number of on site employees of New North Dakota Company _____
7. Number of on site employees of parent, sister, or other
companies owned by said owners of New North Dakota Company _____

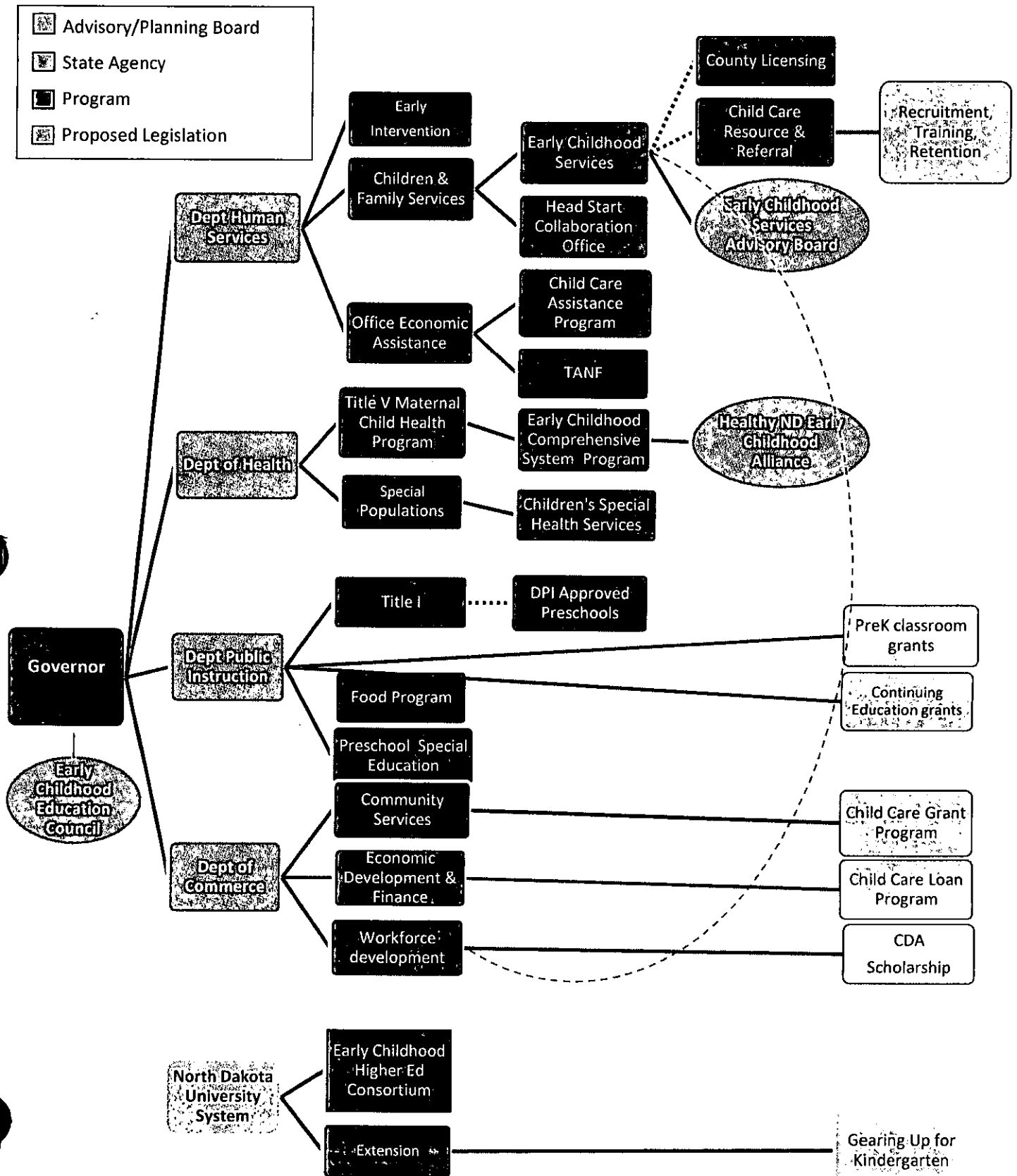
B. Summary of Individual Data on each New North
Dakota Company

1. Total IRS reported annual income of New North Dakota
Companies _____
2. Total IRS reported annual income of parent, sister, or
other companies owned by said owners of new North
Dakota Companies _____
3. Total number of on site employees of New North Dakota
Companies _____
4. Total number of on site employees of parent, sister,
or other companies owned by said owners of New North
Dakota Company _____
5. Total of legislative authorized expenditures of
Centers of Excellence Program to date _____
6. Cost per on site employee created by Centers of
Excellence (5 divided by 3) _____

NOTE: Numbers may NOT include the actual employees of the
North Dakota Commerce Department or any employees of the
North Dakota Commerce Department's contracted consultants.

North Dakota Early Childhood Diagram

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CHILD CARE: Facilities in high demand that offer infant care, flexible hours

From Page C1

Resource & Referral, a Moorhead-based nonprofit that provides information and support for quality, affordable and accessible child care in North Dakota and Minnesota.

"We had three new child care centers open in the Fargo area in just the past year and within a week they had waiting lists for infants and toddlers," said Holly Nett, Child Care Resource & Referral consultation manager.

There are 10,850 children potentially needing child care in Cass County and a licensed capacity for 10,043 children, according to Lakes & Prairies Child Care Resource & Referral.

By meeting 50 percent or more of its need for child care, Cass County is better off than most in the state. The most significant shortages are out west.

"We were able to do almost twice as much capacity-building because of those funds," Nett said. "We're hoping we can sustain that with continued funding from the legislature."

In Clay County, there are 1,429 children ages 0 to 4 potentially needing child care and 6,501 children ages 5 to 14 potentially needing care.

There are 216 programs with a licensed capacity to care for 3,533 children. Last year, the county lost capacity for 212 children and gained it for 208.

Child care programs received funding, consultations, and training to help make sure businesses owner's visions become a reality, said Linda Lemble, Child Care Resource & Referral director.

"For a couple of years, we've had a strong focus on business planning," she said. "That was a concept that was not widely practiced in the child care field."

The business of running a child care program is a challenge balancing rising transportation, food and utilities costs with the high overhead of staff salaries and trying to offer a quality program, said Chelsey Steinlicht, who owns the recently opened Early Years Learning Center in West Fargo with Linda Bekken.

"You're dealing with a lot more overhead than a typical business between your salaries for staff and he supplies that are needed for child care," Steinlicht said. "It's very difficult to balance



David Samson / The Forum

Amber Ostrowski reads to youngsters in the infant care room at the YMCA Child Care South in Fargo.



David Samson / The Forum

Hudson, left, 3, and Gavin, 4, build with wooden blocks at the downtown Fargo YMCA child care center.

Child care crunch

New centers open in F-M, but shortage still remains

By Tracy Frank
tracy.frank@forum.com

Kristy Kiland of Fargo has been waiting for child care waiting lists since she was nine weeks pregnant. Her baby is now 5 months old and will have child care as soon as the YMCA's new center opens at 4225 38th St S., just north of Microsoft, sometime this spring.

In the meantime, Kiland has been juggling work, school and taking care of her baby.

"For me, it's worth the wait having a team of well-trained teachers and staff," Kiland said. "I'd wait a year to get him into the site. I'm just blessed to be a little flexible to care for him at home."

Her situation exemplifies the need for quality child care programs in the area.

The local child care industry has seen its share of ups and downs over the past few years. There have been several high-profile and abrupt child care business closings.

At the same time, several new ones have opened recently or are in the works, such as the new YMCA center. So while Cass County lost 579 spaces from October 2009 through September 2010, it gained 693.

The growth is due, in part, to a \$3.6 million appropriation the 2009 North Dakota Legislature passed to establish a statewide child care recruitment, training, and retention initiative, according to Lakes & Prairies Child Care Resource & Referral.



David Samson / The Forum

Sturmon Fedje helps infants clean up after snack time at the YMCA Child Care South in Fargo.

costs with quality programming, training, and staffing."

It's a huge help to get grants from Child Care Resource & Referral, she said.

But even with the industry growth, parents don't necessarily have their choice of programs, and there's still a shortage of infant care and providers for nontraditional hours for people who might work evenings and weekends.

Prior to opening in September, Early Years Learning Center posted a billboard about the new center and within five days, most of the infant spots were taken, Steinlicht said.

"The demand for infant care is astounding," she said. "It absolutely surprises me how far in advance parents are looking for care right now."

Part of the issue is that infants cost more to care for, and licensing requires one caregiver for every four infants, Steinlicht said.

The YMCA has three sites with infant care—two more than it offered five years ago.

"We're doing what we can, but it's always a challenge to make sure we have enough space for the different age groups," said Kristan Bullinger, YMCA

marketing director.

The YMCA's new center will replace its center at 1721 S. University Drive and will allow for twice as many children, going from 57 to more than 120.

Even so, the new center, YMCA Early Learning Center South, is only taking a waiting list for children ages 3 through school age because the infant and toddler spaces are already full.

The new site will offer a full-day preschool program, transportation to Centennial, Bennett, and Kennedy elementary schools, and care for school-aged children through fifth grade. The current location only takes children through kindergarten.

"We've been wanting to be able to expand and offer school-aged care for many years," said Stacy

Knudson, YMCA Early Learning Center South site director. "It's going to be very helpful for families because they can continue in the same program."

Mariah Madsen of West Fargo has two children who will be going to the new center. She said that without quality care, she wouldn't be able to drop her kids off every day and concentrate at work.

"I would constantly be worrying are they safe, are they doing activities or did they play them in front of a TV," she said. "For me, it's worth every penny that I pay."

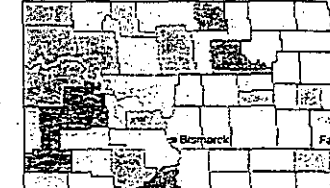
Child Care Resource & Referral is working on a pilot Early Childhood Quality Rating & Improvement System in Cass County to help parents choose quality

Child care in North Dakota

How counties are meeting the need for child care

Extent licensed care meets demand

☐ 0-10% ☐ 11-25% ☐ 26-49% ☐ 50% or more



Source: CCR&R Parent Services Database

The F

child care and education programs, improve program quality, and recognize quality providers.

The pilot will continue through the fall.

Informal scorecard: leaders
Readers can reach Forum editor
Tracy Frank at (701) 241-3351

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Curt Hektner

Dickinson Press made an error on demand and supply

Dakota

Bismarck Tribune ■ Bismarcktribune.com

State has a day care shortage

By LISA ANNE CALL
For The Associated Press

DICKINSON — Available licensed child care is becoming a hot commodity these days amid a population influx and many agencies are reporting shortages.

"We have a child care shortage across the state, but it's particularly significant in oil country, where we have young people moving in and the child population, the zero to five population, is going to grow and those parents have to work," said Linda Reinicke, director of North Dakota Child Care Resource & Referral.

Kristi Asendorf, a parent service coordinator for NDCCRR, said based on data

from the North Dakota Kids Count and the number of mothers in the work force, about 2,778 children in the state are potentially needing childcare.

However, licensed capacity is estimated to be about 847, she said.

Asendorf said while there is no way to know exact figures, experts do know some children do not need care due to several factors such as parents working different shifts.

Having worked in the child care arena since 1992, Reinicke said the present shortage is one of the largest she's seen, citing it as "very significant."

