**2013 SENATE APPROPRIATIONS** 

SB 2018

### 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee

Harvest Room, State Capitol

SB 2018 01-18-2013 Job # 17405

∐ Con	ference Committee
Committee Clerk Signature	alice Delger
Explanation or reason for introduction	n of bill/resolution:
A Bill for the appropriation for the Depar	tment of Commerce
	See attached testimony

Chairman Holmberg called the committee to order on Friday, January 18, 2013 at 8:30 am In reference to SB 2018. Roll call was taken. All committee members were present. Tammy R. Dolan, OMB and Adam Mathiak, Legislative Council were also present. On this particular bill we have a subcommittee and the subcommittee consists of Senators Grindberg, Holmberg and Robinson. We have a lot of folks here today and Vice Chairman Grindberg is going to have the gavel for this budget.

Alan Anderson, Commissioner of the ND Department of Commerce: I would like to provide an overview first. I'd like to thank you for this opportunity to be before you today. I'm supporting SB 2018 and essentially our budget for the Department of Commerce. See Testimony attached # 1-A. I'd also like to take just a brief opportunity to thank everybody in the audience. I see many partners out there and the successes that have occurred in North Dakota are due in a large part to them. Back in 2001 you saw fit to make commerce, and it was the combination of three departments at that particular time: Economic Development Finance, Tourism and Department of Community Services. That's also the time that you created the division of Workforce. There was a lot of foresight in that for several reasons because who would have thought of the great changes that we've seen over the last decade. The vision of Department of Commerce is to improve quality of life for the people of ND. Sounds great! Many state agencies do share that same vision. What makes us unique is our focus to attract, expand, and retain wealth. He continued with his written testimony.(8.12)

He went on to talk about their budget needs beginning on page 2 of testimony. See Spread Sheet #1-B. One other thing that you did ask for and it is a critical change for us is the changes or potential changes in federal funding to our department. So we will talk about that. Ideally we want to keep what's working and we also want to come up with some new ways in where we go from here. (16.44)

**Senator Holmberg**: I have a question on section 26. Is there a requirement in section 26 that funding that is there is utilized by agencies or groups that are under the Board of Higher Education? Is it forbidden or is it allowed? In other words, can that money be utilized, any

of that 1m or 4m, can it go to any group that is under the authority of the Board of Education?

Alan Anderson: I'm not sure on that and I think we're going to have a very lengthy discussion from Al Palmer. I could ask him now.

Senator Holmberg: No, we'll do that when he makes his presentation because I as a member of the subcommittee want to be sure I know exactly where this money can go and where it can't go.

Alan Anderson: The million dollars was for just getting that designation as one of the 6 and the other 4 is really for operating the air space and so Mr. Palmer would be the expert on that When you look at some of that, those numbers, it's like \$119.00 that we bring in versus every dollar that we spent. Not only is it Important on the tourism side it's also important from the workforce side. So we've got that in there as a program. And that brings us right into the Workforce Development Division. We see an increase of \$5.7M there. Part of that is increase in our Workforce Enhancement Grants, which has been working very well. \$600,000 additional for operation intern, but the biggest and largest one there and sometimes controversial is that one-time \$5M program for child care facilities. Some of the things that we've seen is a lot of the immigrants into North Dakota, the new folks coming our work force under the age of 35 is increasing dramatically. And those that are under 35 happen to be in child bearing years and it's put a tremendous strain on child care facilities throughout, not only western North Dakota but all of North Dakota. (20.40)

Senator Holmberg: That's one of the interesting struggles that the legislature has regarding the child care component in here, although every study I have seen that comes from industry and what is needed out there, one of the key factors, particularly if you are looking at rural North Dakota is a lack of available child care. It's interesting, and as you know because you were here last time, it's always a struggle within the legislature as to how that is addressed and should it be addressed here or should it be, as we had last time, in extension.

**Alan Anderson**: One of the beauties of the program that we've got and we've tested we do have some people from the land department too, who helped in the piloting of this program, but it's these grants would be for political subdivisions, so it's really empowering the local communities to address and work through a lot of the challenging issue with the child care (22.10) There will be more discussion on that with some of division heads. He continued on with the chart: (23.52)

**Senator Robinson:** Just briefly, the criteria, on the \$11.8M, the flood impacted grants and loans. The intention behind that money and is it earmarked already. Where are we at with that?

Alan Anderson: I'll defer some of those questions to Paul Glovek, Community Services who has that. I can tell you, that portion \$11.8M was designated for Ward County, not Minot, and it can include buy-backs of homes and things like that but he can go into a lot more detail on that as well.

**Senator Holmberg**: Your definition on page 8, section 27, this has to do with Base retention grant programs, \$1.5M that are available only for air force basis. Is your definition of that language include Air National Guard as an air force base?

**Alan Anderson:** It does. The thought on that was it's just retention, it's really making sure that we provide appropriate information to the federal government to educate them on why the bases in North Dakota supply such a strong benefit, not only to the state but to the federal government and so the intent, even though it's not written in there was three \$500,000 grants, one for Minot, one for Grand Forks, one for Fargo at Air National Guard. **(25.39)** 

**Senator Holmberg:** The language should be clearer. Because it isn't clear when you read it you assume, there are two air forces basis, that's different, maybe air force facilities, or better language can be put in there. I have no problem with the \$5.5M but I think we should be clear.

Alan Anderson: We can correct that. I'll close. One of the things we are requesting carry over authority for- those requested or listed below that the APUC Ag products Utilization, Discretionary, Technology-based Entrepreneurship Grants; USS North Dakota and ABM Site. The reason that we do that is we take our accountability very seriously. We want that in place and we don't fund all of the projects until they're complete and we've seen all of the invoices and things that have come in. So that's why we tend to have some that carry over each biennium. I would encourage you to review testimony as well as take a look at the site selection magazine of the state that was the result of their efforts. Tracy Finneman, Senior Marketing and Development Manager, and Sandy McMerty, our Senior Communications and Emerging Technologies Manager are available for any questions. (they submitted a letter in the testimony). This concludes my overview. (28.25)

Senator Mathern: asked why they don't have a greater emphasis in areas of our state where there's dramatic need. He mentioned the 4 reservations

**Alan Anderson:** Right now we have \$100,000 designated on that. That's really more the economic development side. What we've been trying to do is essentially what you indicated. How do we tap into that workforce? How do we truly make a difference there? In the last couple of weeks Beth Zander and myself met, that's the Workforce Development Director, met with the 5 tribal colleges and entered in on a lot of those same discussions on how we might make a difference in not only the training but also good communication between those areas.

**Senator Mathern:** Where is it in your budget that demonstrates an actual investment on the part of Commerce into those areas beyond the discussions? The numbers demonstrate action.

Alan Anderson: We don't have specific one-time dollars identified in our budget for that. What I would tell you is that we do continue to work very closely and we use a lot of our ongoing staff to work through any ideas that come forward to try to make a difference. One of the ones that was, I believe significant even in this last biennium was trying to reach out to get the Native American business leaders to own, to be mentors, to help youth on the

reservation. To look for, whether it's entrepreneurship, if they want to stay on the reservation or rather it's job skills, what kind of training, whether it's tribal colleges or our other two year colleges to try to take advantage of what's going on in North Dakota today because I do believe that we do have an opportunity now to make a difference now that we haven't had in the past. I don't disagree with you. I don't have a specific dollar program set aside for it.

**Senator Wanzek:** There are political subdivisions that qualify for the child care grants. Could you explain in detail what are the qualifying parameters that are necessary for a political subdivision to get a child care grant.

**Alan Anderson:** The idea for the \$5M is they're grants to political subdivisions. The thought process on that is really from a business model. We've been unable to make a difference in child care over the last several biennium. We're very short and it's been complicated by significant growth, not only in population but in particular areas of the state. He continued his testimony regarding child care

**Senator Wanzek:** If some local child care providers have a unique or novel idea that would benefit the community they could go to their local leaders and present their ideas.

Alan Anderson: That is the idea. It's have the community solve that issue rather than someone in Bismarck.(35.24)

Wally Goulet, Vice President and General Counsel for National Information Solutions Cooperative in Mandan, also Chairman of the North Dakota Economic Development Foundation: Thank-you for this opportunity to meet with you this morning and I will give you just a brief over-view of the Economic Development Foundation as well as some of the information on 2020 & Beyond. He testified in support of SB 2018 and provided Testimony attached # 1.C (See attached testimony) He talked about Child care, affordable housing, 2020 & Beyond & ND Economic Development Foundation We make a report to the Industry, Business and Labor, the Department as to how these measures are going so that's how we are going to help work 2020 into the State's Economic Development Plan. (46.04)

Vice Chairman Bowman: had questions regarding the tax issues and expansion and businesses coming in to ND, how do we attract them to come?

Wally Goulet: referred his question to Bill Shalhoob

Bill Shalhoob, Chairman of the Tourism Alliance Partnership (TAP) It's on the list. Honestly when you look at the Foundation, the economic activity there, I'm not sure it's at the top because they look at place, opportunity, and look at those kinds of things. As you go down the list they certainly look at the tax structure in the state, they look at our workers compensation rates, they look at all the things that go on there, it's on our list, it's important. It may or may not be a deal breaker for somebody coming here given the, if all other things being equal, does it become an issue, it can. In all honesty it's not on the top of the list but it's on the list.

Paul Govig, Director of the Division of Community Services: (48.59) All of you should have received a packet an Executive Summary is the 1<sup>st</sup> sheet and the second part is

proposed use of 2014-2015 Block Grant Funds. Testimony attached # 1-D; Tab - Community. During the legislative session the Community Services Block Grant Program(CSBG) Testimony attached #2 requires a public hearing and so we incorporate that requirement into this meeting.

**Senator Holmberg**: **(49.38)** I have a motion that needs to be made. The motion paper that Allen Knudson gave me is this: See attachment #2-A.

### For Senate Appropriations Committee Minutes

"It was moved by Senator Robinson, seconded by Senator Krebsbach 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 Senate Appropriations Committee files for future reference".

#### For Senate Journal

Mr. President: On Friday;, January 18, 2013, the Senate Appropriations Committee held a hearing on the community services block grant moneys anticipated by the Department of Commerce during the period beginning October 1, 2013, and ending September 30, 2015. If any member of the Legislative Assembly desires copies of he minutes and testimony presented to the Senate Appropriations Committee during the block grant hearing, the Senate 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.

Chairman Grindberg called for a voice vote, all in favor say aye, motion passed.

**Paul Govig**: I just want to mention a few things about the Community Services Block Grant. And that is that it includes education, employment, income management, adequate housing and emergency needs, nutrition, self-sufficiency and health services. In 2011 more than 24,000 individuals from over 12,800 low income families received at least one Community Action Agency service or participated in at least one program provided by the Community Action Agencies. Of the people served 5,255 were seniors, 6,913 were children, 6,594 were people that lacked health insurance and 3,167 had some form of disability. And so they are some of our most vulnerable citizens in our state. With that I would ask that you open up the hearing for any public comments on The Community Services Block Grant Funding Plan.

Chairman Grindberg: (52.06) asked if anyone in the audience would like to comment. He told Mr. Govig to continue and it's reflected no one came forward.

**Paul Govig:** Alan touched on our budget in his testimony and I just wanted to mention one thing about that. Our appropriation request is just under \$69M. In comparison to last biennium there is a big difference but it had to do with the funds that were projected to go to Minot. See pie chart in his testimony **(56.46)** 

Senator Robinson: Before we leave the pie graphs how confident are you that the federal funds will be there given the heavy reliance we have on federal funds in your division?

Paul Govig: Typically, for us over the years when the economy is good on the national scale it means we'll have funding for those programs. Obviously, we all know what is going on in Washington now so we do expect there will be some cuts, how much, it's hard to guess but as an example one program where we get approximately \$3M to \$4M a year we're expecting a cut of about 8% and that's the Community Development Block Grant Program. About 8% is what we are hearing, that wouldn't' be surprising on some of the other programs if that happens. My guess is that there will be reductions but they won't do away with the programs. In some ways we are readjusting to that already but we will have to take that into account. It's something we will have to work into our strategic plan. (58.09)

Senator Robinson: The budget we are talking about here, how does that compare to the federal fiscal budget?

Paul Govig: What's difficult for us is we make the best estimate that we can come up with, that we'll think we'll get. The one thing that ends up happening is we're never quite on, we should be close. He moved to the Office of Renewable Energy (see page 3 of testimony) (1.00.02) Self-Sufficiency Program and the final program is the Technical Assistance and Admin. He ended his portion of testimony. (102.04)

Sara Otte Coleman, Director of Tourism, Division of Department of Commerce: (1.02.10 - 1.08.58) testified in favor of SB 2018 and provided Testimony attached # 1-E Tab-Tourism. Her comments include the statement that the Tourism Division works to invest in marketing programs which attract new business from out-of-state visitors and retain residents' travel dollars by encouraging them to travel in-state. They did receive an international Award for two of their television ads. She gave results of their efforts and discussed a few program highlights listed in her testimony and addressed the Governor's budget which includes additional dollars for tourism marketing and infrastructure development. She mentioned the new travel website that will be launched this spring. She stated while our primary efforts focus on advertising in leisure travel the industry serves all types of travelers. So that question always gets asked, business versus leisure and a lot of the partners in the room from Convention and Visitors Bureaus and Tourism businesses rely heavily on the business travel and may promote that. Public relations efforts enhance North Dakota's image. (1.08.58)

Senator Holmberg: On leisure travelers, what are the five big destinations?

Sara: We do not release statistics specific to the attractions and the numbers of folks that they attract because we collect those numbers directly from the individual entity. We don't have a mechanism so they are collected a little bit differently so we don't release those but I can give you the idea of what the top five normally are. Theodore Roosevelt National Park

normally is the number 1 attraction throughout the state. We also see really strong numbers at our venues throughout the state so example the Fargo Dome had a very strong year, post season football play has a lot to do with that, but also a lot of activities that attract out-of-staters and they can track those through ticket master and some of those methods. The Alerus Center, The Fargo Dome, the Bismarck Civic Center, all of those are very big attractions as well. And then at some of our larger major museums and state parks that are normally on that top 5 list. Whether it's the North Dakota Heritage Center, the National Buffalo Museum does very well in Jamestown as well as some of the other museums across the state. The Norsk Hostfest is also on that list as well as the State Fair and Medora Musical. Those are on the top ten as well. (1.10.31)

**Senator Carlisle**: Do you still have that small grant program for small business, goes up to \$24,000 but there was an application process, is that in your budget again and for how much and what is the max amount?

**Sara:** We still have that. We have 4 different grant programs. The one that you're referring to is the one we call the Expansion Grant Program and it goes up to \$24,0000. It's a matching grant to expand tourism businesses. So we invest \$100,000 every year It's a partner program that we do with Economic Development and Finance Division. I'll jump to grants now since we are talking about the grants. **(1.11.24)** We also have a Marketing matching grants and Event matching grants that will continue as well and then he large Infrastructure Grant Program that you awarded us \$750,000 for last biennium was very successful as well. There is additional dollars in that program going forward. See testimony for further details regarding grants.

She went back to outdoor marketing. It continues to be a big focus. We know that's the number 1 reason people come to North Dakota for is for outdoors. She continued on with her written testimony (1.12.44) Her testimony continued regarding Tourism Development in Demand. The most growth they have seen is in hotel development. She also talked about the Partner Collaboration which is in her testimony. (1.17.19)

Mark Nisbet, Centers of Excellence Commission Chairman: testified in favor of SB 2018 and provided testimony attached #1-F. I will be providing information concerning the results of the Centers of Excellence and Research Excellence program, the monitoring of the current centers and the proposed Research North Dakota program. He continued on with his testimony and asked for the committee's support for the Research North Dakota proposal in SB 2018. (1.26.17)

Dr. Phyllis Johnson UND Vice President for Research & Economic Development. Testified in support of SB 2018 and provided Testimony attached # 1-G (1.26.53) I will give you a little history of our participation in the Centers of Excellence Program and to indicate our support for the Research North Dakota Proposal She stated our work with the Centers of Excellence is an important part of UND's overall research program. (1.28.40) She gave a few success stories such as funding for the Center of Excellence for Unmanned Aircraft and the partnering they have done with NDSU and North Dakota companies, and stated in her testimony that North Dakota is now well positioned to be one of the six national test sites to be designated this year by the Federal Aviation Administration. She also listed several others that are in her written testimony. She stated that UND supports the proposed appropriation for Research North Dakota. (1.35.39)

Dennis Anderson, Associate Vice President for NDSU provided Testimony attached # 1-H entitled Research North Dakota Grant Program. I am in the Office of Research, Creative Activities and Technology Transfer (RCATT) and one of my roles is to work closely with the private sector to establish and manage large research and development projects, particularly those funded through the Centers of Excellence and Centers of Research Excellence Program. I report to Dr. Philip Boudjouk, Vice President of RCATT. He was unable to be here today and sends his regrets and best regards. He asked that I represent him in favor of SB 2018. (1.31.52) NDSU is very excited about Research ND program. We work closely together with the private sector. He talked about their work that they do with Bobcapt, Caterpiller, Marvin Windows and other manufacturers. (1.48.28) He continued with his testimony stating the grant program is important for us to help the private sector.(1.51.31

**Senator Wanzek:** Recently Kansas wheat growers had contacted me if ND wheat growers would be interested in being a partner and participating in an effort to identify bio that would provide nutrient, I assume, this is the kind of help that would be provided for something like that?