In a healthy community, licensed care would meet about 50 percent of the

potential capacity, Asendorf said.

Only five counties meet such a standard, none of which are in southwest North Dakota, according to NDCCRR progress report.

Darla Kuntz, owner of the Gingerbread House Daycare in Dickinson, a group day care with a maximum care capacity of 18, said she has a waiting list of about 17 people wanting to get their child into her day care.

Kuntz said she has to turn down three to five people a week.

"It's just been crazy and because we take infants, not too many take infants," Kuntz said. "I won't be able to take new kids for quite a while."

80,460

33,100

Growing Child Care ND

ND House Bill 1418 Progress Report

NORTH DAKOTA
CCR&R
CHILD CARE RESOURCE & REFERRAL

January 2010 - January 2011

Child Care in North Dakota's Growing Economy

As North Dakota's economy continues to grow, communities struggle to build a child care supply that supports their expanding workforce.

North Dakota's child care supply shortage permeates the state. The most significant shortages are in western North Dakota counties experiencing economic growth due to oil and energy development.

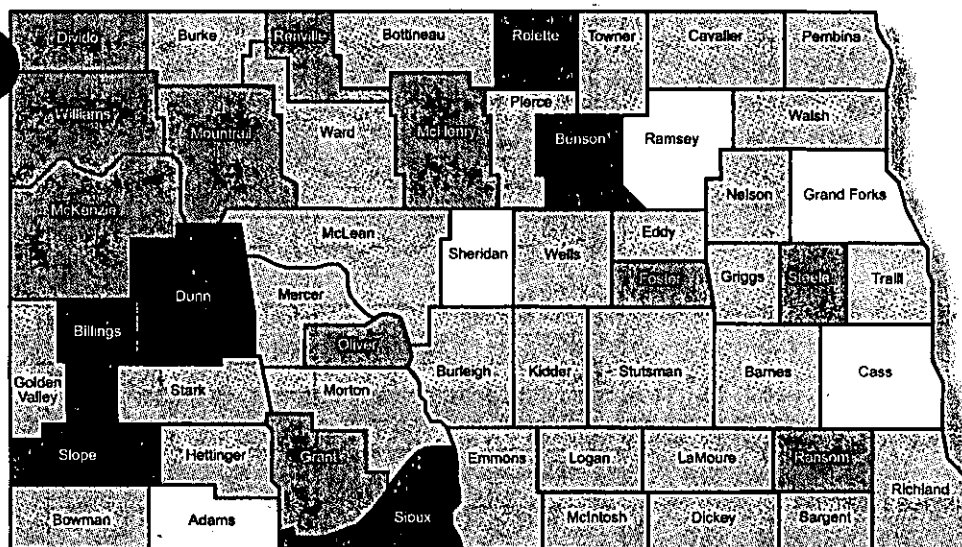
Child care industry standards suggest that the supply of child care in a community should meet at least 50% of the local demand. Only five counties (Adams, Cass, Grand Forks, Ramsey, and Sheridan) meet this standard. Even when a community does meet 50% of demand, they still may have inadequate capacity for infant care.

To address North Dakota's child care shortage, the 2009 North Dakota Legislature passed House Bill 1418 that

appropriated \$3.6 million to establish a statewide child care recruitment, training, and retention initiative.

Child Care Resource & Referral was contracted to develop and implement the child care initiative. This report identifies Growing Child Care ND's projected outcomes and provides an update on child care recruitment, training and retention activities to date.

The current Growing Child Care ND contract of \$3.6 million for 18 months impacts 5% of licensed providers. A two-year investment of \$4.8 million would be needed to maintain Growing Child Care ND at its current level of service. A \$12 million investment per biennium would be needed to expand the Growing Child Care ND effort to serve 20% of child care providers.



How counties are meeting the need for child care

- 0 to 10%
- 11 to 25%
- 26 to 49%
- 50% or more

Figure 1:
Extent licensed care meets demand

Source: CCR&R Parent Services Database

"Child Care Resource and Referral has been a valuable asset for the community of Wishek. Not only have they done a child care needs assessment in our community, but they even came to put on a Child Care Provider Recruitment Fair. Out of these efforts, we have already gained one new provider. This will make daycare available for seven more children in our community and in a town our size, seven children having quality child care makes a huge difference. I would highly recommend CCR&R's services to anyone interested in becoming a licensed provider. They are able to guide individuals and communities step by step to make quality child care available to all children in North Dakota."

- Katie LaBree, Economic Development Coordinator
Wishek Job Development Authority



Child Care Recruitment

North Dakota currently has 1,422 child care providers who can care for up to 33,100 children. To move North Dakota's child care supply to 50% of demand, 8,000 new spaces must be generated. This will require the recruitment of approximately 1,300 small home-based child care businesses, 135 centers or a combination of both totaling 8,000 new spaces.

Current funding of the Growing Child Care North Dakota Initiative supports the recruitment of 110 new small businesses and 10 new centers with a total enrollment capacity of 1,370 children.

Projected outcomes by June 2011

- 110 new Family Child Care Programs recruited with capacity of seven children each
- Ten new centers recruited with approximate capacity for 60 children each

Eligibility and incentives

- Complete six hours child care business training available via ND CCR&R on-line training
- Work with county social services to become licensed
- Remain licensed for 12 months
- Work with CCR&R consultants to review business plan, indoor and outdoor program space, materials and learning activities, and health and safety practices
- \$750 non-cash incentive will be applied to family child care program start-up
- \$9,500 non-cash incentives will be applied to center program start-up aligned with their business plan

County	Family /Group Providers Enrolled	Child Care Centers Enrolled	Potential Increase in Licensed Capacity
Barnes	1		7
Burke	1		18
Burlington	15	1	143
Cass	28	6	810
Dickey		1	49
Eddy	1		7
Foster	1		7
Grand Forks	4		28
Griggs	2		14
Logan	1		7
McHenry	1		7
*Magic Fund	1		7
McKenzie	1		7
*Star Fund	2		14
McLean	2		17
Mercer	2		14
Morton	4		28
Mountrail	1	1	57
Nelson	1		7
Ramsey	3		32
Ransom	4		50
Rolette	1		18
Sargent	1		7
Stark	5		35
Stutsman	6		52
Towner	2		14
Ward	5	2	252
*Magic Fund	10		73
Williams	2		14
*Star Fund	4		28
Total	112	11	1823

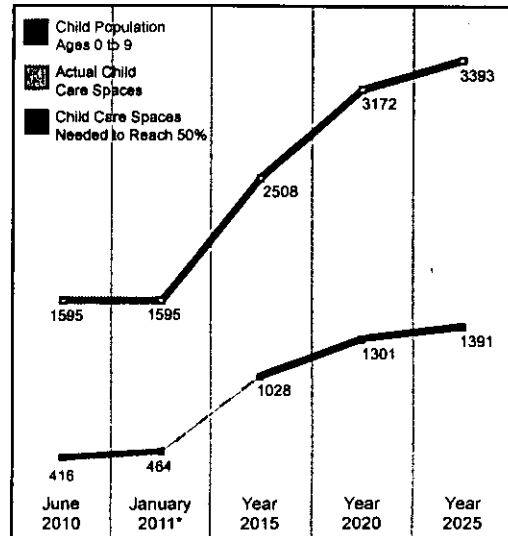
Figure 2: Child Care Recruitment Data Jan. 2010- Jan. 2011
Source: ND CCR&R Child Care Program Tracking System

Meeting Williston's Future Child Care Demand

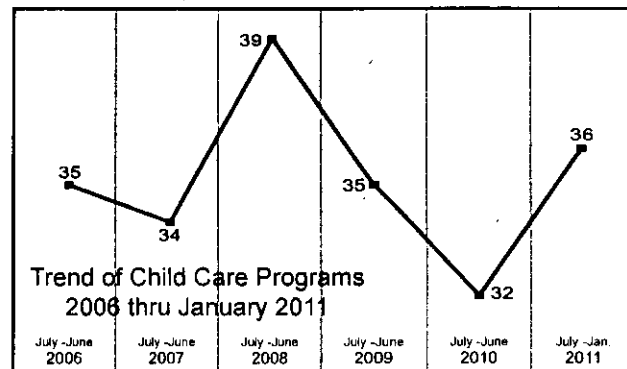
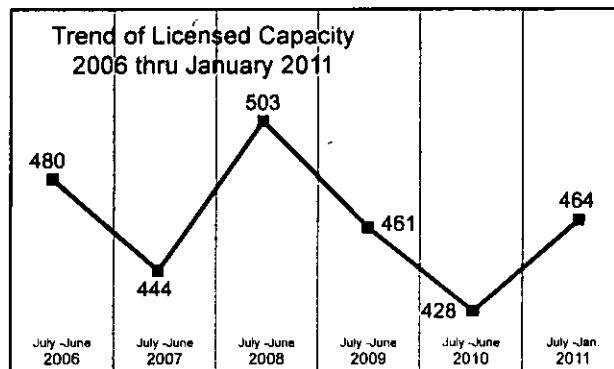
The 2011 Commerce Department housing study in oil country forecasts Williston's child population (birth to 9 years) will grow 57% by 2015, 99% by 2020, and 113% by 2025. This growth will put a significant strain on Williston's already fragile child care industry and, if not addressed, will limit business' ability to recruit and retain parent employees.

Child care industry standards suggest a community's child care supply meet at least 50% of demand. Williston's 2010 child care supply met only 32% of the child care demand falling short 238 spaces. Building Williston's child care supply to meet future demands will be extremely challenging.

A review of licensing trends over the past five years indicates a decline in the growth of licensed programs in Williston, with the exception of the last six months during which time **four small child care businesses completed the licensing process adding 48 new spaces.** Three additional programs will soon complete the licensing process.



* In the last six months, The Growing Child Care Initiative recruited 4 new programs adding 48 new spaces.



Continuing the upward trend of child care growth will require on-going provider recruitment and retention efforts. Currently, funding from the 2009 Legislative Session for the purpose of child care recruitment has been depleted. Star Funds will support the recruitment of six additional providers and one center or an addition of 102 spaces.

To meet the 2015 child care demand, Williston must add 564 spaces beyond the existing 464 spaces by recruiting 81 small in-home child care businesses (each caring for 7 children) or 9 centers (each caring for 60 children).

Williston's Projected Licensed Childcare Supply and Demand

	2010	2015	2020	2025
Children living with employed mothers	1,308	2057	2601	2782
Child care spaces needed to serve 50% of demand	654	1028	1301	1391
Spaces currently licensed (projection if no growth)	416	464	464	464
Spaces needed to reach 50% of demand	238	564	837	927

Data Sources:
 • 2010 North Dakota Department of Commerce Housing Study
 • North Dakota CCR&R NACCRRAware Database
 • 2010 U.S. Census

NORTH DAKOTA
CCR&R
 CHILD CARE RESOURCE & REFERRAL

Child Care Resource & Referral is a program of Lutheran Social Services in western North Dakota and Lakes and Prairies Community Action Partnership in eastern North Dakota

Child Care Workforce Training

North Dakota's child care workforce (approximately 4,800) must have easy access to high-quality, affordable training that supports North Dakota's child care licensing standards and leads to a child care credential.

Funding through the Growing Childcare ND Initiative made it possible for ND CCR&R to significantly expand the number of child care training courses available online. State funding support also made it possible for ND CCR&R to offer a majority of these online courses at no charge.

ND CCR&R developed and launched 60 hours of new online training during the first ten months of 2010. An additional 60 hours will be developed and launched by June 30, 2011. Participation in ND CCR&R's online training courses has doubled this past year with the roll-out of these new courses.

Those seeking early childhood training can now choose their topics of interest, take the course when it fits their schedule and review content as needed to enhance learning. Barriers such as distance, weather and schedule conflicts have been reduced.

Child care providers who have difficulty using technology have the option to work one-on-one with ND CCR&R trainers and consultants. Child care providers get the help they need to get online and acquire technology skills as they build their child care skills.

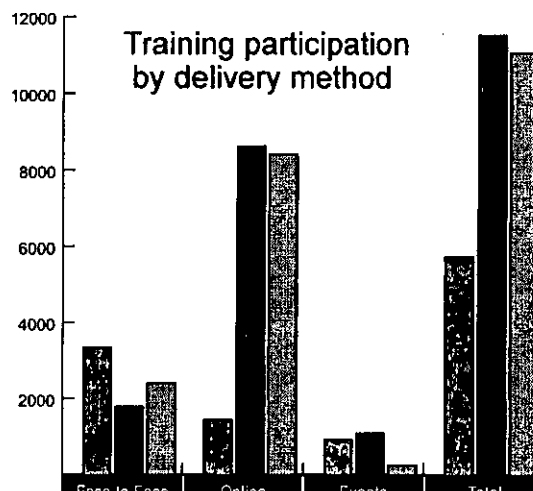
Projected outcomes

Create and post 120 hours on-line training specifically designed for child care providers in North Dakota

Award 190 scholarships to providers pursuing their Child Development Associate Credential, a national credential requiring 120 hours training, an exam and on-site observation of candidate

During the last year, ND CCR&R has

- Created and posted 80 hours of training
- Awarded 200 scholarships to providers pursuing their Child Development Associates Credential
- Doubled training participation with the introduction of no-cost online training



	Face to Face	Online	Events	Total
July - June 2008 - 09	3366	1418	934	5755
July - June 2009 - 10	1805	8598	1100	11549
Training participation during first seven months of current fiscal year				
July - Jan 2010 - 11	2412	8427	249	11088

Figure 3: Training Participation by Delivery Method
Source: ND CCR&R Child Care Training Database



Child Care Retention and Training

Annually, 17% of licensed child care programs (approximately 238 programs) close throughout the state. Providing support resources, quality training and consultation will reduce program closings and secure the state's investment in child care recruitment and workforce training.

Projected outcomes by June 2011

- 90 Family Child Care Programs with capacity to serve 7-18 children each
- 20 centers with an average capacity of 60 children each

Eligibility and incentives

- Licensed and remain licensed for 24 months
- Complete 40 to 120 hours of child care training available via ND CCR&R on-line training
- Work with ND CCR&R consultants to review business plan, indoor and outdoor program space, materials and learning activities, and health and safety practices
- Receive monthly on-site consultations by ND CCR&R consulting team.
- \$500-\$800 in non-cash incentives for Family Child Care Program completing each 40 hours of training (max \$2,400)
- \$9,500 in non-cash incentives for Center Programs upon enrolling in center director credential training and completing business plan.

County	Programs Enrolled in Retention	40 Hours of Training Completed	80 Hours of Training Completed	120 Hours of Training Completed	Potential Capacity Retained
Barnes	4	1	1		107
Bottineau	1		1		18
Burke	2	1			36
Burleigh	14	21	4	1	440
Cass	45	18	16	4	1435
Dickey	4	2		1	92
Eddy	1		1		18
Grand Forks	16	9	9	2	589
Hettinger	1		1		18
Kidder	1	1			18
LaMoure	4	1			66
McIntosh	1	1			18
McLean	1		1		18
Mercer	1		1		18
Morton	5	1	2	2	68
Mountrail	1	1		1	18
*Magic Fund	1				18
Nelson	2	1			25
Pembina	2				36
Ransom	1	1			15
Ramsey	3		1		110
Richland	3	1	1		39
Rolette	1				18
Stark	6	2	3		97
Steele	1	1			18
Stutsman	7	2	4		79
Towner	2	2			33
Trail	1	1			18
Walsh	2		2		32
Ward	19	14	2	6	499
*Magic Fund	11	1			269
Wells	1	1			12
Williams	1		1		60
*Star Fund	2				14
Total	164	83	50	17	4262

Figure 4: Retention Project Participation Jan. 2010 - Jan. 2011
Source: ND CCR&R Tracking System

About Us

North Dakota Child Care Resource & Referral was established by the North Dakota State Legislature in 1991. Today, through a contract with the North Dakota Department of Human Services, we help parents connect to child care, plus work to recruit, train and retain a child care workforce that serves the needs of communities, employers and working families.

CCR&R office locations in western North Dakota

- Bismarck: 888-223-1510
- Minot: 800-450-7801

CCR&R office locations in eastern North Dakota

- Fargo/Moorhead: 800-452-3646
- Grand Forks: 888-778-3435
- Jamestown: 888-767-0350

www.ndchildcare.org

Testimony of Gary Inman

Senior Vice President of Information Technology, State Bank and Trust
In Support of HB 1018
March 15, 2011

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Gary Inman, and I am the Senior Vice President of Information Technology of State Bank and Trust in Fargo. I also serve as the president of the Information Technology Council of North Dakota (ITCND). It is on behalf of ITCND that I am voicing support of HB 1018, specifically as it relates to the continued funding of the Operation Intern and Innovate ND programs. ITCND would also ask for your consideration in restoring funding for the Centers of Excellence program, which was removed in the House.

ITCND was created in 2000 by North Dakota business, government and university leaders who recognized the need to strengthen the state's information technology infrastructure and reposition the state as a national leader in IT. ITCND has nearly 100 member organizations, with representatives from both the public and private sector.

According to the *2011 State of the IT Industry Guide*, North Dakota's IT industry will need to replace nearly 40 percent of its current workforce within the next decade. The development of a high-quality workforce is vital to the future growth of North Dakota's IT industry. A key component in this process is engaging students in IT careers by providing internship opportunities, which many times lead to full-time, permanent employment.

State Bank and Trust is just one of 35 companies using the Operation Intern program to hire interns in the area of information technology. This program has allowed our company to provide two internships, which we might not have been able to offer without the incentive. With these internships we are able to advance two internal initiatives by dedicating these resources to the projects.

ITCND also supports removal of the language limiting the use of the Operation Intern program to only new or expanded internships, which is in SB 2056. Without this change, several businesses are only able to use the program one year and are not encouraged to hire an intern in future years because the program no longer applies to them.

One of ITCND's goals is business development and entrepreneurship, which is why we also support the continued funding for the Innovate ND program and encourage your consideration in restoring funding for the Centers of Excellence program, which was removed in the House. IT entrepreneurs have been the beneficiaries of both of these programs in the past, allowing them to start or expand their innovative business ventures.

We thank you for your support of Operation Intern, Innovate ND and the Centers of Excellence programs in the past, and hope you will support their continued funding.

• [Back to homepage](#)

Blending to the Top

Sparsely populated North Dakota leads the U.S. in blender pumps.

By Kris Bevill | January 14, 2011

The USDA's recent directive to assist retailers with the financial burden of installing 10,000 blender pumps over five years stands to usher in a new push for blender pumps throughout the U.S. While the USDA's support is a welcome signal of federal support for ethanol infrastructure, other efforts are already being carried out at various levels throughout the country with the same overall goal of increasing the amount of ethanol available to consumers. Several states offer retail station owners incentives to install blender pump or E85 dispensers. Various corn grower groups also offer financial reimbursement for the installation of E85 or blender pumps. Growth Energy offers a direct grant of \$2,500 to any retailer who installs an E85 pump and \$5,000 for a blender pump. All of these programs are an encouraging sign of the ethanol market's potential to expand, but one state's strategy in particular stands out for its impressive level of success in building out blender pump infrastructure.

Empowering Ethanol

North Dakota, (total population about 650,000) has an economy that historically has been driven largely by agriculture. In recent years, corn production has increased and, with it, ethanol production. Booming oil production in the western half of the state helped build a budget surplus and has added an interesting dynamic to this traditionally farm-based state. But even before the oil boom began, forward-thinking legislators and hands-on industry members decided that North Dakota needed to accelerate the development of various energy sources produced in the state and to actively promote those resources. In 2000, under the leadership of Gov. John Hoeven, a committee was formed to evaluate the state's energy resources. The resulting policy, called EmpowerND, included comprehensive measures to support the economic development of all aspects of North Dakota's energy sources, including coal and petroleum, wind power, ethanol and biodiesel.

One of the initial goals of EmpowerND was to increase the state's ethanol production by tenfold, says Tom Lilja, executive director of the North Dakota Corn Council. In 2001, the state had just 20 million gallons of ethanol production capacity. A statewide ethanol production incentive program was put in place in 2002 and by 2008, due in part to the incentives made available through EmpowerND, more than 300 million gallons of additional ethanol capacity had come online. The state's current production capacity is about 330 MMgy.

Once ethanol production capacity had been expanded, work began on increasing in-state usage of the fuel. Members of the state corn growers association contacted the governor's office to discuss incentivizing E85 as well as ethanol blender pumps. "We approached the governor and he really liked the idea," Lilja says. "He wanted to do it as a cooperative effort, so the corn growers offered to put up a half-million dollars toward this program to get a lot of pumps across the state."

The governor requested \$2 million from legislators for a statewide Biofuels Blender Pump Program to incentivize the installation of pumps at retail stations. Under the program's guidelines, any North Dakota retailer who installed an approved blender pump and agreed to sell biofuel blends for two years would be eligible to receive \$5,000 for each installed blender pump, capping at \$40,000 per retail site. In 2009, the state legislative assembly approved the program and agreed to allocate \$1 million from the state's general fund to finance it. Matching federal funds were obtained to equal the governor's initial request of \$2 million.

In addition to the state program, the North Dakota Corn Council agreed to provide \$2,500 for each installed pump. After factoring in federal tax incentives and Growth Energy's available grant money, the approximate \$25,000 price tag for a new blender pump would now actually cost North Dakota retailers about half that amount.

"Having ethanol and increasing ethanol production has been a big part of the governor's agenda," says Shane Kneeling, commissioner of North Dakota's commerce department. "The governor sought early on to increase ethanol production. This [blender pump program] was an effort to support that production. Having the infrastructure in place to consume ethanol was a key part of the strategy. It was the next step in this evolution after we had the plants in place to make it available to our consumers."

Consumer Choice

Retailer and consumer response to North Dakota's blender pump program was almost immediate. Prior to the program's unveiling in October 2009, the state had no blender pumps. By November 2010 at least 76 ethanol



Consumer Choice: A PetroServe USA customer fills his flex-fuel vehicle with E30 from one of the station's blender pumps. Statistics show that consumption of ethanol in North Dakota has skyrocketed since the state implemented its blender pump program.
PHOTO: KRIS BEVILL, BBI INTERNATIONAL

been received by the commerce department.