**Dennis Anderson:** I would expect so but I believe Dr. Ken Grafton may be able to answer that question.

Al Palmer, UAS Airspace Integration Team: testified in support of SB 2018 and provided written testimony # 1-H. (1.54.26) it was testified earlier keeping ND as a leader in aviation. Unmanned Aircraft. ND is well positioned to lead the way. Why ND? We have unencumbered air space, we have Grand Forks, Customs, NDSU and others that are currently working on research on unmanned aircraft. ND is going to lead that way. He continued his testimony. (2.04.30)

Vice Chairman Bowman: asked if the unmanned aircraft are run by computers. He was told yes. Do you need to hire a computer operator to run them not a pilot?

Al Palmer: The office of navel research is talking to us about how best to define, I am pilot by trade, you need pilots to fly these things, but there could be a different type of skill set. When you take a look at satellites and how we fly satellites, well maybe there is a compromise between unmanned aircraft and a satellite

Senator Holmberg: the explosion in the Grand Forks area of the unmanned vehicles. There are 6 Global Hawks now and there are the predators up there and it takes a big crew, I believe the Air Force requires them to be a certified pilot, is that correct? He was told yes. And then they have a number of other technicians, if you ever get up and look at the computer banks that they have, and by the way, it is suggested that the facilities out at the Grand Forks air force base, with those computer banks being inside rather than in a little trailer because they have the space up there. It is phenomenal and amazing if you ever get the opportunity to visit. It blows you away. You think oh, there is a Global Hawk over Afghanistan that we are running out of the Grand Forks Air Force Base.

Al Palmer: (2.06.39) You are absolutely right. When you take a look at this here is very many people behind them making this happen so lots of opportunities for job growth in the

operations. In order to be selected you have to have a business plan. This has to be sustainable. The FFA is not supporting it financially so we have to do that within the state so it's very important that the state stands up and does this. We are the leaders. That did not happen overnight and without your support. We need to hire national test site director and staff and set up an infrastructure to complete this process. We are hoping you will support the unmanned sites. (2.10.31)

**Senator Holmberg:** I will ask the legislative council, but Tammy can add in, how is the \$4M going to be shown on our books, is it money that was appropriated and therefore it is there? If the test site does not occur, the money sits there and then at the end of the biennium it goes back or is it money that, it does not go into the University System, the answer is, the money comes back?

**Tammy R. Dolan**: The money would sit there if the designation is received, it would then be officially appropriated and could be spent out of that fund. If any unexpended funds would stay, they would just stay in that fund. She was asked if they would ever come back to the state. The \$4M is a contingent appropriation from the SIFF fund and so if they aren't needed they would stay in that fund.

**Chairman Holmberg:** They would show on the books as being expended until the end of the biennium. He was told they would show up on the books as being appropriated or reserved for that fund or for that purpose.

Vice Chairman Bowman had questions about the return on our investment.

Al Palmer: You want to see a return on your investment. Once we have been designated as a national test site that is going to bring other businesses, to ND. That will grow. GFAB currently working with large industries, all of these want to be associated with this national test site. Also I see it as opportunities to protect our environment. We can use small uas's. We will be more effective in what we are trying to do.

**Senator Holmberg**: And it is also true that the air force component, the Global Hawks, they keep growing monthly, are well paying jobs and pay taxes in North Dakota. They are well paying jobs.

Al Palmer: You are absolutely right. I can supply you the salaries for unmanned aircrafts.

**Senator Mathern**: What is the difference in the environmental impact of the unmanned and manned aircraft?

Al Palmer: I don't think there is a significant impact for unmanned aircraft. These small units use small motors or very efficient small engines. (2.15.06)

Beth Zander, Director of Workforce Development Division of the Department of Commerce. Testimony attached # 1-I. She talked about the 3 attachments in the Workforce tab in the Workforce Section. They include Strategic plan for workforce development. We have developed the North Dakota Workforce Leadership Team see attachment entitled STRENGTHENING OUR WORKFORCE (A) the next is the Electronic

Portfolio Pilot Project Executive Summary (B) we engaged in a pilot project to try and see how we could utilize electronic portfolios in North Dakota. The third sheet is the Workforce Enhancement Grant Program 2011-2013 biennium. (C)(2.18.44) she then talked about the Workforce Enhancement grants and funds being requested for Operation Intern. (2.20.42)

**Senator Robinson** asked for an overview concerning Operation Intern , where the intern has been placed, the numbers that have continued with employment of those firms that they are interning with to the subcommittee. He was told yes, that information will be provided.

**Senator Holmberg**: When you keep saying for additional, it is in the executive budget, so you are asking for support for what is in the executive budget not for more money. He was told yes.

Beth Zander: continued her testimony (2.22.12)

**Senator Warner** had questions regarding housing and whether their department has been seeking to provide temporary housing.

Beth: I haven't thought of doing that but we could build that into our program.

Paul Lucy Director Division of Economic Development & Finance: testified in favor of SB 2018 and presented written test I-J. (2.24.38) most of the changes are in Agricultural Products Utilization Commission (APUC) (2.27.34)

Justin Dever, Manager of Office of Innovation and Entrepreneurship, ND Department of Commerce: testified in favor of SB 2018 and provided Testimony attached #1-K. He talked about Innovate North Dakota. (2.30.37)

Paul Govek, Director, the Division of Community Services testified in favor of SB 2018 and provided Testimony attached # 1-L which explains the funding the Department provides to some of their partners. (2.30.49 - 2.31.32)

Chairman Grindberg: We will move into the period of public testimony regarding this bill.

Terri Thiel, Executive Director of the Dickinson Convention & Visitors Bureau (CVB) testified in favor of SB 2018 and provided written testimony # 3 requesting the committee to support the governor's proposed budget for the ND Tourism Division and also ask that they include an additional \$.5M for Marketing and research and additional \$3.7M for large infrastructure grants. (2.34.50)

Bill Shalhoob, Chairman of Tourism Alliance Partrnership (TAP) testified in favor of SB 2018 and provided Testimony attached # 4.(2.34.55) would like to support the governor's budget for tourism and the grants. I am also here on behalf of Randy Peterson and the Greater North Dakota Chamber. We've been a part of 2020 and we were charged with getting the job done through our organization and I am very proud to be part of that. We support the initiatives in there as part of the Chamber. We are also supporting Operation Intern Workforce Enhancement Grants, the Child Care Facility program and finally Research ND. Number 1 and 2 is child care. (2.38.02)

Letters in support of SB 2018 and charts included in Mr. Shalhoob's testimony are as follows:

- 1. State Spending Summary Tourism Division Budget History per Biennium
- 2. International Peace Garden Doug Hevenor, CEO
- 3. Buffalo City, Jamestown, ND Nina Sneider, Executive Director
- 4. Theodore Roosevelt Medora Foundation- Randy Hatzenbuhler, President
- 5. Harvey CVB Nicollette Weissman, CVB Director
- 6. ND REC's Dennis Hill, Executive vice president and general manager
- 7. Devils Lake Tourism Suzie Kenner, Executive Director
- 8. Fargo-Moorhead CVB Charley Johnson, President/CEO
- 9. Greater Grand Forks CVB Julie Rygg, Executive Director
- 10. Destination Marketing Association of ND Sheri Grossman, President
- 11. Bismarck-Mandan CVB Terry Harzinski, Executive Director
- 12. Norsk Hostfest David Retten, President
- 13. State Historical Society
- 14. Minot Wendy Howe
- 15. Lewis & Clark Fort Mandan Foundation, David Borlaug, President

Senator Robinson expressed concern regarding there may be too many hotels being constructed in the near future.

**Bill Shalhoob**: A lot is already under construction. We're are trying to get a head of what might be a problem, western ND was the number 1 hotel opportunity in the US. When people look at opportunity they look from what they are. The dip has been as high 78% statewide down to 75% now. Most hotels can function at 60%. There is room in there. Hotel rates are about \$107 to \$112 statewide. There are patches still over \$120 or \$140, so there's room there. The short answer is we probably can't anticipate that because everyone is going to believe their product is going to be able to survive in the market place. **(2.40.00)** 

Chairman Grindberg One conversation with Mr. Peterson at the State Chamber, my census there is an interest to move Beyond 2020 into the next biennium with some key initiatives: childcare, health care, I expect we are going to want to understand the thoughts that are behind that as we get into our subcommittee work.

**Bill Shalhoob** That is correct and we do have long-term concerns for child care. We have to find a model understanding the difficulties where we can allow child care, the private sector child care to flourish to fill the demand. The health care is another area, we are hearing from hospitals, 22 of 26, critical care facilities in ND are not making cash flow and that's a big number. We talked about 20 20 and maybe we can arrive to reverse that trend, critical care as we grow is going to become an area we're all going to be concerned about those of us that are aging rapidly even more so. Those two subjects a discussion would be very useful. **(2.41.57)** 

Cal Klewin, Economic Development Association of ND (EDND) testified in favor of SB 2018 and provided Testimony attached # 5. His testimony states EDND is the voice of the state's economic development community and provides networking for its 80 members. Our

mission is to increase economic opportunities for residents of the state. (2.43.23) He also passed out testimony # 6- Grand Forks Region Economic Development, Keith Lund, vice President, written testimony in support of SB 2018 and encourages a Do Pass.

**KayCee Lindsey, Divide County and City of Crosby** testified in favor of SB 2018 and provided Testimony attached # 7. She is here in support of the Child Care Facility Grant Program. Her testimony shares the need they have for child care in her area. It is a big issue. Her biggest concern is that a \$5,000,000 budget is not going to be sufficient for the amount of daycare that is needed statewide. She would encourage the committee to increase that number as well as maintaining the cap, and also adding a cap of \$400,000 for facilities that are becoming centers. **(2.46.40)** 

Senator Carlisle: How do you envision the flow of money for the grant program?

**KayCee:** It's going really help enhance our community and all of our communities statewide. It's a big issue the larger amounts of money available, it's an economic issue, It's not just daycare shortage, it's trying to find people to fill jobs.

Senator Carlisle: Is it hard dollars that go to her entity and do they pay back or build a structure but stop and use their own, how does that work?

**Paul Govek**: It would be for hard assets. So far what the governor is proposing is that it's buildings and mortar and so the operations of the facility would be up to the community or a different organization.

KayCee In our community we have a daycare director working on her center licensed facility so our city would lease the facility to the nonprofit day care. (2.48.35)

Ashley Alderson, Executive Director of the Bowman County Development Corporation provided Testimony attached # 8 and testified in favor of SB 2018 but also stated the dollars allocated is inadequate as arranged. She shared that her facility was donated, they still have trouble making cash flow. She sees the need for child care programs. (2.52.23)

Senator Mathern you noted even with the capital asset, you have trouble to make it financially. Why? What is the financial situation?

**Ashley:** It certainly isn't because parents are not paying their fair share. I can tell you personally having two children in child care that we pay our fair share and are faced with fee increases day by day and it is a struggle for parents to look at their own financial situation to see if they can cover the mortgage and keep a child in day care. What I see staff costs are a huge part of that negative cash flow, it's a high turnover rate. With what's happening in western ND there is a number of other opportunities that are higher paying. **(2.53.47)** 

**Senator Mathern**: What do you pay at this child care center and what does a staff person get for a salary?

**Ashley:** We're just going to a fee increase in the next months and we'll be about for 1 child, it's \$130 - \$140.00 a week. I pay about \$30 a day per child. A staff person gets barely over minimum wage. They don't have the same staff before they moved into this facility there is constant turnover.

Senator Krebsbach: When you said you had support from private centers are they having difficulty in operations? Are they finding themselves short to pay their help and food, etc.?

**Ashley:** The child care facility I speak of is our largest, the rest are private, in-home type of facilities. it's a different situation for them. This is the only one that has staff.

**Senator Robinson**: asked if it was \$30.00 a day per child. He was told yes, but it will go up in April. He was told there is a lot of turnover.

Ashley; I do also want to support the planning initiative piece in the Department of Commerce budget. Larger cities have their planning official but smaller communities have a difficult time to keep up. Testimony attached # 9.

Senator O'Connell: We all want our children to be safe but do you feel that some of the rules, regulations and paper work have gone over the cliff?

Ashley: Regarding child care she stated she could not be sure about that without looking into it further. (2.59.01)

Blake Crosby, Business Center Manager for ND Child Care Resource and Referral testified in favor of SB 2018 and provided Testimony attached # 10. He expressed great concern regarding the childcare problem. He stated we need to have access to affordable child care Thank you for the concern you have expressed over the last bienniums having to do with the child care situation. (3.02.08)

Senator Mathern: asked what is needed to solve the problem.

Blake The wage situation is a floating target. That floating target coming from the Fargo area is moving into the Fargo area. Last week I stopped at McDonalds in Jamestown Big sign in the entryway- help wanted, I talked to the manager and said Tell me about this help wanted. They start people at \$8.50 an hour, \$500.00 signing bonus, free medical, vision, dental, and 401K. That's what we are competing against statewide and in the western part we are competing with salaries of \$15- \$16. We are probably getting to the point where we could be looking at \$12 to \$15M to offset that wage differential between what they can earn outside the child care industry.(3.03.47)

Senator Robinson We need affordable child care. We also need to be concerned about quality and accessibility. He was told they all go together.

Vice Chairman Bowman asked they ever considered a sliding fee scale.

Blake: Yes, that has been a topic of conversation. We've tried to look at every possible scenario that would assist with cash flowing a child care business and that includes sliding

fee scale, or income qualification because I absolutely agree that we need to adjust to all the persons that work and live in that community. We can't set up the cash flow just for those people who are making \$100,000 to 150,000 when we have highway patrolmen and local police and local city workers who are not making that sort of salary. (3.05.47)

Eric Veidel, Center for Innovation in Grand Forks, ND testified in favor of SB 2018 on the program Inovate ND as it relates to that kind of development and listed several examples of successful businesses that have just recently been established and their accomplishments. (3.09.28)

Charlie Johnson President of the Fargo Moorhead CVS here in support of the tourism division's request for increased funding in SB 2018. He stated he was not here for funding for Fargo, but rather it goes to the state. Fargo works very closely to the state regarding tourism. (3.11.27)

Julie Kuennen, Executive Director of the IDEA Center in Bismarck here to show our support for SB 2018. (3.12.36)

Mike Haugen, Fargo Chamber Military Affairs Committee testified in favor of SB 2018 I rise in support of the governor's budget that puts a limited amount of funds to the air base cities, Fargo, Grand Forks and Minot. The air force has made it publically known that they are seeking a round of base reduction and closures, (BRAC) and that will probably happen in 2015 and to do that needs Senate approval in Congress. It appears they are going to get that. Now is the time for these communities that have air bases to plan for that action so I request that you grant the budget request from the governor.

Chairman Grindberg Should this committee work on a statewide strategy and encourage all three communities to work on behalf of each other statewide?

Mike: The taskforce mind which was established when we were facing BRAC in 2005 was designed for that purpose. What can we learn from the 2005 planning session and what we did there is vital.

**Senator Krebsbach** the last time there was some dollars given to the bases there was no matching, this time there is a matching and I am wondering if that's a fair thing at this time when we are facing BRAC reduction?

**Mike:** I know that the communities of GF and Fargo have hired consultants in Washington. I believe Minot has also. We have talked back and forth with military committee members and we agree It is fair we get some state money, but the community needs to have some involvement we in Fargo having a matched funds is appropriate.

Testimonies submitted after the hearing in support of SB 2018 were:

- Doug Rembold, Vice president, ITND
- 2. Tracy Potter, Executive Director, Fort Abraham Lincoln Foundation

Chairman Grindberg: Add my thanks to Al and his team. It's been fun to watch commerce evolve. We are adjourned.

### 2013 SENATE STANDING COMMITTEE MINUTES

### Senate Appropriations Committee Harvest Room, State Capitol

SB 2018 Subcommittee 01-29-2013 Job # 17923

☐ Con	rerence Committee
Committee Clerk Signature	allie Delger
Explanation or reason for introduction	of bill/resolution:
A Subcommittee hearing for the Departn	nent of Commerce
Minutes:	See attached testimony

Chairman Grindberg: Called the subcommittee hearing to order in regards to SB 2018 on Tuesday, January 29, 2013 at 3:00 pm. The other members present were Senators Holmberg and Robinson. Adam Mathiak, Legislative Council and Tammy R. Dolan, OMB was also present. Walk us through the bill from two years ago.