Of course, installing the pumps is only the first step toward increased consumer usage. Once the choice is available, will customers buy more ethanol? In North Dakota, the short answer is "yes." Retailers who installed blender pumps in the first year of the program reported increased sales for all types of fuel offered at their stations. Most notable though has been the growth in sales of E85. Between January and August of 2009, 167,025 gallons of E85 were consumed in North Dakota. During the same time period last year, 351,161 gallons of E85 were consumed. "What's really crazy about those numbers is that 50 percent of that increase was only five blender pump locations," Lilja says. "So we think E85 sales will be exploding once we have a lot of these pumps in place. We think we could go through 1 million gallons of E85 by 2011." Sales of mid-level blends were not included in the 2009-'10 comparison, so the actual amount of ethanol consumption within the state is even higher than reported.

Goettle says the number of reimbursements issued by his department is a good indication of the demand for blender pumps from retailers and consumers. "Ethanol consumption has doubled and we expect that to continue to move forward as consumers learn about this choice at the pump and begin using it in their vehicles," he says. "The choice here lies with the consumer. That's the advantage of the program. The increase in sales is because consumers are responding to the availability."

Ethanol Input

Part of what made North Dakota's incentive program so successful is the high level of collaboration that occurred between all parties with vested interests in the pumps, including ethanol producers, corn growers, petroleum marketers and state officials. Jeff Zueger, chairman of the North Dakota Ethanol Council and general manager of the 50 MMgy Blue Flint Ethanol LLC plant, located in the central part of the state, says the state's ethanol plants provided background information and market data to support the call for blender pumps and also lobbied local and state officials to pass the legislation. The work was worth their effort. Zueger says demand for ethanol from state producers increased almost immediately as a result of the program. At Blue Flint, E85 sales from its onsite inline-blending system increased by four times the amount sold prior to the blender pump incentive. And that was within just two months of the program. He expects demand to continue to grow as more pumps are installed in the plant's area.

"It's been very positive for our facility," he says. "It provides a great opportunity for our industry to work more closely with retailers on providing product that they can directly market. We've found specifically at Blue Flint that if we work directly with retailers, we can offer pricing options that meet their business objective. We offer spot and forward pricing. If they like to have their forward-priced product indexed off of petroleum-based products we can offer that to them as opposed to indexing it off of the ethanol market. It allows for hedging opportunities for the retailer to lock in prices when the spread between gasoline and ethanol are optimal for them."

The 120 MMgy Tharaldson Ethanol LLC plant in Casselton, located about 20 miles west of Fargo, doesn't offer inline blending so it has experienced a more gradual climb in local demand, according to general manager Russ Newman. The plant currently sends between 93 and 97 percent of its product to other states in unit train shipments, but he'd like to eventually keep up to 20 million gallons per month in the state. "We realize we're going to be exporters, but as much as we can get in the area the better," he says.

Petroleum Partner

While collaboration was vital in forming and implementing North Dakota's blender pump program, most parties involved credit one man for its ultimate success. Kent Satrang, CEO of Petro Serve USA, manages 20 retail fueling stations throughout the state, several of which are located in Fargo, North Dakota's largest city. He's a longtime supporter of ethanol because, he says, it's "the right thing to do." His company's stations were some of the first to install blender pumps following the program's launch and Satrang says he is very proud of helping North Dakota become the No. 1 blender pump state in the country. "What was done with blender pumps through the North Dakota program is going to be a model for the future for other states and will be huge for North Dakota's industry," he says. "To go from zero blender pumps to 250 by the end of 2011 ... we have changed the infrastructure of pumps in North Dakota." In Grand Forks, for example, which is located about an hour north of Fargo and is the state's third largest city, there were no blender pumps six months ago. In fact, "you couldn't buy E85 within a 50-mile radius of the town," Satrang says. "Yet there were 4,000 FFVs. The option was just not there." Grand Forks consumers now have four blender pumps to choose from, all of which were installed as a direct result of the blender pump incentive program.

Contributions and Considerations

Ethanol became the industry it is today due largely to grassroots political efforts of early producers. North Dakota's incentive program brings to light an emerging trend which resembles those early production efforts, only now the goal is greater consumer availability for the product. This includes passing legislation and forming relationships with petroleum representatives and transportation fuel marketers. When North Dakota's blender pump program was in the formative stage, the state's ethanol producers took an active role in lobbying legislators at the state capital. They also formed relationships with their local representatives and made their case for increased ethanol availability. "We're fortunate to have a supportive legislature and governor's office and others within the state lawmaking divisions," Zueger says. "Policymakers viewed it as an investment in growing ethanol use throughout the state, which would positively affect the economics of the state, rather than viewing it as an expenditure."

Alliances were also formed with the state petroleum marketers association. "Those people can be your best

because the retailers were asking for it, not just ethanol producers.”

Also key to North Dakota's success was an informational program organized by the state designed to introduce retailers to blender pumps. Ethanol plant managers, retailers, blender pump manufacturers, the petroleum marketers association, the corn growers association and the state commerce department all participated in the meetings. Zueger says those meetings were critical in getting the word out regarding the incentive program to retailers. “We'd set up these meetings and present the different aspects of the blender pump program and the pumps themselves,” Zueger says. “We had retailers who had installed the pumps come to some of the meetings and talk about the experience they had. In our area, we also talked about pricing mechanisms, supply mechanisms and quality control measures that we use in producing the product and moving it to the market.”

Lilja says North Dakota's program was launched at exactly the right time because it kicked in just as many retailers needed to upgrade their pumps for other reasons. So instead of replacing pumps with new traditional pumps, many were convinced to install blender pumps in order to take advantage of the incentives. Additionally, Lilja believes the location of the first few blender pumps was crucial to the program's overall success. “It really was because we got some pumps in a larger metropolitan area near the beginning of the program that really helped it,” he says. “I know other states have done blender pumps, but they've done them in the small towns and they've had a hard time getting into the larger metropolitan areas. Rolling this out of Fargo under the leadership of Satrang and Petro Serve USA was huge.”

Goettle says North Dakota's overall collaborative attitude toward energy policy deserves evaluation from other states seeking to form their own policies. “We're one of the few states that has crafted a comprehensive energy policy,” he says. “The manner in which we seek industry input and direct communication with industry on what we need to move forward in all of these sectors is, I think, unique and a model for the country.”

From a financial perspective, there are few states with as healthy a budget surplus as North Dakota has, so groups such as state corn growers associations might have to take on larger roles in offering incentives elsewhere. “Based on the budget situations in other states, I think the corn growers are going to have to offer most of the money per pump,” Lilja says. “We were fortunate to have a \$1 billion surplus in North Dakota and that's one of the reasons the governor was in favor of this.”

Reimbursement applications for blender pumps installed in North Dakota are being accepted through May 1 and it's possible the state legislators will vote to extend the program. In November, Hoeven was elected to the U.S. Senate and will take a seat on the Senate energy committee. North Dakotans believe Hoeven will use his experience in the state to benefit the nation's ethanol industry, and early indications from Hoeven suggest he has a similar agenda. “Blender pumps not only support biofuels production, but empower people to make their own choices at the pump,” Hoeven says. “They should be a part of the nation's larger energy strategy.”

Author: Kris Bevill
Associate Editor, Ethanol Producer Magazine
(701) 540-6846
kbevill@bbiinternational.com

Members of the Senate Appropriations Committee,

I am Nathan Presnell from Just 4 Kidz Childcare in New Rockford and since I am unable to be present for the March 15th hearing for House Bill 1018, I am submitting this written testimony. I am asking for your support for the 4.9 Million in recruitment, training and retention grants for childcare providers.

I 'am one of the candidates that received a scholarship to earn my CDA Credential. The funds for this program came from 2009 HB 1418. With the program, my skills and knowledge were able to grown and in June 2011, I will be completing all the requirements to earn the CDA Credential.

With the continue of 4.9 million in HB 1018, More childcare provider will be able to expand their knowledge to provide more quality childcare.

Thank you for your time.

Nathan Presnell – 947-2701 nathanpresnell@gmail.com



Minot Area
Chamber of Commerce

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PO Box 940
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www site: minotchamber.org

March 14, 2011

Senator Ray Holmberg, Chair
Senate Appropriations Committee
North Dakota State Senate
600 Boulevard Avenue
Bismarck, ND 58505

Dear Senator Holmberg:

I am writing to you to express the support of the Minot Area Chamber of Commerce for HB 1018 and more specifically for the portion of the bill which contains funding for the child care initiative. For the record, I have registered with the Secretary of State to lobby on behalf of the Minot Chamber and my lobbyist number is #267.

Before I identify individual funding items, let me take this opportunity to say thank you for the funding that the 2009 legislature provided in HB 1418. That funding was used to establish a statewide child care recruitment, training and retention initiative and the funding level has impacted approximately 5% of licensed providers.

The Chamber supported the concepts contained in HB 1418 in 2009. Today in 2011 the Chamber supports both the concepts and the request for five million dollars to continue a statewide child care recruitment, training and retention initiative. The North Dakota Child Care Resource and Referral program has the statistics from the initial program which identify the progress made by the licensed providers who are currently participating.

Again, the Chamber is pleased to support the funding in HB 1018 for the child care initiative.

Thank you for the opportunity to provide this testimony.

Respectfully,

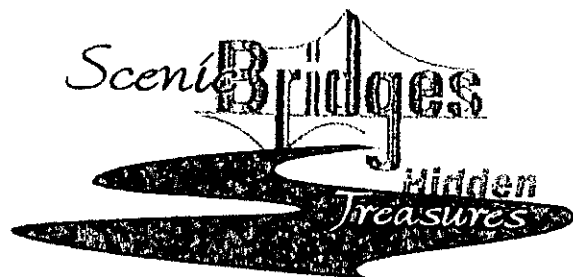


L. John MacMartin, CCE
President



Partners In Progress
The Minot Area Chamber of Commerce and You!





*Convention & Visitors Bureau
250 Main St W – P.O. Box 724
Valley City, ND 58072-0724
(701) 845-1891
www.hellovalley.com*

January 10, 2011

Senate Appropriations Committee
Ray Holmberg, Chairman
600 East Boulevard Avenue
Bismarck, ND 58505

Chairman Holmberg and Committee Members,

We are asking for your support of HB 1018 with the addition of \$1.15 million to the Tourism budget to finance Visitor Information Centers, provide for extra marketing opportunities and to solidify the Tourism Infrastructure and Expansion Grant program.

Providing for tourism expansion is not only good for the economy it enhances the quality of life for North Dakota residents too. Our citizens enjoy the amenities as much as visitors do. By funding tourism opportunities you are giving Economic Developers tools to lure additional businesses to our state. Recent studies have shown that quality of life issues are important to young workers and their families. Let's provide a recreation rich environment for our visitors and residents.

We need to market North Dakota! We have found in Valley City that if we can get visitors to the region they spend a lot of money. These are new dollars added to our economy that our specialty shops need to survive. Our CVB has a limited budget (\$60,000) and need the help of State Tourism to reach a wide audience. Tourism has responded with cooperative marketing programs that make it possible for us to advertise in magazines like Midwest Living. We would love to do more cooperative marketing- please give Tourism the opportunity to help small towns advertise by expanding their marketing program.

Invest in North Dakota's future. Please support HB 1018 with the additional dollars for Tourism. Thank you.