Alan Anderson, Department of Commerce: The last page of my previous testimony has got a spreadsheet. The first column on that is SB 2057 it has five areas. He goes over the spreadsheet attached 1B. (2:00)

Chairman Grindberg: What's happening with Nekoma.

Alan: They did not get the bid. We asked for carry over on that because it hasn't been finalized. In case that first bid doesn't close the deal.

Senator Holmberg: We don't want the money hanging out there, doesn't make a lot of sense if they close on the bid we should take the money back.

Chairman Grindberg: Do we know who it is. He was told no.

Senator Holmberg: It was in the popular press.

Senator Robinson: Where are we with the base realignment?

Alan: On the Minot base realignment there is a little carry over left on that. On the base retention grants there is a fear that there will be grants in the future. This was set up to ensure that we can get an education program for the federal government so they understand the benefits of having those grants. Proceeds going over the spreadsheet (10:54-12:55)

Senator Robinson: I am in support of tourism but I don't know if tourism has a responsibility of saving motels that have overextended in terms of investments.

Alan: That represents itself as more of an opportunity for us to increase our tourism then the stand point of trying to protect those investments. I think there will be some reduction in terms of hotels down the road. It is more than just tourism for our message for North Dakota.

**Senator Robinson**: The part that got me off guard is the hotels coming in and saying do this. We have been way behind our neighboring states for a long time. Maybe we can't separate the two. I felt good about your and Sara's testimony, the hotels coming in. We've been way behind our neighboring states for a long time.

Senator Holmberg: You expressed what I was going to ask.

AI: What I hear be very clear it's about enhancing our tourism message. Continues (16:42)

Senator Robinson: In my opinion, maybe they go hand in hand. We need to promote our state.

Senator Holmberg: How many other bills that are out there that have money in them for child care issues? We should have that information. The council and OMB can help us with that.

Alan: Continues (18:10-21:57)

Senator Robinson: Do we any examples of best practices in other parts of the country that have worked effectively in terms of the state getting involved in the childcare business?

Alan: There are several examples. It sometimes depends on your view if they are best practice or not. Many states utilize subsidies. This program is built off a pilot of the energy impact grants, so there were four facilities in the process of being built with the idea of reducing the debt loan on it. There are some bills to add more support to the childcare program. We could bring in members of the land department to talk a little more about that and also some of the child care providers.

**Senator Robinson**: I think we have a need some argue that but some also suggest what we're doing here is a very slow down payment to satisfy something that is going to be very significant. In fact one of the proponents suggested that this will buy us some time, you're going to see major requests in two years. This is going to be an ongoing long term cost center for us. We just lost three in our community alone.

Alan: That's an important point; it isn't just the western part of the state it's across the state so there is a problem with the business model. What is the role of the state?

Chairman Grindberg: This will be the first meeting and we will pick it up again next week. I tossed around a draft format that I would like you to specifically think about a couple of areas that are involved with this bill. I received an email of a press story out of Oklahoma

on how they are banking on being one of the six test sights. It could potentially create one hundred thousand jobs. I don't want to lose sight of the opportunity of why we're here in session. If the FFA continues to drag its feet I want know everything we can possibly do to guarantee and make sure we're one of the six. I would like to know who in the FFA we can connect with, in Washington, for this subcommittee to have a q & a about what the latest is.

Senator Holmberg: On that issue, I read with interest, an AP story, which Phyllis Johnson was quoted as saying that NDSU was after this recognition as one of the six test sights. I went down to the AP and reviewed her testimony and she never said that, he assumed that.

Chairman Grindberg: I would like to have one meeting with the commercialization officers from UND and NDSU, Michael Moore and Dale Zetocha come in a visit with us and give us there perspectives on. If they can change policy at state level or what would they recommend that would stimulate more commercialization coming from research. I want discussion on that and then the child care. Set up a meeting with child care and who are the appropriate entities. Blake is interested in sharing ideas.

AI: Include someone from the land department.

**Senator Robinson**: There have been a couple entities primarily folks with lignite energy that are concerned that we come away from this session with some initial funding for STEM. That has come up and we can visit down the road.

The meeting is closed.

# 2013 SENATE STANDING COMMITTEE MINUTES

### Senate Appropriations Committee Harvest Room, State Capitol

SB 2018 Subcommittee 02-05-2013 Job # 18291

	☐ Conference Committee	
Committee Clerk Signature	Orlice Pel	zer
	oduction of bill/resolution:	

A Subcommittee hearing regarding the Department of Commerce

Minutes:

You may make reference to "attached testimony."

Chairman Grindberg called the subcommittee to order on Tuesday, February 05, 2013 at 11:15 am in regards to SB 2018. Let the record show that all members were present - Senator Holmberg and Senator Robinson. Tammy R. Dolan from OMB and Adam Mathiak from Legislative Council were also present. We are going to visit on the \$1.5M for three communities.

Alan Anderson, Director Department of Commerce: stated members from each community, and Adjutant General David Sprynczynatyk to talk about why the need and what some of the challenges are with the federal government and their continued view of trying to reduce bases or at least reduce costs, so what this \$1.5M is for is base retention and sell our story with regards to what our strengths and weaknesses and why we should be one that continues on with additional missions.

Adjutant General David Sprynczynatyk: The discussion is about the future of air force air bases in ND; Fargo, Grand Forks (GF) and Minot, we are at a point in time as a nation once again congress and administration are beginning to look at what is our current national defense posture and because of the fiscal situation to retain adequate defense and We last went through a BRAC, (Base at the same time economize as we can. Realignment Closure) effort in 2005, and there were a lot of changes in ND, it doesn't t just affect the Air force but also the army but our greatest concern is on the air force side and I say that because of the discussion that has taken place in the last year from the future missions overall in the air force and although there is not an administration on official date set yet for the next round of BRAC, possibly as early as 2014 maybe even late this year another round of BRAC will start, most definitely by the end of 2015, so that would be about 10 years since the last BRAC exercise by the federal government, we will see it At Minot we have the two nuclear missions, the B 52 and soon, it's a matter of time, missiles, GF Global Hawk, which is a remotely piloted aircraft that's flown in by the air force, but GF is also in the running for a possible designation for the next tanker. We'll hear more of that by the end of May. There are 4 bases being considered for the next assignment of the new tanker, it's called a KC46A, GF is one of the 4, in the end one of the

3, one will have already been picked for the training site and that does not include GF. At Fargo at Hector Field, where we have the Air NG we have two missions today. The one mission is also a remotely piloted aircraft mission, that' the predator mission, and our airman pilot literally around the world and then the other the mission is a mission relating to a small cargo aircraft, a C21 that is scheduled to go away and we are working hard, the delegation, the governor, the community of Fargo, myself, and others in assuring that there is a pilot mission in the future for Fargo as well. So that is the current status of the air force in ND and the concern we have for the future and what we do as a state to continue to be a viable part of our nation's defense. (6.12)

**Chairman Grindberg:** commented about the importance of having a state plan as we move into this challenge in DC. He asked for a sense of having community flexibility, but in your mind do you see Minot, GF & Fargo fighting for their own interests?

Adjutant General David Sprynczynatyk: We have 6 distinct missions, 2 of each of the 3 locations. From the state's prospective, we are working hard with each community. Our air bases in each community are separate and distinct in terms of the mission of the future and we think it is important to work with each one. The nuclear mission- Minot is still very viable and relevant to our nation's defense, the Global Hawk mission and hopefully the tanker mission in GF also important to our nation's defense, Fargo - the predator missions for defense. These bases are important for the whole state. That is the future for the air bases in each community. We all need to work together for the statewide plan.(8.09)

**Chairman Grindberg** Minot has concern over the match. The governor proposed match by local community. Maybe each of you could describe how you envision matching funds. \$1M from each community.

Barry Wilfahrt, President of Chamber of Commerce, GF made comments that the air force base is the 2<sup>nd</sup> largest employer in GF. It's also one of the 10 largest employers in ND and I know Minot is one of the 5 largest. This is a major economic impact in our state and shared about the efforts their community has done thus far toward the base retention fund and the county has done some also. He stated that we as a community would prefer the flexibility of not having the required match here. (10.01)

Craig Whitney, President and CEO of Fargo Moorhead West Fargo Chamber add the same comment as Barry just did. We would be inclined to see it more as a grant. We are in efforts to raise some money. He shared how they raise their money and the impact at Hector with the National Guard and what it does for the community. This is important to us. (11.24)

Peter Hankla, sitting for John MacMartin, President of the Chamber of Minot, and Peter is also Vice Chair of the Base Retention Committee Task Force: talked about last year's economic impact, the new impact study and stated they are not in favor of the match. Because of the flood and oil impact they feel a match instead of a grant would be a burden. (13.44)

**Senator Robinson**: asked for a one page fact sheet, the economic impact, the missions, the FTE's, that type of thing. He had questions regarding the lead agency and who is going

to coordinate this so we are pulling together. He also stated we assume we are building on lessons learned in 2005. That would be important.

**Alan Anderson**: The intent not only the dollars go through commerce but also commerce would help coordinate those activities. One of our roles is often to bring other agencies together and communities together.

**Senator Holmberg:** (15.56 - 16.20) My question would be to our commissioner, would this money then go through the Commerce budget, would any of that money filter to the University System or would it stay outside of that venue?

**Alan Anderson:** The intent on this one it would not go through the University System and it wouldn't go through the Centers of Excellence as it had been done on the last session. (16.34)

Colonel Mike Haugen, Fargo Chamber Military Affairs Committee: gave background when BRAC went on in 2005, stating we are supporting each other and someone in the state needs to have a statewide perspective. We don't want our bases closed in ND. He talked about the money that different communities have put in towards base retention. He states that the communities have put money into this and the state has not. I think it's appropriate that this time around the state does put some money into it. He stated we need to look at what each community has gone through. He stated Fargo has the most urgent need to maintain unmanned flying mission right now. He stated each community wants to hire the same consultants, lobbyists to address these issues. (21.39)

Chairman Grindberg: We would have 3 different lobbying groups.

Colonel Mike Haugen stated yes each city needs that. (22.32)

Peter Hankula: made comments regarding some sort of body that coordinates as opposed to oversight. the state does sponsor through gen spry Task Force Mind, that is a group that shares knowledge among the different bases and helps each community coordinate in what they are doing, serves a useful purpose. Also assists the Commerce Department in making appropriate requests for reimbursement and utilization of the grant. He went on to say every community should have it's own subcommittee, lobbyist, etc. and the issue of base retention is an extremely dynamic field. (26.44)

**Senator Robinson:** made comments regarding how fortunate ND is to still having been able to retain our basis. The competition is going to be extremely tight. He asked about the money listed in the fiscal note on this bill. What did we spend in 2005?

**Alan Anderson**: Commerce worked with Minot in the previous biennium to use \$325,000 for retention and I am not sure what GF had. Those are the only numbers I am aware of previously. The \$1 ½ M intended to be \$500,000 per community with the match being in there so we would have at least \$1M, because of the significant importance associated with these bases. The intent was \$1M per community. (28.25)

**Senator Robinson**: It seems to me something that is this important. We were lucky in 2005 to saved what we had saved, going into the situation with the federal budget what it is and I question whether a \$1.5M is sufficient. This is crucial. This might well be the round. There are other states that are not positioned financially. We'd better be prepared and have the resources at the table. (29.28)

**Senator Holmberg:** I think that Senator Robinson is correct. It is still a long way to go, before we get done with this budget, whether it's commerce or the entire budget but I think in subcommittee maybe double the amount of money but also put in for those are always concerned about is there local skin in the game, like a 1 to 5 match, something like that. that would still and not have the money tied, the money just goes to the 3 retention efforts. We have a little time to think about this. It would be money well spent particularly the discussion about the front burner issue in Fargo and Minot and GF. We have a new dynamic in Washington, a couple of years ago we had senior members, now we have good people but they are junior members and that can have an impact as the states are vying for good position. (13.10)

Chairman Grindberg: made further comments regarding the defense appropriations in DC and stated they have a lot of clout.

**Col Haugen:** made comments that many states have a lot more bases then we have. He is concerned for our bases in ND and commented we are fortunate to have what we have but doesn't think we are exceptional (31.52)

**Senator Robinson** said he agreed with the Colonel and also had questions regarding the budget and the time issue regarding what will be happening to our bases and are we going to dedicate a full time effort on this. (33.22) .

Alan Anderson: Stated we rely very heavily on the partners in the communities as well as consultants.

**Senator Robinson**: commented they do great work, but asked if they are comfortable with that structure, the magnitude of the challenge and coordinating 3 communities.

**Alan Anderson:** that's a tough one. I think we can do a very good job, we will work with communities, and with task force. What commerce's role is more coordination and provide assurance to you that the tax payer's dollars are used wisely. (35.11)

Chairman Grindberg thanked Al for being here and stated this is very informative

Alan Anderson: We have one proposed amendment page 8 line 30, air force bases we are not that clear so we've added an insert of Air National Guard facilities as well.

The hearing was closed.

## 2013 SENATE STANDING COMMITTEE MINUTES

### Senate Appropriations Committee Harvest Room, State Capitol

SB 2018 subcommittee February 8, 2013

Job # 18586

Committee Clerk Signature	Kose Janing	

Conference Committee

Explanation or reason for introduction of bill/resolution:

This is a subcommittee on the Department of Commerce discussing Child Care.

Minutes:

Testimony attached # 1

Legislative Council - Adam Mathiak

OMB - Tammy Dolan

Senator Grindberg opened the hearing on SB 2019. Senator Holmberg and Senator Robinson were present.

Senator Grindberg wanted to link all this so there's more than agriculture in state. Recalled Dan Burgland - leads nation in think tank for technology based transfer. There's \$12M proposed versus status quo. The dividends or return is not as robust as I think it could be.

Child care -

Al Anderson, Commissioner, ND Dept. of Commerce (3:27-7:16)

Chairman Holmberg there is still no legislative consensus. Some feel we shouldn't be in this let alone and actually putting some money in and then there are others with a huge consensus and that's why putting together a consensus of where do we want to be now, where do we want to be three, five, from now makes sense. It will not change the mind of the real skeptics. But some of those real skeptics also believe in economic growth and development and jobs and unless you have that as part and parcel of the discussion, you're not going to get people to move to community x if there is no child care. So I think its going down the right path. But there are still the skeptics.

Paul Govig, Director, Division of Community Services, Dept. of Commerce

In our bill 2018, the Governor is proposing \$5 M for a program for additional structure very much similar to what Jerry did this past summer and past year. So that's what obviously we support. There is some other individuals here, who can give some perspective as far as touching on what Senator Holmberg is talking about, but from our perspective obviously we're supporting the Governor's budget of \$5M for additional infrastructure for it.

Senator Robinson: The \$5M what was that based on in terms of what we hope to accomplish. It has to be there had to be some science behind the \$5 M I think it was

arbitrarily just pulled out. Can you share with us what we would hope, what you envision to accomplish with level of funding?

Paul Govig: Some of that was based on the experience that Trust Land Department and Gerry Fisher had as far as demand.

Gerry Fisher, Energy Infrastructure and Impact Office, Dept. of ND Trust Lands:-What we saw this last year when we did pilot project with oil and gas impact money. We were limited to oil country first of all it had to be oil impacted. Besides that, our program can only provide any sort of resource to political subdivisions, they are limited. So the target was to provide an opportunity for political subdivisions in those areas to apply for a grant to put together or enhance an existing facility that they could rent out at a lower cost to a provider and have that provider occupy that space. It would be owned by the political subdivision. We received 23 applications and the demand was basically total projects was just over \$11M for those 23 application. But they were requesting a little over \$2M. that would be a focus within the oil country area. In this case there's an expansion of what would be done from this bill and provided by Commerce. Expecting that \$2 M was fairly limited within oil country and there wasn't a long time given to them for their applications to get them together so there may have been some demand that we missed in that process as well.

Senator Robinson Is the expectation then, that the \$5M is just used in oil country? Paul Govig replied, I don't know that it necessarily is. We have state wide needs. The real pressure is in the oil country there is no question about it but I know wide needs. Senator Robinson Several communities in Eastern North Dakota have lost day care in the last number of months.

Paul Govig It's statewide. We feel that's a good number.