Mary Lee Nielson, Marketing Coordinator
Valley City Convention & Visitors Bureau



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March 15, 2011

Dear Members of the Senate Appropriations Committee,

Please accept this letter as my testimony in favor of increasing the allocations of the North Dakota Tourism Division. By doing so, it would increase the marketing budget, help fund Visitor Information Centers and increase the money allocated for the small project and large project infrastructure grant programs. Fully funding this department will enhance our ability to market our state and grow our market share of tourism dollars.

Currently, North Dakota has one of the smallest budgets for tourism. The state of North Dakota needs to increase this budget to maintain our visitors and help generate new income as well. As a smaller convention and visitor's bureau in North Dakota, we depend on the cooperative advertising options given to us by the state. We also rely heavily on the infrastructure grants that are given out at the state level. Advertising costs are on the rise and technology is advancing. It is vital to North Dakota's tourism industry to keep up with trends and stay competitive. In the past two years, I've seen advancement in the hunting and fishing industry with the help of the North Dakota Tourism department. They have partnered with television personalities such as Jason Mitchell and have extended the marketing efforts into Canada, Wisconsin, Illinois, and Iowa, just to name a few. Hunting and Fishing is the key to the success of the Lake Region and the new money allocated to the North Dakota Tourism Division will keep these efforts going at full strength, and continue our tourism entities in this region, among others, to maintain and grow as well.

Another vital component used by the Devils Lake Tourism Convention & Visitors Bureau is the cooperative advertising in the visitor centers around our state. My CVB alone produces an additional 20,000 brochures to accommodate these areas of advertising. The additional allocation of funds will provide security of an organized system, keep our visitor guides maintained and into the hands of those that need and want to read them. Besides the Devils Lake CVB, the motels, resorts, guides services and restaurants, among others, heavily rely on our Visitor Guide to be in the most visitor centers as possible. We could not do this without the help of the North Dakota division.

Again, I ask for your support of tourism, and that you vote to increase the Tourism Division's budget. With tourism being the second largest economic impact in North Dakota, many jobs and families rely on the help from North Dakota tourism and the state itself.

Thank you for your time and consideration.

Sincerely,

Suzie Baisch
Executive Director



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March 4, 2011

Senate Appropriations Committee

Dear Chairman Holmberg and Committee Members:

On behalf of the Bismarck-Mandan Convention and Visitors Bureau, I am writing this letter of support for HB 1018 which includes the Tourism Division Budget and the Tourism Infrastructure and Grant Program.

Our industry is asking you to recommend additions to the Tourism Division budget of \$600,000.00 for marketing, \$150,000 for Visitor Information Centers and \$2.5 million for the Tourism Infrastructure and Grant Program.

As you are well aware, Tourism is an economic generator for our state's economy and is our third largest industry. Increasing the Tourism Division budget is an investment, not expenditure.

In particular, the marketing program implemented by the Tourism Division has enabled our Convention and Visitors Bureau to participate in advertising opportunities, both domestically and in Canada, which we would not be able to do on our own. They have done an excellent job of developing a brand for North Dakota and creating an awareness of the opportunities available to visitors all across our state.

Right now, one of our industry's greatest needs is additional dollars for infrastructure development. The Tourism Infrastructure and Grant Program would help greatly in this area.

I urge you to consider recommending the above additional dollars to the Tourism Division's budget.

Best regards,

Terry Harzinski, Executive Director

Bismarck-Mandan Convention and Visitors Bureau

**Buffalo City Tourism Foundation
404 Louis L'Amour Lane
Jamestown, ND 58401**

January 7, 2011

Senate Appropriations Committee
State Capitol
600 East Boulevard
Bismarck, ND 58505

Regarding: HB1018

Honorable Chairman Senator Holmberg and Committee Members,

As the Executive Director for Tourism in Jamestown, North Dakota, it has been my privilege and honor to watch the growth and development of tourism in our city and state over the last seven years. I have witnessed not only a growth in the number of guests (tourists) visiting us, but a growing sense of pride in our city and state.

We have gained some much-needed momentum over these years thanks to the diligent work and partnerships formed with the Tourism Division of the ND Department of Commerce. After all, it is no small feat to be named America's Friendliest State and Most Affordable Vacation State. So, how do we continue this national notoriety and forward momentum in the years to come?

Exposure does that. Designations like these are nothing more than a quick flash in the pan if we don't now use them to our advantage through increased marketing dollars, improvements to our present Visitor Information Centers and improvements to our attractions.

I and the Buffalo City Tourism Foundation Board of Directors urge your support to increase the ND Tourism budget as proposed.

Thank you for this opportunity to share my opinions with you on this important issue.

Respectfully,

Nina Sneider, Executive Director
Buffalo City Tourism Foundation

COMPARISON OF CENTERS OF EXCELLENCE FUNDING

The schedule below provides a comparison of funding and provisions for centers of excellence included in the executive budget, the House version of Engrossed House Bill No. 1018, and the Senate version of Engrossed Senate Bill No. 2057.

	Executive Budget HB 1018	Engrossed HB 1018¹	Engrossed SB 2057²
Centers of research excellence			
• Research	\$8,000,000		\$8,000,000
• Eminent researcher recruitment grant program	2,000,000		1,500,000
• Infrastructure grants	3,000,000		3,500,000
Centers of workforce excellence	2,000,000		2,000,000
Centers of entrepreneurship excellence	5,000,000 ³		5,000,000
Workforce enhancement grants		\$2,000,000	
Total	\$20,000,000	\$2,000,000	\$20,000,000
General fund	\$15,000,000	\$2,000,000	\$20,000,000
Other funds	\$5,000,000 ³		

1

Engrossed HB 1018	Related Bill Sections
Workforce enhancement grants	1, 22
A description of related bill sections is provided in Appendix A.	

2

Engrossed SB 2057	Related Bill Sections
Centers of research excellence	
• Research	3, 7
• Eminent researcher recruitment challenge grant program	3, 8
• Infrastructure grants	5,
Centers of workforce excellence	1, 6
Centers of entrepreneurship excellence	2, 4
A description of related bill sections is provided in Appendix B.	

³The Governor recommended authorizing the department to continue unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center.

ATTACH:2

ENGROSSED HOUSE BILL NO. 1018 - CENTERS OF EXCELLENCE - RELATED SECTION DESCRIPTIONS

Sections 4 through 7 and 26 and 27 relate to the centers of excellence program. The majority of the centers of excellence program expires on July 30, 2011, per North Dakota Century Code Chapter 15-69. Sections 4 through 7 of the bill update Chapter 15-69 to provide that the Department of Commerce continue to administer the centers of excellence program, distribute funds to the centers, monitor centers for compliance with award requirements, review changes in assertions made in center applications, and conduct postaward monitoring of centers. Sections 26 and 27 repeal Chapter 15-69 effective August 1, 2023.

Section 22 provides for the following transfer:

- Workforce enhancement line item to the workforce enhancement fund (\$2 million).

ENGROSSED SENATE BILL NO. 2057 - CENTERS OF EXCELLENCE - RELATED SECTION DESCRIPTIONS

Section 1 amends North Dakota Century Code Section 54-60-22 to provide that grants recommended by the Workforce Enhancement Council be changed to the centers of workforce excellence grants.

Section 2 creates a new section to Chapter 54-60 to create a centers of entrepreneurship excellence grants program.

Section 3 creates a new chapter to Title 54 to establish a centers of research excellence grant program and eminent researcher recruitment grant program, as well as provide a continuing appropriation for the centers of research excellence fund.

Section 4 provides \$5 million from the general fund for centers of entrepreneurship excellence grants.

Section 5 provides \$3.5 million from the general fund to the Department of Commerce for the purpose of working with the North Dakota University System's research institutions, the Adjutant General, and the Aeronautics Commission in leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state.

Section 6 provides \$2 million from the general fund which the Office of Management and Budget (OMB) shall transfer to the workforce enhancement fund for the purpose of implementing and administering Sections 54-60-21 and 54-60-22.

Section 7 provides \$8 million from the general fund which OMB shall transfer to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants provided for under Section 3 of Engrossed Senate Bill No. 2057.

Section 8 provides \$1.5 million from the general fund which OMB shall transfer to the centers of research excellence fund for the purpose of implementing and administering the eminent researcher recruitment challenge grants provided for under Section 3 of Engrossed Senate Bill No. 2057.

March 2011

CHILD CARE-RELATED FUNDING - 2009-11 AND 2011-13 BIENNIUMS

The schedule below provides information on funding provided for child care and early childhood education for the 2009-11 biennium, 2011-13 executive budget, and legislative action through crossover.

Program Description	2009-11 Biennium		2011-13 Executive Budget		Legislative Action Through Crossover	
	General Fund	Total	General Fund	Total	General Fund	Total
Agriculture Extension Service Provides educational programs and resources on parenting and family issues through regional parent resource centers	\$250,000	\$250,000 ¹	\$250,000	\$250,000 ¹	\$250,000	\$250,000 ¹
Gearing Up for Kindergarten funding is provided to expand the program statewide--\$500,000 is for programming sessions and \$330,000 for administrative and organizational costs of the expansion.			830,000	830,000	830,000	830,000
Department of Commerce Loan assistance to early childhood facilities for acquiring, leasing, or remodeling of real estate facilities or for acquiring equipment for establishing or expanding a licensed early childhood facility, limited to \$100,000 per award in the 2009-11 biennium and increased to \$200,000 per award in the 2011-13 executive budget.	1,250,000	1,250,000	400,000	400,000	250,000	250,000
Grants for early childhood facilities for technical assistance, a business plan, or infrastructure. Grants are limited to \$5,000 per recipient for infrastructure and \$10,000 per recipient for technical assistance or a business plan. Requires a \$1 match for every \$3 of grant funds.	500,000	500,000	500,000	500,000	100,000	100,000
Administration of the child care loan and grant programs	70,000	70,000	20,338	20,338	20,338	20,338
Child development credential grants to provide funding to individuals seeking a child development associate credential, limited to \$1,200 per recipient			150,000	150,000		
Grants to child care service providers for workforce development, quality improvement technical assistance, and capacity building in collaboration with the Department of Human Services under North Dakota Century Code Section 50-11.1-14.1					4,935,000	5,000,000 ²
Department of Public Instruction Grants of up to \$5,000 per classroom to assist schools making safely compliant space available for licensed prekindergarten programs			125,000	125,000	125,000	125,000
Continuing education grants for preschool teachers			150,000	150,000	150,000	150,000
Department of Human Services Child care grant payments are made to providers on behalf of eligible recipients for child care services provided	350,197	22,359,834	252,686	20,554,852	252,686	20,554,852

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Program Description	2009-11 Biennium		2011-13 Executive Budget		Legislative Action Through Crossover	
	General Fund	Total	General Fund	Total	General Fund	Total
Child care transition assistance includes payments made to temporary assistance for needy families (TANF)-eligible recipients for child care services. (2011 SB 2095 provides for the payments to be made to the providers instead of the eligible recipient. The bill has passed both chambers.)		892,700		788,740		788,740
Head Start collaboration provides support to local Head Start programs and serves as the state's liaison to the federal Head Start agency.		262,643		235,263		235,263
Early childhood contracts provide training, technical assistance, and professional development for child care providers, maintains child care provider lists, and recruits providers.	166,221	6,361,399 ³	166,221	2,717,399	166,221	2,717,399
Other bills under consideration HB 1373 provides an appropriation to the Department of Human Services to provide grants for federally designated Head Start programs in the state. Grants provided require that a matching amount be received through gifts, grants, or donations from nonstate sources.					1,000,000	1,000,000 ⁴
SB 2298 provides that the Department of Human Services establish an early childhood services inclusion grant program for licensed early childhood services providers that provide care for children with disabilities or developmental delays. An appropriation is provided for the early childhood services inclusion support services and for establishing a grant program.						150,000 ⁵
Total	\$2,586,418	\$31,946,576	\$2,844,245	\$26,721,592	\$8,079,245	\$32,171,592

¹Amounts shown consist of funding provided directly to the Extension Service in the agency appropriation bill. The Extension Service also receives passthrough funds from other entities for programs offered at the parenting resource centers, including:

- Nurturing parent program--funded by federal funds through the Department of Human Services.
- Community-based child abuse prevention--funded by federal funds through the Department of Human Services.
- Parenting resource center network grant--funded by federal funds through the Department of Human Services.
- Parenting resource center enhancement grant--funded by federal funds through the Department of Human Services.
- Developmental disabilities grant--funded by federal funds through the Department of Human Services.
- North Dakota State University Development Foundation grant.