Blake Crosby, Business Center Manager, Child Care Resource & Referral

ND2020 raised childcare rules to top of list. I would interpret the Governor's budget proposal to be based on a thought that was out there that you could buy a modular prefab Group 18 unit, and priced out several years ago it has a foundation or slab on grade. It would run about \$250,000. So I think that's where the \$187,000 than the match came into that. Those figures are two or three years old. My experience currently is that the dollar amount is no longer enough and I would look to John to that because he works out in the oil country and housing. The price of land out there as you're all aware is gold. I would encourage you to look at two different packets of money. For the Group 18 facilities because not all small communities have enough little children to be able to support an center. Some do, some don't. So for those that don't a Group 18 facility, assuming they are going to get land donated to them, I would like to see that cap raised to \$300,000-\$350,000 and the match go from 3 to 1 to 4 to 1. For a center facility, which can have up to 19 up to many kids, I would like to see the cap raised to between \$800,000 to \$1M, and I would like the match to go to 5to1, and I would like to have commerce be allowed to be understanding and flexible in the match. My assumption is that most communities will donate property. Two examples cited related to Crosby and Rolette (14:54-17:15). The costs of construction, staff and property is very high. Oil production workers can pay higher daycare, but teachers, patrolmen the economic development work force that everybody is crying for out

west, there not making \$150,000 the they're the ones that need a cheaper daycare. It's a supply and demand situation. As with any enterprise, your purchasing power should be able to allow you to purchase wherever. I think we need to bring some definition to the situation. There are a lot of things taking into effect, it can't be just one or the other. I would advocate for maybe a \$10M pool and also legislative intent that there is to be follow-up and there is to be adequate vetting of the applications.

Senator Grindberg What total investment would be in facilities if there was a match requirement? Did I hear you correctly?

Blake Crosby I would like to see the Governor's fund budget say\$10M. Senator Grindberg you mentioned another match. Obviously it is going to be matching. Blake Crosby yes, the match is going to be different. The match will be dependent upon the final cost of the facility but if you go 4 to 1 for the \$300,000-350,000 pool and 5 to 1 for the \$800-\$1M pool.

Senator Robinson - Facility financed by oil companies, and they are still struggling (21:44) How do we respond to that situation? The facility is one thing, but the operational really becomes the greater challenge that is ongoing. It is there forever.

Rep. Kathy Hawken, District 46: It's a Band-Aid! But it would get money to centers for right now to help with operational costs so they can cash flow. But the piece in it is that it is extremely positive is the fact that there is an opportunity for the business piece to work with them on that. There is the quality piece that they would have to start putting in so you're not just babysitting since that's one of the big weights on child care. It hits the key pieces on the educational part so that along the line we can say 25 years from now, jeez look their not in prison they were in good day care. The \$15 M that is in that bill; when we were putting it together more than half would go west. And then it would be competitive on the East side much more so and then would already have to the quality teachers in place. But there is a lot of technical, support that is a key. I don't care how many buildings you build, if you don't have quality trained people inside, then we could just open the prisons and put the kids in there in the morning and then let them out at night. It isn't worth doing. We've made some mistakes and I know these guys know it as well. We gave a lot of people egress windows and fences so when they sell their house there going to get a lot of value out of it. What did it do for child care, nothing. It did not increase our capacity one kid because it was the same space. We need to look at that. There are so many processes like they are in everything we've do here. Now we do have on the House side a study that will go through the Department of Public Instruction that will look at the problem of day care, early childhood which is with Head Start. These will all looked at again with a hope that when we're done looking at it that this time we'll have some concrete roads to go down. But at least it would be comprehensive and it wouldn't be pulling parts out and at least on the House side the Leader has said we can fund that for DPI and so it would happen during the next interim. But I don't know how we do this. I think there is about zero chance of 1422 passing the House, so I don't know what the answer is. It is a band-aid and are we subsidizing, absolutely! Just like we did with ethanol, wind, just like we've done with all of the Renaissance zones, so to say we can't subsidize child care is a joke because we've subsidized tons of things.

Senator Robinson You suggested that the bill has a slim chance of passing. Is it just because of the finances or is it an ideological?

**Senator Grindberg** I think its Senator Holmberg's point is I think the Governors recommendation is trying to reduce cost of facilities. The operations we'll get into later, we'll help with the facilities.

Jennifer Barry, Human Services - I support the Governors' budget. The version that I have is corrected version - attached #1.

I talk to providers and communities on a daily basis, and so I do hear the need for a help in facility is definitely in need. I also hear from the private people. There is one gal in Bismarck tying to purchase a church to state a center. She is an accountant, she has a very good business plan, she also seems to just be very passionate about young children. Certainly by all counts this seems like a person who you would want to have run a child care business. She cannot get a loan from a bank even though she isn't experienced with a good business plan she has a good business plan partially because banks are hearing that child care programs can't cash flow. So she has come to Jennifer and Senator Dever in the Department of Commerce, to saying if there is grant money available can it be for private people? Does it have to be this political subdivision applying for it? So that is one point of view that I feel. The other point I hear from frequently is the home provider. These are two totally two separate issues. They don't' buildings, they don't need staff. With all due respect to Representative Hawken when she said that the LAP program administered by the department of Commerce for Child Care Grants and Loans didn't do a bit for childcare. I would have providers who are still providing care who receive those grants argue that because getting a fence an regress windows to include their basements was probably key in helping to retain them, so that we have that whole issue too. Providers are also facing rising food costs, rising costs all over and so I am not sure we that we really have a bill that addresses what their saying are their needs.

John Phillips, President, Economic Development Association of ND

As Chairman of NDEA this is something that has risen to the top of the priorities with economic developers in North Dakota and all developers because I can assure you that once you get out of the big 4, economic developers become very involved in daycare and day care opportunities with that and within the community. I probably learned more about child care and day care opportunities through Paul and Jennifer and Carol. I do have two children here in Fargo that go to daycare and a grandson in Chicago in daycare and I can certainly tell you the rates are considerably different. As I look at this problem and vision 2020, and ND2.0 that there is no question that it rose to the top every time. But having the opportunity to become well informed through Jennifer and everybody that has been involved in that, I really agree with Senator Holmberg. There needs to be some kind of a study. This thing is so all over the place, I don't know if anybody really understands anything. It's a complex thing with that. But one of the things I do see with that is that I think that facility thing LSS Housing is going into Mayville to work with their income based units and certainly will have an opportunity with that. LSS-Housing who I also work for is looking at providing group facilities in every housing complex they did do. Even though there is a need and its a good fit. So the opportunity of doing that takes some pressure off the community, we would say with groups we certainly don't feel we want to get into centers

right now, not saying we only do one group and that's an opportunity for a need to do more, but I think it's a good start and a good fit. What we look at with that and getting back to that then is I do see what the cost of even developing a group facility with them. The \$250,000 even in Eastern North Dakota; that is not going to hold that group facility. Construction costs are high right now. Our Watford City model right now is a 124 unit complex there and we don't do high rise buildings with that. We have 13 buildings, nothing is bigger than a 12 complex and nothing less than a 6 complex. So it's going to be a very family oriented center with that. I think looking at the Governor's bill, I think it's critical that as you look at that to really support that and get those group facilities built is critical. Our position with LSS Housing right now going to be, we will build and own the facility and would lease to a provider. Because with the number of financing situations we work with and bankers and lenders, we know well that the typical provider is not going to be able to borrow \$350,000 unless you have probably an 80% equity position; to make that option available we will own that facility, and we think we've structured pretty creatively with that project because we have very affordable housing. In those units in Watford City, a two bedroom home it will be \$900 at the maximum, for a 3 bedroom it will be \$1100, that's probably a 3 or 4th of the price of a typical rental units is going to be. We've brought on some partners and understand how to work with some companies and partner with them. I think again I think the resolution is really critical to find out how does this operation thing work, but I also think that in the short term the Governor's bill is important to add to those facilities because there still is a need there.

Blake Crosby: I'm a business consultant and do analysis of daycare and run the numbers. I think the situation can be fixed without having the state permanently be involved in the subsidization of the child care industry. But again, I am going to come back to that study. Until we understand all of the components and all the players what we're going to do for a couple sessions maybe three sessions is some band-aids. If we get on a study and get it going and somebody knows what they're doing; runs it through maybe were talking a couple of sessions. But I do believe before we can do this we need to understand what all the components are. It is a consumers market. The economic law of supply and demand there is something called effective need. Effective need basically is the money you have in your pocket. Supply and demand does not drive child care because there is not enough money in all parents pockets, so that is not going to increase supply. There has to be some compensation on that end.

Handed out copies of corrected Summary of Early Childhood Resource and Funding - attachment #1

Justin Dever, Dept. of Commerce It's only available to licensed daycare.

Senator Grindberg Can't you have a conditional loan until you put the pieces of the puzzle together and then on a magic date the license transfers and the loan kicks in. Blake Crosby replied, we can check on that. I don't know the specifics about that.

Senator Grindberg What do you think about a loan guarantee program?

Senator Holmberg - Would it require just like on our bill on beginning entrepreneur and there has to be a loan and the local bank has to pass on the business plan to approve it.

Then they can get the guarantee which helps the local banks sign off on it. If you recall, there are over 400 on beginning entrepreneurs. If one or two went south, you do to have that local buy in.

Senator Grindberg Amend that section of tax credit and allow childcare facilities to be eligible for the tax credit. Senator Hawkin: Can't give it because it is non-profit. Senator Grinberg replied the program tax payers pay into the funds so if there was skin in the game with the state giving up the incentive. The Housing Program is taken off like gangbusters, so if you added child care to that, as an eligible project, and the state has loans that are guaranteed for any other mid financing and then. You can't imagine that would be received very well. Senator Holmberg Your local bankers beginning entrepreneurs once they find out about it because they got to pass on what's going on in their community and then they do have a little safety net that makes them less stooley eyed when it comes to approving if we get there first.

John Philips: Housing has been extremely successful. We'd like to add childcare into the housing units. So my thought would be if when we do a project like that and we put that group home and blend it right in right into the housing and put it as a total finance package it becomes a total concept. Because we own our properties and it would be in total finance package. My only concern is can we increase tax credits? The \$20M now and then maintain the additinal \$30M taken out from House finance committee. If we state adding in child care facilities I don't know if that money would be adequate with the housing needs that are still there.

Blake Crosby: I think we also would allow FlexPACE to be used. I know it only has 5 year window on it. But, I think at this stage of the game we are looking at band-aids and we certainly don't want to leave any stone unturned until we can really decide what direction we're going.

Senator Grindberg Flex Pace is an option that gives no loan guarantees or eligible to be. Blake Crosby - No it is just a buy down. It would be piece of the financing puzzle.

**Rep. Hawken**: We could perhaps put some general fund money into that area, and then people would be able to pay. All you're doing there is going around a different door. I like the way we've got it set up because its cleaner and its by kid, but that is one other option to come up when we're looking at all the different pieces.

Senator Grindberg We'll be here and arguing in conference committee on child care.

Rep. Hawken - I am not so sure because I think the only bill that has a chance of passing is the one you're talking about with the money.

Senator Grindberg We'll be here arguing.

Paul Govig: If there is additional information let us know.

Senator Holmberg We need to contact Band of North Dakota to see how they might want to interface in this area whether we're going to model the housing issue that is in the House,.

Paul Govig: the Housing agenda bill? Senator Holmberg Yes. Representative Hawkin We took \$30 Million out. I voted on that. Senator Holmberg I think it was 1416? Rep. Hawkin It was passed without the \$30 Million. Paul Govig 1029 was the House bill.

**Justin Dever** It deals with tax credit portion for increases up to \$20 Mill. (44:52) They put in a limit that the fund itself would be limited to the \$20 Mill they already have in tax revenues. It is a separate bill SB is 2014 includes the \$30 Million General Fund.

Senator Holmberg: That's in Industrial Commission. We have that right now.

**Jennifer Barry** - Do any ideas that we are talking about apply to the home provider? Someone who goes through the licensing process, they are licensed for child care in their home but doesn't include their kids.

Senator Holmberg, I still don't know how they would interface ever.

Senator Grindberg Licensed thru the home?

Jennifer Barry I'm just thinking about Senator Grindberg the people that call wanting and very interested in doing home child care, they come up here and their husbands are working oil, and they would love to do it. But, they don't have a house to do it in. So that is big problem. That is a big barrier for them. These same people also probably would go work in a center except those centers don't have room for their own kids. So we do have people who are interested in taking care of children, but these agency barriers. So I am just wondering. Would a mobile home guarantee provide for home provider and that would be the facility as opposed to just centers.

Senator Grindberg I am not sure that...
Senator Holmberg there are those that could tell us but they are not here.

47:33 - Senator Grindberg describe a problem.

Rep. Hawkin home providers. Would you be helping with a loan guarantee for a home if it is a mobile home?

Jennifer Barry I was just wondering like if any of the tax credits for anything like that.

Senator Holmberg What about property tax if we would handle that for their home, because if they bought a home they would be paying property tax.

Senator Grindberg business expense. What would we need to do to make that get back to home.

Blake Crosby: In reference to the business side of the home provider. As a home based business, they have access to a home depreciation, business depreciation, business based percentage usage. The have access to a number of tax breaks that specifically apply to home owned businesses guaranteeing the home might offset the ability to take some of that cost.

Paul Govig -There are 7 or 8 different categories of child care providers. So, what the question is would all 7 of those be able to qualify for some of these things and what we've been talking about now specifically centers. That is where the question is.

Senator Grindberg I wonder if you could research from two years ago, there was a National Governor's Association Report Card on Best Practice for State Strategies in Childcare. That might be helpful for the committee. Al, could you help us with the Bank of North Dakota researching the beginning of the entrepreneur program guarantee? I wonder if were crowding the germane of this bill by bringing in tax policy with amending in law child care in that, something to think about. Anything can happen in conference committees.

John Philips - What are your thoughts in pursuing and further researching the hip opportunity. The Housing Incentive Program to expanding that?

**Senator Grindberg** I think it's a great. Maybe expand the housing program for all child care under the definitions. In regards to funding its becoming very strategic in the investment fund or the land department versus the general fund.

Senator Robinson - The governor's proposal is important but to what level? Do we have enough bandaids to get us thru the next 24 months? We can we do to compliment that package to relieve as much pressure as reasonably possible given the situation we're in. We know we have a growing problem, and just so we don't attempt, or try to make the best of what we have, but their needs to be some consideration for the growth in the next 24 months. I don't know how we address that.

**Blake Crosby** If 1422 doesn't float, this won't work very well no matter what we do. Now staffing is taking over percentage. It's not uncommon for staffing to consist of 70-80% of their total expenses. It's only gotten worse over time.

**Senator Grindberg** So we're going to look at loan guarantees, tax credits housing program, inclusion, the \$5M that's in the budget, what sources it will actually end up being. There is a \$200 Million dollar proposal for community infrastructure. There is \$150 Million dollars that has been introduced for water projects, and then there is another \$200 Million fund, so there is a lot of revolving loan fund discussion. The hospital one has the Bank of North Dakota administering it and it's at 1% interest rate out of this strategic investment fund. Maybe there's a \$15M revolving loan fund at ½ percent that might have more long term value.

**Senator Robinson** - Time constraints and want to be more inclusive of time of conference committees. That will give some time to work through some of this.

Rep. Hawken - I am an advocate for quality child care since I stated in the Legislature 17 years ago. There were about 3 women who worked on it. Having men at this table and caring what happens is how to get something done. I am sure glad you're here.

## 2013 SENATE STANDING COMMITTEE MINUTES

## **Senate Appropriations Committee**

Harvest Room, State Capitol

SB 2018 Subcommittee 02-13-2013 Job # 18905

☐ Conference Committee		
Committee Clerk Signature	alice Deber	
Explanation or reason for introduction	of bill/resolution:	
A subcommittee hearing on Department of	of Commerce	
Minutes:	See attached testimony	

Chairman Grindberg called the subcommittee hearing to order on Wednesday, February 13, 2013 at 3:30 pm in the Harvest Room. Let the record show that all committee members are present: Holmberg, Robinson, Brittani Quick-Legislative Council and Tammy R. Dolan-OMB.

Al Anderson: Testimony attached # 1, ND Military Economic Impact. You should have received the detailed economic impact associated with the three bases. We are here to answer questions on the UAS program. With the integration into the national airspace system, reminding you it was a \$5M impact, \$1M for completing the process of going through being designated one of the 6 sites, the other four is contingent upon that designation and is more tied to operations for the first two years of that five year program.

Al Palmer: We received word this morning from John Walker in DC, that Mr. Jim Williams who is the FAA person in charge of US operations in the national airspace system, that the FAA would release this in February 2013. We are having our consultants that have been leading this effort to write the proposal. We had suspended the effort back in August of last year and working with Don Farrell we decided to go ahead and hold our first face to face meeting today over at the Department of Commerce. Our anticipation is that it will be released in February and we have put our draft, our response to the SIR. We are waiting for the SIR released so the proposal could be shaped to match whatever the request the SIR has in there.

**Don Farrell**: This has so much visibility and so much interest in all the states; we have indication that the FAA put together a rigorous evaluation process. They are putting together the criteria that will be used to score these proposals. Our proposal will need to be very specific and very responsive to be viewed as compliant by the FEDS.

**Senator Holmberg**: The date is in February, is there anything this subcommittee needs to do regarding what happens if they came out tomorrow can we respond and react quickly if North Dakota is one of the sites?

Al Palmer: One of the challenges we have is the \$1M that is being appropriated to stand up this site; it would be helpful to know how soon can we access that \$1M? We need to hire and national test site director. We want to have that person on staff, so when we have to go to DC to talk about our proposal we want that person to stand up before the FAA and talk about the strengths of our proposal and North Dakota.

**Senator Holmberg**: I have thought of a way to do it. This bill will slog its way to April but a bill that will be over here under our control in two weeks is the Governor's budget. You stated that the money would go out through the Governor's office, one million. Could we not consider putting the million in the Governor's office, there would have to be a pitch to the House to accept that, put an emergency clause and that would be available when that bill passes. It will pass a lot sooner.

**Don**: That's really good news because the ability for us to state clearly the commitment of the state, the evidence that the first million has been approved and the timing will a really important sign of the commitment of the state.

Senator Holmberg: It's something we can talk about it. I don't think this would be the greatest vehicle.

Al Palmer: CTECH has put together a time line and we can share that with the committee it is our best estimate of how long this process is going to take. The final selection would be some time from mid to late summer, August time frame.

**Don**: Typically the large acquisitions they will have a 90 day time that the proposals are due and then they have 30 to 45 days to evaluate them and do a short listing. There is going to be so many proposals that they probably do a short listing and then ask for clarification and refinement of the ones that are the best proposals. That would take another thirty days or so and then the final decision by the source selection committee would be made and the recommendation made to the administrator.

Chairman Grindberg: If we are chosen is there federal money that comes with this?

**Don**: No, there is still quite a bit of research and development funds available from NASA from FAA research agencies and some from several DOD units. If North Dakota is selected and we start standing up the infrastructure and the operations, we believe we can attract a lot of that money to the state in the out years. The way we are presenting that two million in the first biennium is that it's the state's commitment, the seed money.

Senator Holmberg: But the million has to come from the state, there won't be any grants.

**Don**: No, there will be no grants. There is speculation that once the test sites have been designated, that in the next appropriation cycle FAA will go back to congress and ask for research and development funds to help.

Senator Robinson: There are a number of other states, pursuing the same initiative; do we have any information at this point and time of some of the efforts that they are putting

forth that we should be considering? That would help position us in a more advantages position?

Al Palmer: North Dakota is playing a leadership role right now by putting money into it. The other states are going to put it on their credit cards; North Dakota is well positioned to come up with the cash.

**Don**: During the middle part of last year as we were preparing to write the draft proposals, we launched a competitive assessment and looked at all the public information that was available about what the other states are doing and shaped our wind strategy, taking advantage of what we knew the other states were doing.

Chairman Grindberg: So the funding the one and four and five million is that considered one time then?

Al Palmer: The one million yes. It is a 16 month program, and we will still need some funding in the next biennium but at some point in time we view the national test site as being self-supportive.

**Chairman Grindberg**: Someone sent me an article, the Governor of Oklahoma was talking proud about the fact of them being a test site and the hundreds of thousands of jobs it represented. From your perspective what does it really mean as far as jobs and what it the update on the Nekoma site?

**Don**: The job one, the hundred thousand is a bit much. The AIT put together a ten year business plan for the test site that leverages the seed money that we are talking about and forecasts the number of new job growth in the various technology sectors and other sectors and working with commerce estimated the economic impact of that was somewhere in the hundred and twenty-five to hundred and seventy-five million dollar area. In terms of the number of jobs I can't quote them off the top of my head.

Al Palmer: It is going to be significant if you take a look at this being an emerging technology and if North Dakota continues to play a leadership role in this area it is going to bring people and industry to the state.

**Paul**: The number of jobs had more to do with what would happen during the testing period. The research and development associated with the national test site. Not long term as it relates to potential impact for new primary sector job creation.

Don: The numbers I was talking about were just for the next 5 years.

Chairman Grindberg: Remind us of the purpose of the test site is, the ultimate goal is to prove that UAS can operate in GA space right?

Al Palmer: Integration of unmanned aircraft systems safely into the national aerospace system. There is a lot of research, development and testing that has to be done. It is very restrictive in getting the air space. During the national test site we will have the flexibility and open up that airspace.

Senator Robinson: Are we currently flying these out of Grand Forks and Fargo?

Al Palmer: Just out of Grand Forks. The NQ1 with the Fargo Air National Guard are flown somewhere else in the world, Afghanistan and Iraq and Pakistan. They're flown from Fargo but the aircraft takes off somewhere else in the world. At Grand Forks air force base the aircraft actually take off out of Grand Forks and fly training sorties and also flying air craft that is taking off in other locations.

Senator Robinson: How many other states are involved in actual flight activity?

Al Palmer: There are six air national guard base that are flying like Fargo. (20:45-21:20)

Chairman Holmberg: So when we hear about these crafts flying in Afghanistan, they are leaving North Dakota and going to another base, did they originate in Grand Forks or not?

Al: No they would have been repositioned, in the case of the Global Hawks, they would have been repositioned to Guam or Signorella, those are the two forward operating bases and they are flown out of some foreign operating base and the mission control element is flown from Grand Forks for the Global Hawks and for the MQ1 and MQ9 the same thing would hold true for Fargo but there are half a dozen other bases besides Fargo that are flying these.

Senator Robinson: How many of these crafts are operational today?

AI: About 3 dozen Global Hawks, less than 300 MQ1 and MQ9's, they are operated by the air force. The army operates a variant of the MQ1, it's less than 50. The number is growing. I was in DC and the 3 Star General from special operations got up and talked about the number of orbits that they want to have. An orbit is keeping an airplane in the sky seven days a week, twenty four hours a day, three hundred and sixty five days a year. It takes 5 aircrafts to do 1 orbit and the air force wants to go to eighty-five orbits. They need 400 and some aircraft. The air force, navy, and army are still buying them.

**Senator Holmberg**: I read an article that said the air force looks ahead to potential sequestration or something. There appeared to be some retention between those who have flown planes before. Who are the ones that have the three stars and above and is there not stories in the popular media that they would prefer the U2 and other things over the unmanned. There is that discussion going on at the highest levels but the commanders out on the field love the unmanned. There is some tension going on.

Al Palmer: We should be concerned about it, not for the national test site. The national test site is not going to waiver based on whether we have Global Hawks but GFAFB could be in jeopardy because there are fourteen four star Generals in the air force and once a year they have a conference. And they came out of there and said we want to suspend all Global Hawk operations by 2015. If that happens and the Global Hawks go away form Grand Forks Air Force Base in 2015, the new tanker mission doesn't come until 2020, so what do you do with a base that has no mission whatsoever and there is a BRAC coming up. We in North Dakota should be very concerned about that. The navy is buying sixtyeight Global Hawks and several foreign countries are buying them. If the air force choses to

use the U2 instead of the Global Hawk they will be out of the strategic reconnaissance mission. It will just go to the navy.

Senator Holmberg: You are well aware there is politics involved.

Al Palmer: I am one of those pilots but that may not be the best thing for our nation.

Chairman Grindberg: The vitality of GFAFB, the UAS momentum and where this is ultimately going with military purposes but the FAA is involved in this for more than that reason. He talked about the different things it could be used for in the future and the value created from the commercialization standpoint as result of the state's investment and being named.

**Don**: The military has interest mainly for training and transit but the primary objective that the FAA is to have routine access to cargo haulers, to Arial applicators, to unmanned air crafts that could do wildlife spotting. There is a lot that has been proven except the actual safety of those aircraft being remotely piloted and operating in the same airspace as both general aviation and commercial air transport.

**Senator Holmberg**: For the test site, that is correct, we also have that interest from the military from the perspective of the airbase in Grand Forks. The commercial application will be around for a long time because the technology is there and now there is the refining of that.

AI: The Nekoma site is out of the picture that has been purchased by another party. We plan to use the NDSU research facility and also the area around Nekoma because it is located in the Northeast corner of North Dakota.

Senator Robinson: Are all of those sites decommissioned in North Dakota?

AI: Yes but in eastern North Dakota, Minot still has 150 missile sites.

Senator Holmberg: Even if we see activity the rest are not operational?

AI: Most have been imploded, so you couldn't use them if you wanted to.

Paul: Nekoma is off the table right now. The communities of Cavalier County and Langdon have had conversations with the buyers who seemed unwilling to partner or work with the locals.

Senator Holmberg: Did they ever release who made the purchase.

AI: The Hutterite Colony out of South Dakota and have plans of starting the colony there.

Chairman Grindberg: Was it a low bid. I don't have any other questions we will start gelling amendments for this bill next week.

AI: SIR, is screening information request FAA is using for a requested proposal.

Senate Appropriations Committee SB 2018 subcommittee 02-13-13 Page 6

Don: They are using SIR because it's a FAA policy.

Discussion on when they would be meeting again.

## 2013 SENATE STANDING COMMITTEE MINUTES

# Senate Appropriations Committee

Harvest Room, State Capitol

SB 2018 Subcommittee 02-19-2013 Job # 19216

Conference Committee

Committee Clerk Signature	alice Deber
	0

# Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing for the Department of Commerce

Minutes:

See attached testimony

Chairman Grindberg called the subcommittee hearing on Tuesday, February 19, 2013 at 3:45 pm in the Harvest Room. Let the record show all subcommittee members were present: Holmberg, Robinson. Adam Mathiak from Legislative Council and Tammy R. Dolan from OMB were also present.

**Chairman Grindberg**: We were going to have a discussion today on Agricultural Products Utilization Commission, (APUC) and the fund balance.

Alan Anderson: We will start with Enhanced Use Lease, (EUL) and switch to APUC. What I provided you is a proposed amendment to 2018. See written testimony and attached amendment, 1 & 2. (1:08-3:24)

Chairman Holmberg: Received a document from Jeffrey Donahue and Thomas Warrior a little further background.

Alan Anderson: I received it as well and can send it electronically.

**Senator Holmberg**: It is using the alert pad area which is right off highway 2. They have an interested company maybe investing a significant amount of money into that. The Grand Forks County is asking for assistance, but none of it would be spent until they have a signed contract, and they have been working with the air force to get clearances.

Alan Anderson: That is correct. It is a very large parcel that is fully supported by the base commander as well as the city and county.

Chairman Grindberg: What would be the total commitment on UAS this biennium from the state?

Alan: On the five million, one million is to get that airspace designation; the other four is contingent upon us getting that.

**John Schneider, Executive Director of APUC**: Testimony attached # 3. He explained the amounts on his testimony. The fund would have some dollars available in it. (7:40-9-37)

Senator Holmberg: That is not including what we did earlier this morning.

**John**: One of the issues we had with the grape growers in the past is it wasn't a long enough time period, they just got an appropriation, there was no accountability. Does APUC still go through the proper channels?

Chairman Grindberg: I believe my preference would be they would have to go through the process.

**John**: That makes it easier for us. We support the grape industry, we are excited but we would like it to run through the proper channels.

**Senator Holmberg**: The amendment is a grant from APUC monies to the grape growers that was the amendment we passed today.

**John**: We've always encouraged them to come to us; it's not anything we are opposed to. The last time this occurred the auditors came to us, no accountability track, the way we usually do it, not the grape growers but there was a different program, they have to apply for the grant and provide the same accountability with us.

Senator Krebsbach: My question was that very issue. I was told if the legislators directed it then it was an automatic to them.

**John**: You had asked, Senator Grindberg, if we could take APUC money and set it aside with the directive it would be used for grapes and wine but they would have to apply and go through the same channels. It went directly to NDSU.

Senator Krebsbach: I thought it was going to be a direct grant from NDSU for the wine growers.

Chairman Grindberg: We passed amendments already. Shared with the committee where they were at as far as the schedule and what they need to discuss further. (16:45-21:00)

**Senator Holmberg**: The Governor's office is very interested in the enhanced use lease. It is not in his budget. Is the Governor willing to support this?

Alan: He is very aware of it and has seen the verbiage. I will see if he will vocally support it.

Chairman Grindberg: The other item I have both Senator Wanzek and Senator Gary Lee wanted affirmation of the transportation study, apparently there is a duplicate study.

Senate Appropriations Committee SB 2018 Subcommittee hearing 02-19-13 Page 3

Alan: I was supposed to get a call today to verify that. There are two studies, the update of the road issue that was in commerce and also the bridge review. I did ask if they should be combined and have not gotten an answer.

Justin Dever: 2228 is going incorporated into 2012; it is my understanding that it is an appropriation to the upper Great Plains transportation study.

Chairman Grindberg: Why did we end up with transportation funding and studies in commerce?

Alan: The rational was that since commerce coordinated all the different studies over the last year rather than just have it go through the legislative council it was thought that they would just use us as the tracking mechanism.

Chairman Grindberg: My preference would be it would all go into DOT.

Alan: If the subcommittee would like I can bring Denver in and have Denver and DOT involved in that.

Senator Holmberg: We could have them talk but DOT has been put to bed, the final amendments are being done.

Chairman Grindberg: Why don't we request a copy of those amendments from Brady? We don't know all the information we keep throwing money into studies.

Alan: It is more of an updated study, with all the changes out west, there has been more of a need.

Chairman Grindberg: We will close the hearing on 2018.

# 2013 SENATE STANDING COMMITTEE MINUTES

# Senate Appropriations Committee

Harvest Room, State Capitol

SB 2018 subcommittee February 21, 2013 Job # 19327

	Conference Committee
Committee Clerk Signature	Kore Toning
Explanation or reason for intro	duction of bill/resolution:
This is a subcommittee on the De	epartment of Commerce.
Minutes:	Testimony attached # 1 -2

**Senator Grindberg** opened the hearing on SB 2018. Senators Holmberg and Robinson were also present.

**Senator Grindberg**: We have two objectives. One is to hear from Commerce on a proposed plan to integrate into the bill with Research ND. Two will be to summarize the amendment we have listed and will provide one more opportunity that if missed we something, we could include it.

# Al Anderson, Director, Dept. of Commerce

Handed out proposed amendments to SB 2018 - see attached # 1

He said **Justin Dever** has been doing an excellent job at pulling these amendments together, particularly the Research ND. It would divide it out into \$10M for the tech transfer program and then \$2M would be early stage business that has been broken into three phases. Phase I and II are grants and Phase III is loans. It's the \$12M with the \$2M being based on the Georgia Research Alliances Venture Lab program - called the Venture Investment Program.

**Justin Dever, Dept. of Commerce:** He went over two models considered. One is the Georgia Venture Lab model, and the other model is the Maryland Industry Partnerships. That is the \$10M Research ND.

**Senator Grindberg** said there are research foundations that do tech transfer and intellectual property agreements. They are both 501C3.

**Justin Dever**: As the amendments are drafted, the funds would go to the university, but there certainly would be a role to play of the foundations.

Al Anderson: The Maryland model is the first program that we brought in that is more for existing companies. It's the tech transfer model that encourages them to work with the university to technologize that technology. It can be new products for existing companies or it's for finding solutions to technical problems that they have. The committee suggested to look more closely at how can you encourage the start-ups and spin-offs of commercialization of that university research. That is really the Georgia model.

Discussed the two models. Al Anderson said the only changes from the last discussion were the phase 1 grant wording which was "typically \$50,000" that gives the commission a little bit of room to go a little higher if need be. That was guidance given by both NDSU and UND.

Justin Dever explained the amendments and started with section 6.

**Senator Grindberg** asked what loan requirements would look like. Would he be able to take royalty agreements or option agreements? Would you have the flexibility to take equity instead of a loan?

**Justin Dever**: This language would have that flexibility. The way that the Georgia Research Alliance does it, they have uncollateralized loans.

Senator Robinson: How long has the Georgia program been around and what kind of track record.

Justin Dever: The Georgia Research Alliance has been around since 1990. The Venture Lab program was started in 2002.

Al Anderson: Out of the last 700 grant 1's that they invested in the research portion; they've generated about 107 businesses. Somewhere in the 7 to 1 ratio -

**Justin Dever** told of the Georgia Research Alliance. When they launched in 1990, their focus was on eminent scholars and then centers of research excellence. They were successful at getting the research dollars into the state - into the six research institutions that they have. They were finding that they were not commercializing these technologies in the state and that's when they launched their Venture Lab model.

Al Anderson: We had a Best Practices review of the centers of excellence program several years ago and of the recommendations that came out of that, one was to get more to the cash match, the 1-1, which is what we've done with the base RND, but two other items were to create a small business focus grant program and also develop a proof of concept type program which the Georgia program does for us.

Justin Dever continued with the amendment.

Phase 1 - review the technology for commercial feasibility - can you build a business around this technology.

Phase 2 - If the first phase is successful, you can move to phase 2 which is the proof of concept and starting to create a business. Requires a match of 1-1.

Phase 3 - after the company is formed, there would be a loan to help them launch their business.

Chairman Holmberg: Are we saying or anticipating a match of 1-1? There is a difference.

Al Anderson: There will be 1-1.

**Senator Grindberg**: In the present biennium, the development fund has an additional million dollars from the last session, talk about how that affects this. There's \$12M in the budget, so there's actually \$13M.

**Justin Dever**: In the last section of the amendment, the intent is to allow the development fund to utilize that \$1M for the loan portion of this.