²The \$65,000 of special funds consist of carryover from the unspent 2009-11 biennium \$5 million appropriation for a Great Plains Applied Energy Research Center.

³In the 2009-11 biennium, American Recovery and Reinvestment Act of 2009 funding of \$3.6 million was utilized to develop the quality rating improvement system to maintain the consistency and quality of providers.

⁴House Bill No. 1373, as introduced, provided an appropriation of \$6.15 million from the general fund for grants to federally designated Head Start programs in the state.

⁵As amended by the House, Senate Bill No. 2298 provided \$150,000 from the lands and minerals trust fund, \$100,000 for early childhood services inclusion support, and \$50,000 for the early childhood services grant program. The original bill provided \$600,000 from the general fund and \$650,000 in federal funds or other income from the TANF program.

Childcare Loan Program:

1. Fund Balance (March 24, 2011):	\$605,210.30
2. Remaining Appropriation:	0.00
3. Estimated Investment Repayment: (\$500 per month x 4 months)	2,000.00
4. Less: Current Unfunded Projects and Applications:	(\$242,919.00)*
5. Cash Available before Expenses:	\$ 364,291.30
6. Less: Expenses (1 yr.):	<u>\$0.00</u>
7. Projected Cash Available for New Projects in the Childcare Loan Fund as of June 30, 2011:	<u>\$ 364,291.30</u>

Childcare Loan Program Outstanding Loans & Commitments (January 19, 2011) Report:

1. All Because of Children (Funded)	\$ 68,985
2. Deborah Wallace (Funded)	5,000
3. Door of Hope (Funded)	100,000
4. Early Years, Inc. (Funded)	96,000
5. Debbie Goluguri (Funded)	4,000
6. Venessa Huelsman (Funded)	2,700
7. Amy Taylor-Cornerstone Learning Center (Funded)	77,000
8. Diane Hellman-Kids Korner Center (Funded)	100,000
9. Stepping Stones Daycare (Funded)	35,000
10. Beginnings Child Care Center (Funded)	100,000
11. Amber Friez-First Step Learning Center (To be Funded)	100,000
12. Learning Universe (Funding Yet Available: \$2,919)	80,000
13. Connie Eberle (To be Funded)	30,000
14. Juniors (To be Funded)	<u>100,000</u>
15. Total:	\$ 898,685

***Balances to be funded (March 24, 2011):**

1. Roxanne Cartwright:	10,000
2. Amber Friez-First Step Learning Center:	100,000
3. Connie Eberle:	30,000
4. Learning Universe:	2,919
5. Juniors:	<u>100,000</u>
6. Total:	\$ 242,919

Estimated Childcare Loan Program Funds that would be available for the new biennium beginning July 1, 2011, if no new funding requests were received from March 24, 2011 to June 30, 2011 would be \$364,291.30. The NDDF was appropriated \$1,250,000 to start the new program, which began July 1, 2009. If the NDDF receives the \$250,000 in new appropriations that will be requested during the 2011 Legislative Session and if approved, the Development Fund would have funding available to start out the new biennium of July 1, 2011 of \$614,291.30.

Childcare Grants

March 24, 2011

- Guidelines
 - Business Plans
 - Expansion
 - Safety
 - Special needs
- Commerce has completed three rounds of grants
 - 1st round 96 grants awarded with 79 projects completed. (This round closed Dec2010)
 - 2nd round 65 awarded with 52 completed.
 - 3rd round 23 grants awarded.
- Total grants awarded 184
 - 98 grants were awarded to the twelve largest cities.
 - 86 grants to smaller cities and towns.
- Total dollars committed to date \$456,00
- Total dollars reimbursed \$326,186
- Business Plan grants -8, total dollars committed \$45,397.
- Map
 - 60 communities across the state received Childcare grants.
- Additional childcare capacity 379

df

Child Development Associate Certification

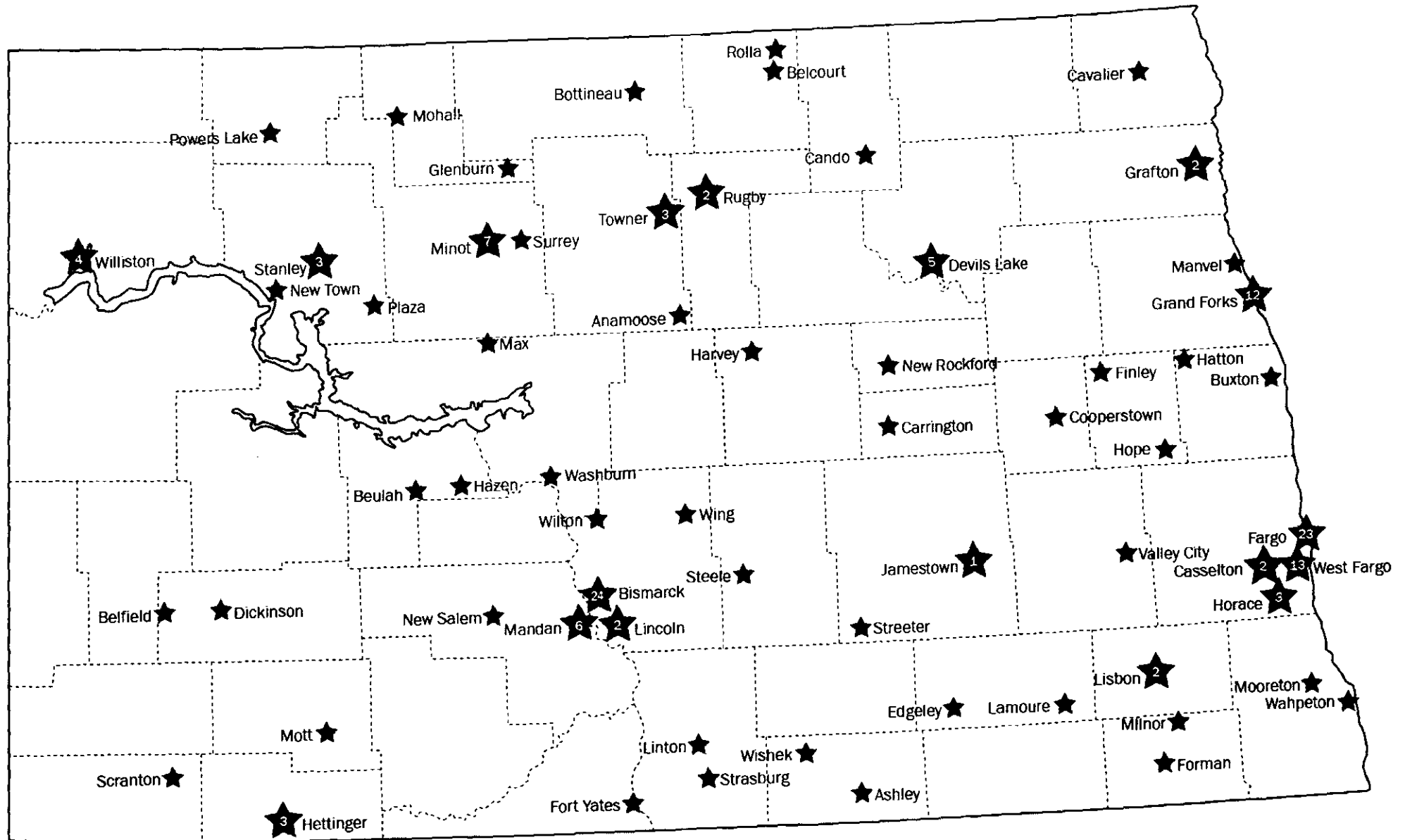
Recommendation #5 from the Early Childhood Education section of the report from the North Dakota Commission on Education Improvement reads as follows:

*The Commission recommends funding for 125 scholarship grants to individuals working in the childcare industry who wish to obtain a **Child Development Associate** credential. At a cost of \$1200 per person the total cost is \$150,000. The Workforce Division of the Department of Commerce should be authorized to work with an organization capable of distributing and administering these grants.*

- ◆ The Department of Commerce budget request contains \$150,000 for continued delivery of training and assessment assistance as recommended by the Commission and the Governor.
- ◆ \$1200 per person covers a significant portion of the training and assessment costs associated with acquiring CDA certification. Remaining costs are borne by the individual, which is seen as a way to enhance commitment to achieving certification.
- ◆ Candidates seeking to apply for CDA assessment must meet the following eligibility requirements:
 - Be 18 years of age or older
 - Hold a high school diploma or GED
 - Have 480 hours of documented experience working with children within the past five years
 - Have 120 clock hours of formal child care education within the past five years
- ◆ In North Dakota, CDA certification serves as an industry-recognized measure in qualifying for Child Care Center Director positions. CDA certification is encouraged for all child care providers.
- ◆ Continuing education is required to maintain certification, ensuring providers pursue ongoing learning.
- ◆ CDA is a step in the provider preparation process that enhances quality of child care and engages workers in viewing child care as a career option.
- ◆ Earning the Child Development Associate credential can motivate caregivers to continue education, and serve as a platform for professional and career opportunities.
- ◆ The National CDA Council works to ensure that CDA is a credible and valid credential, recognized by the profession as a vital part of a coordinated system of professional development.

6

Daycare Grants - Updated 2011



Department of Human Services Response - 3/29/2011
Regarding \$3.6M of ARRA funding provided for childcare in the 2009-11 biennium
NDCC Chapter 50-11.1-14.1

Department of Human Services has contracted for the below mentioned services with 2 providers -
Lutheran Social Services of North Dakota, and Lakes and Prairies Community Action.

The ARRA funding must be obligated by September 2011. It is the Department of Human Services
understanding all available ARRA funds will be obligated by June 30, 2011.

Overall Description of Child Care Project

The monies are being used to increase capacity and improve quality of childcare through the Growing Childcare Initiative. The Growing Childcare Initiative provides training for providers in coordination with consulting services, Child Development Associate scholarships to child care providers and employees of child care programs, and expanded professional development opportunities for child care providers, including the development of a training registry. The Initiative also includes specific recruitment efforts for new centers and family/group providers. The Growing Childcare Initiative was launched throughout the state on January 4, 2010.