**Senator Grindberg**: Then there would be \$11M under this scenario. The governor has \$12M in his budget for Research ND. Up to this point, we were talking \$2M of that \$12M for the program, if we provide the \$1M to be used for this, then it's actually an additional million.

**Justin Dever**: It would give the development fund the flexibility to utilize that one million either for the current small business technology investment program which would not go away or to utilize a portion for this...

Senator Grindberg: Do we want to seed the \$50,000 grants at a higher level?

**Al Anderson**: The current wording that we're considering on the Phase 1 would be "typically \$50,000" which gives us some room to go up to \$70,000 or \$100,000 if desired. That was one of the requests that came in via NDSU and UND - in pharmaceuticals; \$50,000 may not be enough.

**Senator Grindberg**: If we come back 2 years from now and they had 10 viable projects under Phase 1, which would be a huge step forward. They could use the funds for start-up of the company. What about the foundations and patent costs, other license fees? Is that an eligible expense?

Justin Dever: Yes, it would be an eligible expense.

V.Chairman Grindberg: How can the \$13M be used; 10 under the Research ND partnership, then there's two and then one.

Al Anderson: The one is already in our budget. We have access to it, it's just broadening out.

**Justin Dever:** The development fund has awarded one \$50,000 award under it which went to Next Healthcare which is a company located in Grand Forks and deals with adult stem cells.

**Senator Grindberg**: I'd like to have some sort of reporting that brings in EPSCoR under Research ND. It would be just reporting so that we can monitor, at least from a commercialization standpoint, any activities with EPSCoR and Research ND. I think its important that we consider them from a performance standpoint. Maybe in a year from now, the June 2014 reporting of the new companies activity and any relevant activities with EPSCoR.

Senator Robinson: I was thinking about reporting, so I support that.

Senator Holmberg: You're giving them a year to see what's happening.

Al Anderson: We do annual reports on centers of research excellence now.

Senator Grindberg: We would just add "report to the budget section in a year".

**Justin Dever**: The only problem may be a timing issue? We do our reporting on the fiscal year so we gather reports as of June 30 of each year from each of the recipients of these rewards - not to say we can't do a special report, but it would not be part of our annual report.

**Senator Robinson**: The report could take on a bit different format than the annual report. It would be a progress type thing.

**Justin Dever**: I would not add it to the existing reports because the timing of the existing reports will be different. June 30 date is the cut-off and we give the campuses 45 days to complete the report so we don't actually receive the reports from them until August.

Discussed dates of annual reporting.

Senator Robinson said the report won't be a year-end report, but a progress report.

Justin Dever handed out attached # 2 - Proposed Amendments to SB 2018.

**Senator Holmberg**: I think we can ask the pointed question of Al because the other day, we had the Enhanced Use Lease discussions here. Knowing this came about after the budget was prepared, the executive branch was supportive of us adding the \$2.5M to the bottom line, so we have that on the record.

**Al Anderson**: We had discussions with the governor's office and they recognized that the enhanced use lease did come after the budget process. They are very supportive of the enhanced use lease project and consequently they're favoring us moving forward with it.

Senator Grindberg: Do they have a recommendation where we should take the money?

Al Anderson: We did draft the amendment to attach to the SIF fund so that's where the dollars would come from.

**Senator Robinson**: Do we have language in our package that will force the discussion on daycare in the conference committee?

**Senator Grindberg**: What I'd like to have amended into the bill is language requiring the BND to come up with a loan guarantee program and amend the housing incentive fund program to include childcare facilities. And then leave the funding in that the governor recommended. There are two or three tools there to negotiate over.

Senator Robinson: We need a mechanism for discussion with the House.

Justin Dever: Is the study located elsewhere?

Senator Grindberg: To healthcare? I have that language as well.

Justin Dever: Has the transportation study been resolved? SB 2328 originally had a duplicative study.

**Senator Grindberg**: That language has been removed from DOT. The funding is in your bill. We're going to add the language that Senator Wanzek provided me yesterday on bridges.

**Senator Grindberg** complimented them on their great work on the Venture program as well as the summary. We're taking the match out for the BRAC. In the testimony received, they would like us to remove the match.

Senator Grindberg closed the hearing on SB 2018.

# 2013 SENATE STANDING COMMITTEE MINUTES

# **Senate Appropriations Committee**

Harvest Room, State Capitol

SB 2018 February 25, 2013 Job # 19419

	☐ Conference Committee
Committee Clerk Signature	Love Janing

Explanation or reason for introduction of bill/resolution:

This is a vote on the Department of Commerce budget.

Mark 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	
Minutes:	
willinges.	

Legislative Council - Adam Mathiak & Allen H. Knudson OMB - Tammy Dolan

Chairman Holmberg opened the hearing on SB 2018. All committee members were present.

Senator Grindberg handed out amendment 13.8168.01002 and proceeded to explain the amendments.

Funding was added due to a calculation error in the executive compensation package.

This amendment adds one-time funding of \$2.5 million from the strategic investment and improvements fund to the grants line item for an enhanced use lease grant program at the Grand Forks Air Force Base.

This amendment adds new sections to:

- Create a loan guarantee program to be administered by the Bank of North Dakota for child care facility loans of up to \$15,000 per loan.
- Create the Research North Dakota venture investment program as part of the Development Fund.
- Amend the Housing Finance Program to include child care facilities.
- Amend the housing incentive fund to limit the fund to a maximum balance of \$50 million.
- Create Research North Dakota venture grants.
- Transfer \$200,000 of Bank of North Dakota profits into the child care facility loan guarantee fund.
- Create the enhanced use lease grant program.
- Provide for a report to the Legislative Management relating to the 2020 and Beyond Initiative.
- Provide for an Upper Great Plains Transportation Institute study.

Senate Appropriations Committee SB 2018 February 25, 2013 Page 2

 Provide for a report to the Budget Section on the Experimental Program to Stimulate Competitive Research, including Research North Dakota.

- Provide for a Legislative Management study of child care services.

 Provide that \$2 million of the \$12 million transferred to the Research North Dakota fund may be used for venture grants.

V.Chairman Grindberg moved the amendment. Senator Robinson seconded.

Senator Carlisle: We have SB 2014 (State Industrial Commission), are they going to marry up ok on your housing program?

V.Chairman Grindberg: I believe the marrying up matching will have to be resolved in conference. I'm hopeful that the Housing Finance Agency, the bank and the Commerce Dept. as this goes to the House will have time to share their concerns of where they think things might work and how they could be tweaked. Then when it comes back, we'll have something to work on.

**Senator Robinson** commented on the need for childcare. They've talked with childcare advocates from across the state, and we haven't reached a consensus. We've attempted to provide sufficient reference in this bill to the need, the infrastructure, and as we move into the next half of the session, there is a lot of work to be done.

Senator Mathern: On the \$50M limitation on the housing, how was that amount arrived? What's the rationale?

V.Chairman Grindberg: It's a number to start a discussion in what meets the needs. I don't have a magic number. I had a conversation with Mr. Hardmeyer driving in this morning. There appears to be a sense that might slowly be leveling off. The BND has a moratorium on no more hotels. He said that's usually a first indicator.

Senator Mathern: Why do we need a number?

**Chairman Holmberg**: (to Allen) If we were to pass this saying the Housing Incentive Fund is created as a special revolving fund, does the fact we have a number, even though at this point its just a starting point or talking point. How is this handled or don't we have to worry about that?

Allen H. Knudson: As far as the \$50M, it doesn't affect how we reflect items in the budget just by having this reference here. I think the \$50M came from the governor's recommendation for the \$30M transferred to the housing inventive fund that is in SB 2014 as you have it in your committee. The \$20M of income tax credits, plus the \$30 M is \$50M that is authorized for the next biennium.

Senator Warner asked about moving into federal territory literally as we are putting a presence on the Air Force Base. Are there any things we should be watching out for? Are we putting capital projects on the Air Force Base? Can't they be re-located somewhere

Senate Appropriations Committee SB 2018 February 25, 2013 Page 3

else? The general issue of state and state, are there separate entrances, separate security clearances, that sort of thing?

Chairman Holmberg: Yes, yes, and yes. This came up late, well after the budget was prepared and the governor's office testified to us that they support this even though it wasn't in their original budget. The funding would be expended until and unless there was a lease agreement signed and a commitment by private sector business to locate in this development and they already have the permission from the air base.

It's the pad where the bombers would sit on a ready basis. The state would not begin doing the infrastructure work until they had a contract that company X is going to put a sizeable investment into that particular facility. It would not be a state building. It would owned by the companies involved. The UAV test site which will be announced within the next months, that this would be a hotbed for UAV training in the nation. The dept. has to certify that they have a contract in hand and ready to go.

Voice vote on amendment. Motion passed.

V.Chairman Grindberg Do Pass as Amended on SB 2018. V.Chairman Bowman seconded the motion.

Discussion - none.

A roll call vote was taken. Yea: 13 Nay: 0 Absent: 0

Senator Grindberg will carry the bill on the floor.

13.8168.01002 Title.02000 Fiscal No. 1

## Prepared by the Legislative Council staff for Senator Grindberg

February 22, 2013



# PROPOSED AMENDMENTS TO SENATE BILL NO. 2018

10+8

Page 1, line 2, after "enact" insert "a new chapter to title 6, a new section to chapter 10-30.5,"

Page 1, line 2, after "54-45.5-10" insert a comma

Page 1, line 2, replace "two" with "three"

Page 1, line 3, after "to" insert "a loan guarantee program, the research North Dakota venture program,"

Page 1, line 3, after "fund" insert a comma

Page 1, line 4, after the fourth comma insert "54-17-07.3, 54-17-40,"

Page 1, line 6, remove "and"

Page 1, line 7, after "fund" insert ", housing finance programs, and the housing incentive fund"

Page 1, line 8, after the semicolon insert "to provide for an upper great plains transportation institute study; to provide for legislative management studies;"

Page 1, replace line 18 with:

"Salaries and wages	\$10,858,251	\$1,800,217	\$12,658,468"
Page 1, replace line 21 with:			
"Grants	59,977,994	1,669,956	61,647,950"
Page 2, replace lines 8 through 10 wi	th:		
"Total all funds Less estimated income Total general fund	\$93,273,052 69,666,470 \$23,606,582	\$34,054,511 <u>1,134,709</u> \$32,919,802	\$127,327,563 <u>70,801,179</u> \$56,526,384"
Page 2, remove lines 30 and 31			
Page 3, replace lines 1 and 2 with:			
"Federal fiscal stimulus Enhanced use lease grant Total all funds Less estimated income Total general fund		24,496,750 <u>0</u> \$272,121,750 <u>259,496,750</u> \$12,625,000	796,770 <u>2,500,000</u> \$43,254,636 <u>19,079,636</u> \$24,175,000"

Page 4, after line 17, insert:

"SECTION 6. A new chapter to title 6 of the North Dakota Century Code is created and enacted as follows:

## Definitions.

As used in this chapter, unless the context otherwise requires:

- 1. "Child care provider" means a child care home, group, or center licensed by the department of human services.
- "Lender" means any lending institution that is regulated or funded under the laws of this state or the United States and which has provided financing to a child care provider for a child care facility.
- 3. "Loan guarantee" means an agreement that in the event of default by a child care facility under a note and mortgage or other loan or financing agreement, the Bank of North Dakota shall pay the lender the amount agreed upon up to a percentage to be determined by the Bank of the amount of principal due the lender on a loan at the time the claim is approved from the loan guarantee fund.

# Loan guarantee fund - Administration.

A child care facility loan guarantee fund is created to be used by the Bank of North Dakota to administer a child care facility loan guarantee program in conjunction with other loan programs. The fund includes moneys appropriated by the legislative assembly for administration of the program and all earnings, less any administrative charges, from the investment of those moneys. The Bank may retain any administrative charges necessary for the administration of the program established by this chapter. The fund is not subject to section 54-44.1-11.

## Application for guarantee - Term - Annual fee.

A lender may apply to the Bank of North Dakota for a loan guarantee for a loan amount to be determined by the Bank. The Bank may approve a guarantee of a loan of up to fifteen thousand dollars to a child care provider for use by the child care provider for purchasing, constructing, or remodeling a facility to provide child care services. The term of a loan guarantee may not exceed five years. The Bank may charge a lender an annual fee during the term of a loan guarantee.

### Termination.

The Bank of North Dakota may terminate a loan guarantee upon the sale, exchange, assignment, or transfer of the child care provider's interest in the qualified child care facility. The Bank shall terminate a loan guarantee if the Bank determines that the loan guarantee was obtained by fraud or material misrepresentation of which the lender or seller has actual knowledge.

#### Rules.

Notwithstanding any provision of this chapter, the Bank of North Dakota shall adopt rules to implement this chapter. The rules may include a formula for determining the ratio of reserves in the loan guarantee fund to the amount of guaranteed loans and the maximum allowable annual interest rate on a loan eligible for a guarantee.

**SECTION 7.** A new section to chapter 10-30.5 of the North Dakota Century Code is created and enacted as follows:

# Research North Dakota venture investment program.

 The corporation shall administer a research North Dakota venture investment program that provides investments to startup or spinoff businesses that utilize technology developed at a research university, as defined in section 54-65-01, or jointly developed by a research university and the private sector.

- 2. A qualified applicant for a research North Dakota venture investment:
  - <u>Must be a business operating in North Dakota that is in the startup or spinoff state;</u>
  - Must be utilizing technology that is licensed from a research university or a nonprofit foundation affiliated with a research university; and
  - c. Must meet underwriting guidelines established by the corporation.
- 3. An investment under this section may not exceed two hundred fifty thousand dollars. A recipient business 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 4, after line 25, insert:

"SECTION 9. AMENDMENT. Section 54-17-07.3 of the North Dakota Century Code is amended and reenacted as follows:

# 54-17-07.3. Housing finance programs.

Acting in its capacity as a state housing finance agency, the industrial commission is authorized to establish the following housing finance programs:

- 1. Home mortgage finance program. A program or programs to provide financing or refinancing of loans made by lenders, including second mortgage loans and leasehold mortgage loans on tribal trust or other reservation lands, and leasehold mortgage loans that are insured or guaranteed through an affordable housing program, to persons or families of low and moderate income for the purchase or substantial rehabilitation of owner occupied, single-family residential dwelling units, which includes mobile homes and manufactured housing.
- 2. Mobile home and manufactured housing finance program. A program or programs to provide for the purchase or guaranty of a loan made by a lender to finance the purchase of a mobile home or a manufactured housing unit other than on a real property mortgage basis. A program authorized under this subsection may provide assistance in the development of low-income to moderate-income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.
- Multifamily housing finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of multifamily housing facilities.

- 4. Mortgage loan financing program. A program or programs to provide for the purchase or guaranty of a temporary or permanent mortgage loan originated by a lender on residential real property or on land to be developed into residential real property, in addition to a mortgage loan acquired or to be acquired under subsections 1 through 3. A program authorized under this subsection may provide assistance in the development of low to moderate income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.
- Home improvement finance program. A program or programs to provide full or partial, indirect financing of improvements to existing residential dwelling units.
- 6. Housing grant program. A program or programs to provide a grant other than those authorized by section 54-17-07.6 to encourage and promote housing availability for persons of low or moderate income or to otherwise assist a developing community in this state address an unmet housing need or alleviate a housing shortage.
- 7. Child care facility finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of child care facilities.

**SECTION 10. AMENDMENT.** Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

# 54-17-40. (Effective through June 30, <del>2013</del>2015) Housing incentive fund - Continuing appropriation.

- The housing incentive fund in an amount not to exceed fifty million dollars
  is created as a special revolving fund at the Bank of North Dakota. The
  housing finance agency may direct disbursements from the fund and a
  continuing appropriation from the fund is provided for that purpose.
- 2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area median income. The agency may collect a reasonable administrative fee from the fund.
- The housing finance agency shall adopt guidelines for the fund so as to address unmet housing <u>or child care</u> needs in this state. Assistance from the fund may be used solely for:
  - New construction, rehabilitation, or acquisition of a multifamily housing project;
  - b. Gap assistance, matching funds, and accessibility improvements;

- Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
- Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
- 4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
- 5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section."

Page 5, after line 20, insert:

"SECTION 14. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

## Research North Dakota venture grants.

The department shall establish and administer a research North Dakota venture grant program to provide grants to a research university for pursuing further commercialization of technology developed by the research university or developed jointly by the research university and a startup or spinoff business operating in North Dakota. The department shall collaborate with the centers of excellence commission in establishing guidelines to qualify for a grant under this section."

- Page 8, line 11, replace "biennium" with "period"
- Page 8, line 11, replace "July 1, 2013," with "with the effective date of this Act"
- Page 8, line 16, after the period insert "The department of commerce may use up to \$2,000,000 of the funds transferred to the research North Dakota fund for venture grants.

SECTION 28. TRANSFER - BANK OF NORTH DAKOTA - CHILD CARE FACILITY LOAN GUARANTEE FUND. The Bank of North Dakota shall transfer the sum of \$200,000 from the Bank's current earnings and undivided profits to the child care facility loan guarantee fund for the biennium beginning July 1, 2013, and ending June 30, 2015."

- Page 8, line 30, remove "Grants are available to communities with air force bases only"
- Page 9, replace lines 1 and 2 with "The department may award grants of up to \$500,000 to each community with an air force base or air national guard facilities."
- Page 9, line 10, after the first boldfaced period insert "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"
- Page 9, after line 15, insert:

"SECTION 33. STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - ENHANCED USE LEASE GRANT PROGRAM. The grants line item in section 2 of this Act includes the sum of \$2,500,000 from the strategic investment and improvements fund for an enhanced use lease grant program to be developed by the department of commerce, for the biennium beginning July 1, 2013, and ending June 30, 2015. Grants are available for constructing infrastructure required for an enhanced use lease private sector business development project located on or adjacent to the Grand Forks air force base, contingent upon certification from the department of commerce verifying both a signed enhanced use lease agreement and a commitment by a private sector business to locate in the development.

SECTION 34. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE - REPORT TO THE LEGISLATIVE MANAGEMENT. Before September 1, 2014, the North Dakota economic development foundation shall provide a report to the legislative management regarding progress made toward the recommendations provided as part of the 2020 and beyond initiative and any recommendations for future legislation.

SECTION 35. EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH - RESEARCH NORTH DAKOTA - REPORT TO BUDGET SECTION.

Before June 1, 2014, the department of commerce shall provide a progress report on the experimental program to stimulate competitive research and research North Dakota, including the research North Dakota venture investment program to the budget section of the legislative management.

SECTION 36. UPPER GREAT PLAINS TRANSPORTATION INSTITUTE STUDY

- REPORTS TO BUDGET SECTION. The operating expenses line item in section 1 of
this Act includes the sum of \$350,000 from the general fund for the department of
commerce to contract with the upper great plains transportation institute for the
purpose of updating and maintaining reports for transportation infrastructure needs for
all county roads and bridges in the state, for the biennium beginning July 1, 2013, and
ending June 30, 2015. While updating and maintaining the reports, the upper great
plains transportation institute shall review options to most efficiently use resources
through the integration of road and bridge projects identified in the reports along with
other associated infrastructure needs. During the 2013-14 interim, the upper great
plains transportation institute shall report at least annually to the budget section of the
legislative management regarding the status of the reports.

SERVICES. During the 2013-14 interim, the legislative management shall consider studying child care services. The study must include consideration of the current and potential needs for child care services and the current and potential workforce needs related to child care. The study must include consideration of the current quality of child care services. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

**SECTION 38. LEGISLATIVE INTENT - RESEARCH NORTH DAKOTA VENTURE INVESTMENT PROGRAM.** It is the intent of the sixty-third legislative assembly that the North Dakota development fund, incorporated, use funding transferred to the North Dakota development fund, incorporated, in section 18 of chapter 50 of the 2011 Session Laws for investments under the research North Dakota venture investment program."

Page 9, line 17, after the second comma insert "and funding of \$5,000,000 in the grants line item of section 1 of this Act, relating to the unmanned aircraft systems program,"

Page 9, line 17, replace "21" with "26"

Page 9, line 17, replace "26" with "32"

Renumber accordingly

# STATEMENT OF PURPOSE OF AMENDMENT:

# Senate Bill No. 2018 - Department of Commerce - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$12,396,970	\$261,498	\$12,658,468
Operating expenses	16,434,601	1.636.00	16,434,601
Capital assets	10,000		10,000
Grants	59,147,950	2,500,000	61,647,950
-	928,082	2,000,000	928,082
Discretionary funds Workforce enhancement fund	2,000,000		2,000,000
	186,846		186,846
Economic development initiatives	100,040		100,010
Flood impact grants and loans	11,782,866		11,782,866
Ag Products Utilization Commission	3,246,536		3,246,536
Research North Dakota	12,000,000		12,000,000
North Dakota Trade Office	2,613,400		2,613,400
Partner programs	2,022,044		2,022,044
Federal fiscal stimulus funds	796,770		796,770
North Dakota planning initiative	1,000,000		1,000,000
Total all funds	\$124,566,065	\$2,761,498	\$127,327,563
	68,241,034	2,560,145	70,801,179
Less estimated income	00,241,004	2,000,110	
General fund	\$56,325,031	\$201,353	\$56,526,384
FTE	69.25	0.00	69.25

# Department No. 601 - Department of Commerce - Detail of Senate Changes

	Corrects Executive Compensation Package <sup>1</sup>	Adds Funding for Enhanced Use Lease Grant Program <sup>2</sup>	Total Senate Changes
Salaries and wages	\$261,498		\$261,498
Operating expenses			
Capital assets			
Grants		2,500,000	2,500,000
Discretionary funds			
Workforce enhancement fund			1
Economic development initiatives			
Flood impact grants and loans			
Ag Products Utilization Commission			
Research North Dakota			
North Dakota Trade Office			1
Partner programs			1
Federal fiscal stimulus funds			
North Dakota planning initiative			
Total all funds	\$261,498		\$2,761,498
Less estimated income	60,145	2,500,000	2,560,145
General fund	\$201,353 0.00		\$201,353 0.00



<sup>1</sup>Funding is added due to a calculation error in the executive compensation package.

<sup>2</sup>This amendment adds one-time funding of \$2.5 million from the strategic investment and improvements fund to the grants line item for an enhanced use lease grant program at the Grand Forks Air Force Base.

This amendment adds new sections to:

- Create a loan guarantee program to be administered by the Bank of North Dakota for child care facility loans of up to \$15,000 per loan.
- Create the Research North Dakota venture investment program as part of the Development Fund.
- Amend the Housing Finance Program to include child care facilities.
- Amend the housing incentive fund to limit the fund to a maximum balance of \$50 million.
- Create Research North Dakota venture grants.
- Transfer \$200,000 of Bank of North Dakota profits into the child care facility loan guarantee fund.
- Create the enhanced use lease grant program.
- Provide for a report to the Legislative Management relating to the 2020 and Beyond Initiative.
- Provide for an Upper Great Plains Transportation Institute study.
- Provide for a report to the Budget Section on the Experimental Program to Stimulate Competitive Research, including Research North Dakota.
- Provide for a Legislative Management study of child care services.
- Provide that \$2 million of the \$12 million transferred to the Research North Dakota fund may be used for venture grants.

Date:	2	-25-	13
Roll Call Vote	#	/	

# 2013 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 5/ 2018

Senate Appropriations				Com	mittee
Check here for Conference C		ee /	3.8168-0100	2	
Action Taken					
Motion Made By Grundle	rg	Se	econded By Robert	Son	
Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					
Total (Yes)		N	0		
Absent				10	
Floor Assignment			V	0 to	1
If the vote is on an amendment, brie	efly indica	ate inte	nt:	nn	Ju .
			(	200	

Date: 2-25 13

Roll Call Vote #\_\_\_\_\_\_\_\_

# 2013 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 56 20/8

Senate Appropriations				_ Com	mittee
☐ Check here for Conference (	Committe	ee			
Legislative Council Amendment Nu	mber _	•	2		
Action Taken	D	A	H-	,	
Motion Made By Grind	berg	_ Se	econded By <u>Carlisl</u>	e	
Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	V	-	Senator Tim Mathern		-
Co-Vice Chairman Bill Bowman	1		Senator David O'Connell	-	
Co-Vice Chair Tony Grindberg	~		Senator Larry Robinson	_	
Senator Ralph Kilzer	V		Senator John Warner	L	
Senator Karen Krebsbach	1				
Senator Robert Erbele	-				
Senator Terry Wanzek	V				
Senator Ron Carlisle	-				
Senator Gary Lee	V				
Total (Yes)/3		N	o _D		
Absent	- 1				
Floor Assignment	Dre	ndl	berg		
If the vote is on an amendment, brie	efly indica	te inte	nt: U		

Module ID: s\_stcomrep\_35\_009 Carrier: Grindberg

Insert LC: 13.8168.01002 Title: 02000

#### REPORT OF STANDING COMMITTEE

SB 2018: 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). SB 2018 was placed on the Sixth order on the calendar.

Page 1, line 2, after "enact" insert "a new chapter to title 6, a new section to chapter 10-30.5,"

Page 1, line 2, after "54-45.5-10" insert a comma

Page 1, line 2, replace "two" with "three"

Page 1, line 3, after "to" insert "a loan guarantee program, the research North Dakota venture program,"

Page 1, line 3, after "fund" insert a comma

Page 1, line 4, after the fourth comma insert "54-17-07.3, 54-17-40,"

Page 1, line 6, remove "and"

Page 1, line 7, after "fund" insert ", housing finance programs, and the housing incentive fund"

Page 1, line 8, after the semicolon insert "to provide for an upper great plains transportation institute study; to provide for legislative management studies;"

Page 1, replace line 18 with:

"Salaries and wages	\$10,858,251	\$1,800,217	\$12,658,468"
Page 1, replace line 21 with:			
"Grants	59,977,994	1,669,956	61,647,950"
Page 2, replace lines 8 through	10 with:		
"Total all funds Less estimated income Total general fund	\$93,273,052 69,666,470 \$23,606,582	\$34,054,511 <u>1,134,709</u> \$32,919,802	\$127,327,563 <u>70,801,179</u> \$56,526,384"
Page 2, remove lines 30 and 31			
Page 3, replace lines 1 and 2 wi	th:		

24,496,750	796,770
0	2,500,000
\$272,121,750	\$43,254,636
	19,079,636
\$12,625,000	\$24,175,000"
	\$272,121,750 259,496,750

Page 4, after line 17, insert:

"SECTION 6. A new chapter to title 6 of the North Dakota Century Code is created and enacted as follows:

#### Definitions.

As used in this chapter, unless the context otherwise requires:

- 1. "Child care provider" means a child care home, group, or center licensed by the department of human services.
- "Lender" means any lending institution that is regulated or funded under the laws of this state or the United States and which has provided financing to a child care provider for a child care facility.
- 3. "Loan guarantee" means an agreement that in the event of default by a child care facility under a note and mortgage or other loan or financing agreement, the Bank of North Dakota shall pay the lender the amount agreed upon up to a percentage to be determined by the Bank of the amount of principal due the lender on a loan at the time the claim is approved from the loan guarantee fund.

## Loan guarantee fund - Administration.

A child care facility loan guarantee fund is created to be used by the Bank of North Dakota to administer a child care facility loan guarantee program in conjunction with other loan programs. The fund includes moneys appropriated by the legislative assembly for administration of the program and all earnings, less any administrative charges, from the investment of those moneys. The Bank may retain any administrative charges necessary for the administration of the program established by this chapter. The fund is not subject to section 54-44.1-11.

## Application for guarantee - Term - Annual fee.

A lender may apply to the Bank of North Dakota for a loan guarantee for a loan amount to be determined by the Bank. The Bank may approve a guarantee of a loan of up to fifteen thousand dollars to a child care provider for use by the child care provider for purchasing, constructing, or remodeling a facility to provide child care services. The term of a loan guarantee may not exceed five years. The Bank may charge a lender an annual fee during the term of a loan guarantee.

#### Termination.

The Bank of North Dakota may terminate a loan guarantee upon the sale, exchange, assignment, or transfer of the child care provider's interest in the qualified child care facility. The Bank shall terminate a loan guarantee if the Bank determines that the loan guarantee was obtained by fraud or material misrepresentation of which the lender or seller has actual knowledge.

#### Rules.

Notwithstanding any provision of this chapter, the Bank of North Dakota shall adopt rules to implement this chapter. The rules may include a formula for determining the ratio of reserves in the loan guarantee fund to the amount of guaranteed loans and the maximum allowable annual interest rate on a loan eligible for a guarantee.

**SECTION 7.** A new section to chapter 10-30.5 of the North Dakota Century Code is created and enacted as follows:

### Research North Dakota venture investment program.

- The corporation shall administer a research North Dakota venture investment program that provides investments to startup or spinoff businesses that utilize technology developed at a research university, as defined in section 54-65-01, or jointly developed by a research university and the private sector.
- 2. A qualified applicant for a research North Dakota venture investment:

- <u>Must be a business operating in North Dakota that is in the startup or spinoff state;</u>
- Must be utilizing technology that is licensed from a research university or a nonprofit foundation affiliated with a research university; and
- c. Must meet underwriting guidelines established by the corporation.
- An investment under this section may not exceed two hundred fifty thousand dollars. A recipient business may not receive more than one award under this section.
- An investment under this section is not a business incentive under chapter 54-60.1."

Page 4, after line 25, insert:

"SECTION 9. AMENDMENT. Section 54-17-07.3 of the North Dakota Century Code is amended and reenacted as follows:

### 54-17-07.3. Housing finance programs.

Acting in its capacity as a state housing finance agency, the industrial commission is authorized to establish the following housing finance programs:

- 1. Home mortgage finance program. A program or programs to provide financing or refinancing of loans made by lenders, including second mortgage loans and leasehold mortgage loans on tribal trust or other reservation lands, and leasehold mortgage loans that are insured or guaranteed through an affordable housing program, to persons or families of low and moderate income for the purchase or substantial rehabilitation of owner occupied, single-family residential dwelling units, which includes mobile homes and manufactured housing.
- 2. Mobile home and manufactured housing finance program. A program or programs to provide for the purchase or guaranty of a loan made by a lender to finance the purchase of a mobile home or a manufactured housing unit other than on a real property mortgage basis. A program authorized under this subsection may provide assistance in the development of low-income to moderate-income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.
- Multifamily housing finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of multifamily housing facilities.
- 4. Mortgage loan financing program. A program or programs to provide for the purchase or guaranty of a temporary or permanent mortgage loan originated by a lender on residential real property or on land to be developed into residential real property, in addition to a mortgage loan acquired or to be acquired under subsections 1 through 3. A program authorized under this subsection may provide assistance in the development of low to moderate income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.

- Home improvement finance program. A program or programs to provide full or partial, indirect financing of improvements to existing residential dwelling units.
- 6. Housing grant program. A program or programs to provide a grant other than those authorized by section 54-17-07.6 to encourage and promote housing availability for persons of low or moderate income or to otherwise assist a developing community in this state address an unmet housing need or alleviate a housing shortage.
- 7. Child care facility finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of child care facilities.

**SECTION 10. AMENDMENT.** Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

# 54-17-40. (Effective through June 30, 20132015) Housing incentive fund - Continuing appropriation.

- The housing incentive fund in an amount not to exceed fifty million dollars
  is created as a special revolving fund at the Bank of North Dakota. The
  housing finance agency may direct disbursements from the fund and a
  continuing appropriation from the fund is provided for that purpose.
- 2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area median income. The agency may collect a reasonable administrative fee from the fund.
- The housing finance agency shall adopt guidelines for the fund so as to address unmet housing <u>or child care</u> needs in this state. Assistance from the fund may be used solely for:
  - New construction, rehabilitation, or acquisition of a multifamily housing project;
  - b. Gap assistance, matching funds, and accessibility improvements;
  - Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
  - Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
- 4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
- Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be

deposited in the fund and is appropriated on a continuing basis for the purposes of this section."

Page 5, after line 20, insert:

"SECTION 14. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

## Research North Dakota venture grants.

The department shall establish and administer a research North Dakota venture grant program to provide grants to a research university for pursuing further commercialization of technology developed by the research university or developed jointly by the research university and a startup or spinoff business operating in North Dakota. The department shall collaborate with the centers of excellence commission in establishing guidelines to qualify for a grant under this section."

- Page 8, line 11, replace "biennium" with "period"
- Page 8, line 11, replace "July 1, 2013," with "with the effective date of this Act"
- Page 8, line 16, after the period insert "The department of commerce may use up to \$2,000,000 of the funds transferred to the research North Dakota fund for venture grants.

SECTION 28. TRANSFER - BANK OF NORTH DAKOTA - CHILD CARE FACILITY LOAN GUARANTEE FUND. The Bank of North Dakota shall transfer the sum of \$200,000 from the Bank's current earnings and undivided profits to the child care facility loan guarantee fund for the biennium beginning July 1, 2013, and ending June 30, 2015."

- Page 8, line 30, remove "Grants are available to communities with air force bases only"
- Page 9, replace lines 1 and 2 with "The department may award grants of up to \$500,000 to each community with an air force base or air national guard facilities."
- Page 9, line 10, after the first boldfaced period insert "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"

Page 9, after line 15, insert:

"SECTION 33. STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - ENHANCED USE LEASE GRANT PROGRAM. The grants line item in section 2 of this Act includes the sum of \$2,500,000 from the strategic investment and improvements fund for an enhanced use lease grant program to be developed by the department of commerce, for the biennium beginning July 1, 2013, and ending June 30, 2015. Grants are available for constructing infrastructure required for an enhanced use lease private sector business development project located on or adjacent to the Grand Forks air force base, contingent upon certification from the department of commerce verifying both a signed enhanced use lease agreement and a commitment by a private sector business to locate in the development.