Activities Section of the December 31, 2010 Federal ARRA Report

(The March quarterly report will be submitted within the next couple weeks)

The providers enrolled in the enhancement projects of the Growing Childcare Initiative continue to receive training in coordination with consultation services, and providers have received incentive funds for program improvement after completing each 40 hour block of training. Center directors enrolled in the enhancement program have completed more than 50% of the Aim for Excellence center director credential. Outreach and recruitment efforts continue. Five new child care centers have been licensed, adding 232 child care slots for children ages 0-5. 80 family and group providers are currently working with CCR&R through the licensing process. The Growing Futures Registry is nearing completion, and final testing is being done on customized features. During this quarter, ten new online Easy Reach courses have been developed, 37 face to face trainings were held, and one Eager to Learn online course was facilitated.

**Sixty-first Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 6, 2009**

HOUSE BILL NO. 1418
(Representatives Hawken, Martinson, Mueller)
(Senators Fiebiger, Krebsbach, Wardner)

AN ACT to create and enact a new section to chapter 50-11.1 of the North Dakota Century Code, relating to early childhood care workforce development, child care capacity, and quality improvement for early childhood facilities; and to provide an appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 50-11.1 of the North Dakota Century Code is created and enacted as follows:

Workforce development - Quality improvement - Technical assistance - Capacity building.

1. The department shall provide voluntary, progressive training opportunities leading to credentials and shall provide supports for the early childhood care and education workforce. The department shall implement a registry to track workforce participation.
2. The department shall implement a voluntary quality improvement process for licensed early childhood facilities. The department may provide a quality incentive payment and a higher reimbursement rate for child care assistance program payments to a participating early childhood facility. The department may provide technical assistance and support to an early childhood facility that applies for quality improvement and may provide financial incentives to an early childhood facility that sustains and increases program quality. The department may contract with a private, nonprofit agency to provide technical assistance under this subsection.
3. The department may provide supports and incentives to build child care capacity, including:
 - a. Technical assistance and support to individuals who want to establish a new program or expand existing capacity to include information on needs assessments, regulatory processes, facility design and furnishings, startup and operating budgets, staffing patterns, curriculum evaluation, and development of business plans.
 - b. Grants to programs with a viable business plan to support early childhood facility development and expansion in areas with a demonstrated need.
4. The department shall coordinate with other state agencies as necessary to implement the provisions of this section.

SECTION 2. APPROPRIATION. There is appropriated out of any moneys from federal funds made available to the state from federal action to provide funding to the states to stimulate the national economy or to address state fiscal recovery and other income, the sum of \$3,644,000, or so much of the sum as may be necessary, to the department of human services for the purpose of implementing programs associated with early childhood care services under section 1 of this Act, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 3. ADDITIONAL FUNDS. Subject to approval by the emergency commission and budget section, the department of human services may accept and spend federal or other funds in

excess of those funds appropriated in section 2 of this Act for early childhood care programs, for the biennium beginning July 1, 2009, and ending June 30, 2011.

LISTING OF PROPOSED CHANGES TO HOUSE BILL NO. 1018

Department - Department of Commerce

Proposed funding changes:

Description	FTE	General Fund	Special Funds	Total
1 Add funding for tourism infrastructure grants (Approved by Committee)		\$1,000,000		\$1,000,000
2 Add funding for a Minot Air Force Base Re-alignment grant (Approved by Committee)		\$250,000		\$250,000
3 Remove funding for centers of excellence		(\$13,000,000)		(\$13,000,000)
4 Provide funding for a grant program to replace Centers of Excellence			To be determined.	
5 Add funding for the recruitment, training, and retention of childcare service providers			To be determined.	
Total proposed funding changes		<u>(\$11,750,000)</u>	<u>\$0</u>	<u>(\$11,750,000)</u>

HB 1018
attachment
2/11/11

HB1018 Childcare Funding:

Development Loan Fund
 Grants for early childhood facilities
 Grants pursuant to NDCC 50-11.1-14.1

250,000 Section 28
 100,000 Section 32
 5,000,000 New Section

Source of funding for grants pursuant to NDCC 50-11.1-14.1:

Development Loan Fund	150,000	Section 28
Grants for early childhood facilities	400,000	Section 32
Child Development	150,000	Section 31
Division of Energy	619,241	Section 12
COE- Eminent Researcher Recruitment Grant	2,000,000	From Centers of Excellence \$13 general fund appropriation Section 1
Re-allocate Great Plains Applied Energy Research Center funding	65,000	Section 21
Remaining GF Appropriation	1,615,759	New Section
TOTAL	5,000,000	

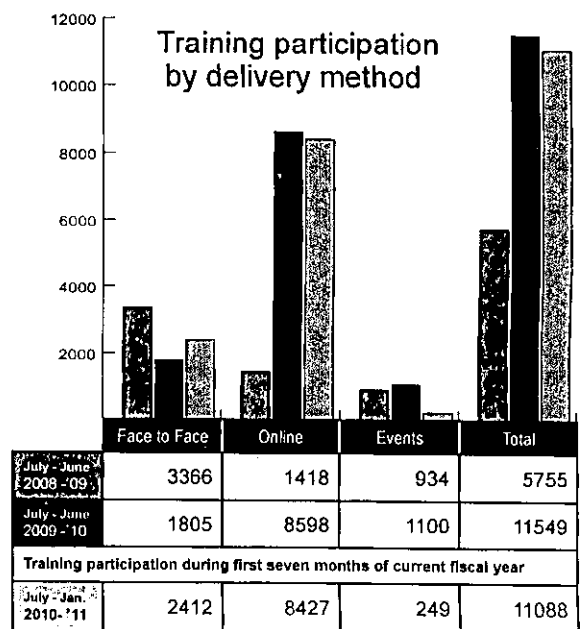
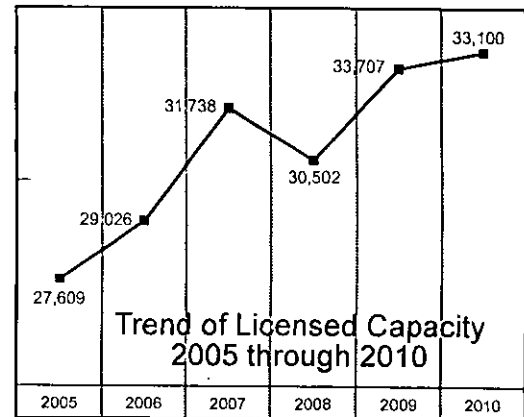
Source of funding for grants pursuant to NDCC 50-11.1-14.1:

Development Loan Fund	150,000	Section 28
Grants for early childhood facilities	400,000	Section 32
Child Development	150,000	Section 31
Division of Energy	619,241	Section 12
COE- Eminent Researcher Recruitment Grant	2,000,000	From Centers of Excellence \$13 general fund appropriation Section 1
Re-allocate Great Plains Applied Energy Research Center funding	65,000	Section 21
Re-allocate biofuel blender bumps	740,000	Section 10
Remaining GF Appropriation	875,759	New Section
TOTAL	5,000,000	

HB 1018
 Feb 14, 2011
 Amendment #3

Recruitment, Training and Retention Participation (as of January 31, 2011).

County	RECRUITMENT		RETENTION		TRAINING
	Child Care Businesses Recruited	Potential Increase in Licensed Capacity	Child Care Businesses Enrolled	Capacity Retained	Workforce Training Participants (unduplicated)
Adams	0	0	0	0	5
Barnes	1	7	3	1,100	39
Benson	0	0	0	0	16
Billings	0	0	0	0	0
Bottineau	0	0	1	18	28
Bowman	0	0	0	0	5
Burke	1	18	2	36	11
Burleigh	16	143	14	440	605
Cass	34	735	45	1,401	1580
Cavalier	0	0	0	0	26
Dickey	1	49	4	85	34
Divide	0	0	0	0	24
Dunn	0	0	0	0	12
Eddy	1	7	1	18	15
Emmons	0	0	0	0	7
Foster	1	7	0	0	16
Golden Valley	0	0	0	0	0
Grand Forks	3	21	16	589	429
Grant	0	0	0	0	7
Griggs	2	14	0	0	19
Hettinger	0	0	0	0	6
Kidder	0	0	1	18	16
Lamoure	0	0	4	66	9
Logan	1	7	0	0	8
McHenry	1	7	0	0	28
*Magic Fund	1	7			
McIntosh	1	7	1	18	11
McKenzie	1	7	0	0	25
*Star Fund	2	14			
McLean	2	14	1	10	27
Mercer	2	14	1	18	13
Morton	4	28	5	68	168
Mountrail	2	57	2	36	30
Nelson	1	7	2	25	14
Oliver	0	0	0	0	9
Pembina	0	0	2	36	23
Pierce	0	0	0	0	16
Ramsey	2	25	3	110	143
Ransom	4	43	1	15	17
Renville	0	0	0	0	8
Richland	0	0	3	39	93
Rolette	1	18	1	18	16
Sargent	1	7	0	0	11
Sheridan	0	0	0	0	5
Sioux	0	0	0	0	13
Slope	0	0	0	0	0
Stark	5	35	6	97	119
Steele	0	0	1	18	8
Stutsman	6	45	7	79	131
Towner	0	0	2	33	14
Trail	0	0	1	18	34
Walsh	0	0	2	32	30
Ward	7	252	19	499	400
*Magic Fund	10	73	11	269	
Wells	0	0	1	12	22
Williams	2	14	1	60	70
*Star Fund	4	28	2	14	
TOTAL	120	1,710	166	4,295	4,395

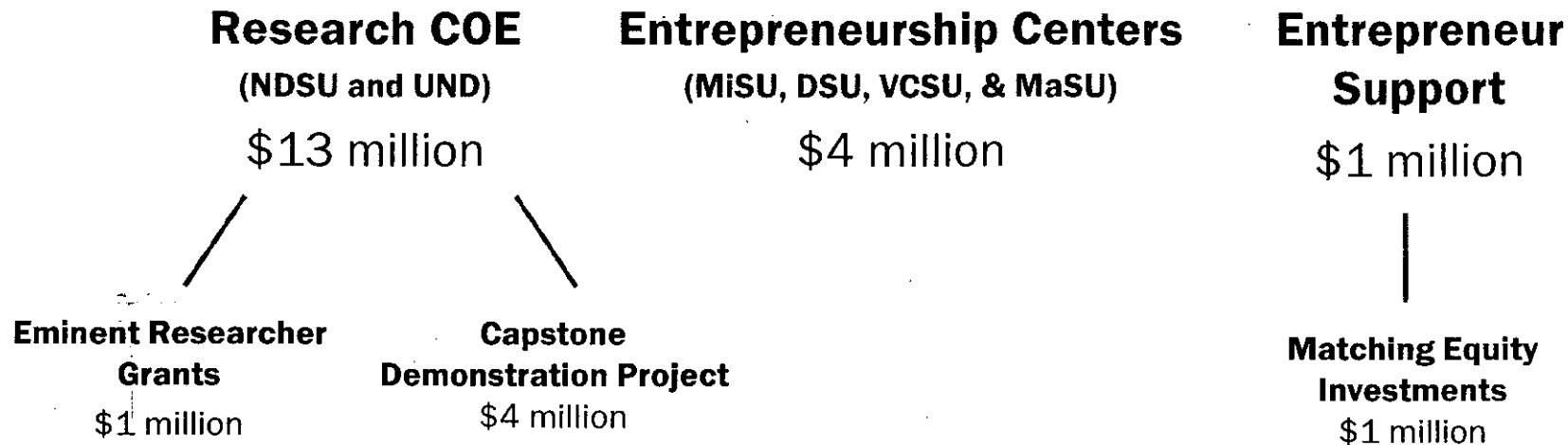


NORTH DAKOTA
CCR&R
CHILD CARE RESOURCE & REFERRAL

Child Care Resource & Referral is a program of Lutheran Social Services in western North Dakota and Lakes and Prairies Community Action Partnership in eastern North Dakota

Technology-based Research Proposal ^A

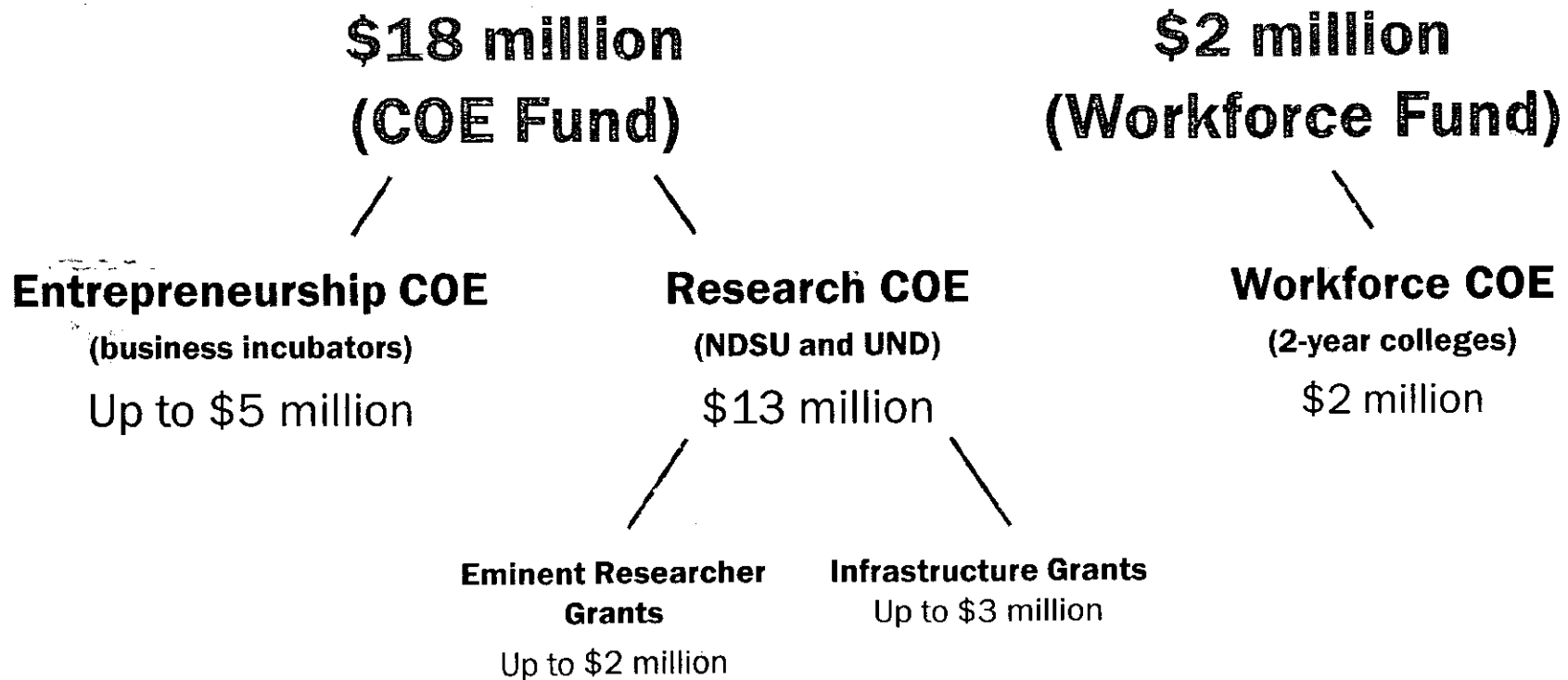
2011-2013: \$18 million



1. Additional funds related to the Capstone Demonstration Project may also included in HB 1006 (Aeronautics Commission budget) and SB 2016 (Adjutant General budget)
2. Matching Equity Investments must be matched by \$2 of angel fund investments for every state dollar.

CENTERS OF EXCELLENCE PROGRAM

2011-2013: \$20 million



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1. The Center of Excellence Commission oversees the COE Fund (proposed at \$18 million).
 2. The Workforce COE Council oversees the Workforce Fund (proposed at \$2 million).
 3. Unused funds for the Entrepreneurship COE, Eminent Researcher Grants and the Infrastructure Grants may be made available for Research COE Grants.

March 29, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 2, after line 4 insert:

"Centers of excellence	0	13,000,000	13,000,000"
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Page 2, replace line 26 with:

"Centers of excellence	19,500,000	13,000,000"
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Page 5, after line 27 insert:

"Section 5. Amendment. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. (~~Effective through July 31, 2011~~) Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission."

Page 6, line 3, remove the overstrike over "~~4.~~"

Page 6, line 6, remove the overstrike over "~~assist with~~"

Page 6, line 7, remove the overstrike over "~~postaward monitoring as may be requested by the commission.~~"

Page 6, line 11, remove the overstrike over "~~2.~~" and remove the overstrike over "~~The commission shall meet as necessary to~~"

Page 6, line 14, remove the overstrike over "~~direct the department of commerce~~"

Page 6, line 15, remove the overstrike over "~~to~~" and remove "~~administer the centers of excellence program.~~"

Page 7, line 16, after "~~5.~~" add "3." and remove the overstrike over "~~For no fewer than six years and no more than ten years following center designation,~~"

Page 7, remove the overstrike over line 17

Page 7, remove the overstrike over line 18

Page 7, line 30, remove the overstrike over "~~commission's~~" and remove "department's"

Page 8, line 1, remove the overstrike over "~~commission~~" and remove "department"

Page 8, line 2, remove "Effective on"

Page 8, replace lines 3 through 6 with:

"Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed – upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under subsection 2 must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
- b. Verification of compliance with the centers of excellence program matching fund requirements;
- c. Verification awarded center funds were used for authorized uses;
- d. Verification the center complied with the center's application timeline and any authorized revisions;
- e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
- f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
- g. Verification of a sample of labor charged to the center; and
- h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences."

Page 8, line 7, remove the overstrike over "~~commission directs the~~" and remove the overstrike over "~~to distribute~~" and remove "distributes"

Page 8, line 8, remove the overstrike over "~~commission~~" and remove "department"

Page 8, line 20, remove the overstrike over "~~commission shall direct the~~" and remove the overstrike over "~~to~~" and remove "shall"

Page 8, line 22, remove the overstrike over "~~commission~~" and remove "department"

Page 8, line 26, remove the overstrike over "~~commission may~~"

Page 8, line 27, remove the overstrike over "~~direct that the~~" and remove "may"

Page 8, line 28, remove the overstrike over "~~commission~~" and remove "department"

Page 9, remove lines 5 through 30

Page 10, remove lines 1 through 7

Page 12, after line 12 insert:

"Section 12. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

~~Centers of entrepreneurship excellence grants. The department shall administer a~~
~~centers of entrepreneurship excellence grant program~~ which shall provide grants to institutions under the control of the state board of higher education that are not research universities as defined by section 13 of this Act. The centers of excellence commission, established under chapter 15-69, shall make grant award determinations under this section. Appropriate use of funds includes grants to establish new entrepreneurial centers within eligible institutions or enhance the ability of existing entrepreneurial centers to assist entrepreneurs in growing their businesses. The department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section which may include preference for an applicant that establishes the availability of matching funds. The centers of excellence commission shall consider how a proposed grant award would help achieve the goals outlined in the North Dakota economic development strategic plan.

Section 13. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

1. "Center" means a center of research excellence that has been designated under this chapter.
2. "Commission" means the centers of excellence commission as defined under chapter 15-69.
3. "Department" means the department of commerce.
4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Tourism;
 - e. Value-added agriculture; or
 - f. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.
2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of a research university institution may be submitted to the department for each round of center funding.
3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outline how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Promote the commercialization of new products and services in industry clusters;
 - f. Become financially self-sustaining; and
 - g. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.

6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds – Post award monitoring.

1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed – upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.

4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.
5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Eminent researcher recruitment grants. As part of the centers of research excellence program, the department of commerce shall establish and administer an eminent researcher recruitment grant program to provide challenge grants to raise funds to be used by research universities and foundations established to further the work of such research universities in attracting eminent researcher to join the faculties of the research universities. Under this program, the commission shall make grant award determinations. The commission shall adopt standards relative to the award of a grant under this section which must require that a foundation contribute at least fifty percent and not more than seventy-five percent of the total amount the commission deems necessary to attract an eminent researcher. The commission may revise the contribution formulas at any time in order to maximize the benefits that may result from recruiting one or more eminent researcher in the biennium and depending on the total funds available to the grant program. In determining whether to make a grant award under this section, the commission may consider the existing programs of the North Dakota university system, the necessity for such an eminent researcher, and any duplication the recruitment of the eminent researcher might cause. The department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation .

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund."

Page 12, remove lines 27 through 31

Page 13, remove lines 1 through 14

Page 13, line 15, remove "AWARD EQUITY"

Page 13, line 16, replace "department" with "North Dakota development fund, incorporated," and remove "equity"

Page 13, line 17, remove "equity" and after "investments to" insert "startup stage"

Page 13, line 18, remove "award"

Page 13, line 19, remove "equity"

Page 13, line 23, replace "Have a legal structure that was established following comprehensive vetting," with "Meet underwriting guidelines as established by the North Dakota development fund, incorporated."

Page 13, remove line 24

Page 13, line 26, replace "department" with "North Dakota development fund, incorporated,"

Page 13, line 30, remove "equity"

Page 14, line 1, remove "award equity"

Page 14, line 16, replace "Up to \$665,000 of the" with "The"

Page 14, line 20, replace "\$600,000" with "\$4,000,000"

Page 14, line 21, replace "a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson" with "~~centers of entrepreneurship excellence grants~~ under section 12 of this Act."

Page 14, line 22, remove "safeguard complex in Nekoma." and replace "department of commerce may use up to \$65,000" with "office of management and budget shall transfer \$1,000,000"

Page 14, line 23, replace "for grants to child care service providers for workforce development, quality improvement," with "to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 14 of this Act."

Page 15, after line 13 insert:

"Section 23. TRANSFER – CENTERS OF RESEARCH EXCELLENCE FUND. The office of management and budget shall transfer the amount appropriated in the centers of excellence line item in section 1 of this Act to the centers of excellence fund for the purpose of implementing and administering the centers of research excellence grants for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce may use up to \$1,000,000 of the funds transferred to the centers of excellence fund for eminent researcher recruitment grants."

Page 16, after line 15 insert:

"Section 26. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research excellence fund in section 23 of this Act for grants to the North Dakota university system's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the biennium beginning July 1, 2011, and ending June 30, 2013. The commissioner of commerce shall develop application criteria; review submitted applications; and recommend applications for approval to the centers

of excellence commission. Grants made under this section are exempt from section 13 of this Act."

Renumber accordingly