SECTION 34. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE - REPORT TO THE LEGISLATIVE MANAGEMENT. Before September 1, 2014, the North Dakota economic development foundation shall provide a report to the legislative management regarding progress made toward the recommendations provided as part of the 2020 and beyond initiative and any recommendations for future legislation.

SECTION 35. EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH - RESEARCH NORTH DAKOTA - REPORT TO BUDGET SECTION.

Before June 1, 2014, the department of commerce shall provide a progress report on the experimental program to stimulate competitive research and research North Dakota, including the research North Dakota venture investment program to the budget section of the legislative management.

SECTION 36. UPPER GREAT PLAINS TRANSPORTATION INSTITUTE STUDY - REPORTS TO BUDGET SECTION. The operating expenses line item in section 1 of this Act includes the sum of \$350,000 from the general fund for the department of commerce to contract with the upper great plains transportation institute for the purpose of updating and maintaining reports for transportation infrastructure needs for all county roads and bridges in the state, for the biennium beginning July 1, 2013, and ending June 30, 2015. While updating and maintaining the reports, the upper great plains transportation institute shall review options to most efficiently use resources through the integration of road and bridge projects identified in the reports along with other associated infrastructure needs. During the 2013-14 interim, the upper great plains transportation institute shall report at least annually to the budget section of the legislative management regarding the status of the reports.

SECTION 37. LEGISLATIVE MANAGEMENT STUDY - CHILD CARE SERVICES. During the 2013-14 interim, the legislative management shall consider studying child care services. The study must include consideration of the current and potential needs for child care services and the current and potential workforce needs related to child care. The study must include consideration of the current quality of child care services. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

SECTION 38. LEGISLATIVE INTENT - RESEARCH NORTH DAKOTA VENTURE INVESTMENT PROGRAM. It is the intent of the sixty-third legislative assembly that the North Dakota development fund, incorporated, use funding transferred to the North Dakota development fund, incorporated, in section 18 of chapter 50 of the 2011 Session Laws for investments under the research North Dakota venture investment program."

Page 9, line 17, after the second comma insert "and funding of \$5,000,000 in the grants line item of section 1 of this Act, relating to the unmanned aircraft systems program,"

Page 9, line 17, replace "21" with "26"

Page 9, line 17, replace "26" with "32"

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

## Senate Bill No. 2018 - Department of Commerce - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$12,396,970	\$261,498	\$12,658,468
Operating expenses	16,434,601		16,434,601
Capital assets	10,000	*********	10,000
Grants	59,147,950	2,500,000	61,647,950
Discretionary funds	928,082		928,082
Workforce enhancement fund	2,000,000		2,000,000
Economic development initiatives	186,846		186,846
Flood impact grants and loans	11,782,866		11,782,866
Ag Products Utilization Commission	3,246,536		3,246,536
Research North Dakota	12,000,000		12,000,000
North Dakota Trade Office	2,613,400	1 1	2,613,400
Partner programs	2,022,044	1	2,022,044

Federal fiscal stimulus funds	796,770		796,770
North Dakota planning initiative	1,000,000		1,000,000
Total all funds	\$124,566,065	\$2,761,498	\$127,327,563
Less estimated income	68,241,034	2,560,145	70,801,179
General fund	\$56,325,031	\$201,353	\$56,526,384
FTE	69.25	0.00	69.25

# Department No. 601 - Department of Commerce - Detail of Senate Changes

	Corrects Executive Compensation Package <sup>1</sup>	Adds Funding for Enhanced Use Lease Grant Program <sup>2</sup>	Total Senate Changes
Salaries and wages	\$261,498		\$261,498
Operating expenses			7
Capital assets			
Grants		2,500,000	2,500,000
Discretionary funds			
Workforce enhancement fund			
Economic development initiatives			
Flood impact grants and loans			
Ag Products Utilization Commission			
Research North Dakota			1
North Dakota Trade Office			1
Partner programs			
Federal fiscal stimulus funds			
North Dakota planning initiative			
Total all funds	\$261,498	\$2,500,000	\$2,761,498
Less estimated income	60,145	2,500,000	2,560,145
General fund	\$201,353	\$0	\$201,353
FTE	0.00	0.00	0.00

<sup>&</sup>lt;sup>1</sup>Funding is added due to a calculation error in the executive compensation package.

#### This amendment adds new sections to:

- Create a loan guarantee program to be administered by the Bank of North Dakota for child care facility loans of up to \$15,000 per loan.
- Create the Research North Dakota venture investment program as part of the Development Fund.
- Amend the Housing Finance Program to include child care facilities.
- Amend the housing incentive fund to limit the fund to a maximum balance of \$50 million.
- Create Research North Dakota venture grants.
- Transfer \$200,000 of Bank of North Dakota profits into the child care facility loan guarantee fund.
- · Create the enhanced use lease grant program.
- Provide for a report to the Legislative Management relating to the 2020 and Beyond Initiative.
- Provide for an Upper Great Plains Transportation Institute study.
- Provide for a report to the Budget Section on the Experimental Program to Stimulate Competitive Research, including Research North Dakota.

<sup>&</sup>lt;sup>2</sup>This amendment adds one-time funding of \$2.5 million from the strategic investment and improvements fund to the grants line item for an enhanced use lease grant program at the Grand Forks Air Force Base.

# Com Standing Committee Report February 25, 2013 4:22pm

Module ID: s\_stcomrep\_35\_009 Carrier: Grindberg Insert LC: 13.8168.01002 Title: 02000

Provide for a Legislative Management study of child care services.

 Provide that \$2 million of the \$12 million transferred to the Research North Dakota fund may be used for venture grants. **2013 HOUSE APPROPRIATIONS** 

SB 2018

## 2013 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 March 15, 2013 Job 20018

Conference Committee

# Explanation or reason for introduction of bill/resolution:

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

Minutes:

Attachment 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13

Chairman Skarphol called the committee to order to hear SB 2018.

**00:30** Alan Anderson-Commissioner of the Commerce Department: Gave his testimony. See attachment 1. Changes, Research ND, the unmanned air space system, the base retention grants, and child care were discussed. The Department of Commerce's goal is to improve the quality of life of people in ND. The challenges we have today is diversification of our economy and in the infrastructure out west.

20:00 Chairman Skarphol: Brought up tourism. Give us some examples of how it's been utilized in the past.

20:48 Sara Otte Coleman, Director of Tourism Division: Explained the projects funded with the tourism grants.

Chairman Skarphol: What about the balance that is reflected in tourism?

23:14 Coleman: The balance of our dollars is used for major marketing programs.

Chairman Skarphol: Was the 10 used for advertising?

Coleman: Yes. That's the total for the budgets.

Chairman Skarphol: We are putting 9.5 million dollars into marketing in this biennium?

Coleman: Yes.

Anderson: The dollars for tourism marketing have been flat since 2003. For every dollar in advertising we get \$119.00 back into the state. Comparing advertising with surrounding

states we are low relative to those states and have spent four times amount back. Continued with his testimony.

27:51 Representative Streyle: Can you explain what the enhanced use lease is?

**Anderson**: This was an opportunity for economic development after the budget was set. It's for a development on the Grand Forks Air Force Base.

30:14 Representative Streyle: What's the vision for childcare facility grants?

**Anderson**: The childcare problem is a challenge for the local leaders. It has to do with the demographic shift. They knew workers in the west are younger and have children. This has to go to a public entity. It's to help on the infrastructure aspect of it.

33:12 Representative Streyle: Basically a grant dollar amount and they would decide?

Anderson: Yes. We will work to support the communities on this.

**33:44 Representative Streyle**: The workforce enhancement fund is that education based? What is the makeup of how that works?

**Anderson**: It's worked well. It's a way for us, as a state, to listen to industry on where they need training and see what they need. This is for the two year colleges.

35:35 Chairman Skarphol: Are these grants for the employers for training?

Anderson: In your packet under workforce it shows the grant program.

36:43 Beth Zander, Director of Workforce at the Department of Commerce: Explained the workforce enhancement grant.

Chairman Skarphol: Simulators and things like that?

Zander: Yes.

37:32 Chairman Skarphol: Where's the money that employers can access? These are grants for equipment for those facilities that do train ND?

Zander: The programs don't have to be just trained ND. They can be academic programs.

38:16 Chairman Skarphol: Please list the types of things that have been done for the four different areas.

Zander: This is in the binder.

39:22 Anderson: Continued with his testimony.

50:00 Chairman Skarphol: What was the granting requirement?

40:39 Anderson: We had one to one. Continued with his testimony.

50:38 Philip Boudjouk, Vice-President of Research at Creative Activities and Technology Transfer at NDSU, Ph.D.: Gave his testimony. See Attachment 2. Main responsibility is to promote economic diversity and development through state funded programs such as the Centers of Excellence and the Center of Research Excellence.

57:00 Chairman Skarphol: You still have COE money to give away?

Boudjouk: Yes.

Chairman Skarphol: I would like to see the uncommitted money to COE.

Boudjouk: I am confident that will happen.

58:02 Chairman Skarphol: The carry forward ability is there for those dollars?

Boudjouk: Yes.

58:17 Chairman Skarphol: Can you talk about Research ND? Give your perspective of what the new program is.

**Boudjouk**: Yes. This allows us to work more on technologies that companies joined with NDSU and transition that to go from capital R to small D and even to capital C. Transition money is missing.

1:01:10 Chairman Skarphol: Tell me what you mean by small companies.

Boudjouk: Explained what the start up or spinoff company is.

1:03:34 Chairman Skarphol: Explained what happened when the Centers of Excellence started. What does NDSU get back from Tritan?

**1:04:11 Boudjouk**: We don't realize a material benefit from that. We can now offer some of our best students the opportunity at a real shot at working for Tritan.

Chairman Skarphol: You have 900 students?

Boudjouk: Almost two-thirds of them are NDSU graduates.

1:05:19 Chairman Skarphol: How does Professor Jones benefit?

Boudjouk: He could get a consulting position with the company.

1:05:46 Chairman Skarphol: From that company?

Boudjouk: Yes.

1:06:00 Chairman Skarphol: What are we going to buy for the 12 million dollars?

Boudjouk: The breakout is a 10+2.

1:07:03 Chairman Skarphol: You referred to the research dollar and the patent. What benefits (revenue generated) does that provide?

Boudjouk: Zero goes to the university. They negotiate.

1:08:33 Chairman Skarphol: Can you provide us with an annual summary?

Boudjouk: We can do that.

1:08:56 Chairman Skarphol: So start up and spin off would be someone new, spin off could be anyone? What kind of division do you see of the dollars going?

1:09:06 Boudjouk: I think it will lean more towards the spinoff down the road.

1:09:36 Chairman Skarphol: I think it's important we know who administers this program. Does the foundation own the research?

**Boudjouk**: All of NDSU intellectual property is being handled by the non-profit affiliate, the NDSU Research Foundation.

Chairman Skarphol: Is that foundation subject to the oversight and audit of the state auditor's office?

1:11:24 Dale Zetocha, Executive Director of the NDSU Research Foundation: As a separate entity we have our own auditor. We do submit annual reports and information as requested by the state auditor's to satisfy that need through NDSU.

1:11:43 Chairman Skarphol So are you a blended component or non-blended unit?

Zetocha: Non-blended.

1:12:27 Chairman Skarphol: In this particular category there is 12 million dollars. Which research institution has access to the dollars - who is going to make the utilization the soonest?

Boudjouk: That's my understanding. We expect them to be equally split.

**1:12:57 Chairman Skarphol**: It is limited to \$250,000.00 so that would means there would be 48 potential grants?

Boudjouk: The \$250,000.00 would come out of the 2 million.

**1:13:21 Anderson**: I have a spreadsheet that goes into detail on the venture program vs. the regular RND. It is set up in 3 phases.

1:14:57 Chairman Skarphol: Where is it in the bill? Where does it say that that's part of the budget? Is it amendments?

Anderson: It should be in the Senate amendments.

1:15:35 Boudjouk: Reps from Tritan Bobcat and from UND.

1:16:01Troy Craft, Vice-President of Engineering for Bobcat: For the global organization. Talked about the relationship they have had with NDSU. Voiced support for SB 2018. Our focus is on pipeline. Bobcat is associated with Dusan that is headquartered in Seoul, South Korea.

1:19:20 Chairman Skarphol: What do you mean by pipeline?

Craft: Meaning bringing new talent into the organization.

1:19:42 Chairman Skarphol: Your partnership with NDSU, your contribution is primarily supporting the grad students, not financial in nature?

Craft: This fall we started a student-work program.

1:20:27 Chairman Skarphol: How long have you been in the incubator?

Boudjouk: I wasn't aware of any limitations.

1:22:16 Tom Sagas: We are in the process of utilizing the Centers of Excellence funds. It's been successful. Worked with a company in Germany. The professors get some funding from us and intellectual knowledge. It's a good transfer. Supports the bill.

1:24:35 David Zupi, Director of Operations, Tritan Systems, Inc.: Voiced support for the bill. Explained what brought Tritan to North Dakota (work ethic, business environment, and NDSU). Came in 2010 and talked about who they hired.

1:31:00 Chairman Skarphol: Do you have a relationship with the research institution in Massachusetts as well or is this the one and only in your company?

Zupi: We have relationships with those universities.

**Chairman Skarphol**: Do they have similar type relationships in regard to the Center of Excellence or the Research ND that's being proposed?

1:31:36 Zupi: The program at NDSU is very close to what we had.

1:32:41 Chairman Skarphol: Can you tell us what the relationships are like at your headquarters with the institutions?

Zupi: They are good.

1:33:45 Mike Moore, IPCED at UND: Gave testimony. See Attachment 3. Research is big business and is important for the state. Talked about the Center for Excellence and the unmanned aircraft systems.

1:40:07 Representative Streyle: What's the best test site case scenario for jobs?

Moore: This will create hundreds of jobs.

1:41:08 Chairman Skarphol: What kinds of numbers of locations have the same capabilities as Grand Forks in this instance?

Moore: there were fifty proposals submitted to the FAA.

**1:41:56** Al Palmer, Chairman of Airspace Integration Team: Gave his testimony. Only public entities can fly these aircraft. Talked about the aviation test sites. Gave a proposed amendment, see attachment **4**.

1:48:00 Representative Streyle: In the amendment I don't see how the Department of Commerce would have any knowledge on administrative test site.

**Palmer**: It had to be a public entity in order to apply to be one of the six test sites. The Department of Commerce would be the best source.

1:49:31 Representative Dosch: When do they anticipate making this decision?

Palmer: By May 6 of this year.

1:50:07 Chairman Skarphol: What is your perspective about drones?

Palmer: This was a good discussion to have. The timing was probably not right.

1:52:50 Brigadier General Al Dorman, Adjutant General Office: Gave testimony. Distributed a handout. See attachment 5. Talked about the base retention grant program.

1:58:06 Chairman Skarphol: What's your rank?

Dorman: Brigadier General.

1:59:17 Chairman Skarphol: About twenty percent cutbacks? Is there any basis in that?

Dorman: Notices have been sent to our local unions.

2:00:30 Joe Brecker: Stated his support for the bill. Explained how his family farm used the Commerce Department utilization expansion grant. Distributed a pamphlet. See attachment 6.

Chairman Skarphol: I am curious on what you would have done if you had decided to go big on doing a little something different.

2:04:04 Brecker: In every business plan there is room for expanding as you start.

Chairman Skarphol: Who's next?

2:06:13 Keith Lund, Vice-President, Grand Forks Region Economic Development Corporation: EDND supports Research North Dakota. Stated support for the bill. See attachment 7. The mission of EDND is to increase economic opportunities for the residents of the state through the creation of new wealth.

Chairman Skarphol: If paying wages to someone, this qualifies for in-kind. What is the correct terminology?

2:07:42 Lund: Those investments are needed.

**Chairman Skarphol**: In kind is vague enough that it could be easily utilized as a way to avoid a real commitment of dollars. How do we get it to reflect, for example, the wages? How do we use the term in-kind in conjunction with sufficient definition to let it be considered a cash match?

2:08:44 Lund: I think it would be set up in the rules of the program and what would qualify for an in-kind match.

2:09:39 Terri Thiel, Executive Director of the Dickinson CVB: Gave her testimony. See attachment 8. Is in support of the Governor's budget for ND Tourism division 2013-2015 biennium's at marketing. Asked to include money for marketing research and infrastructure grants to track, retain, and entertain visitors.

Representative Skarphol: How are you envisioning this money to be spent?

**Thiel**: There is a large infrastructure grant in place now. There have been many requests that haven't been able to be fulfilled because of this.

Representative Streyle: With the increase of hotels out west, is not the revenue higher?

2:13:04 Thiel: The income is higher and we are getting additional properties coming in.

2:13:51 Steven Zimmer, ND Planning Association representative: Gave testimony. See attachment 9. Support of the bill as it pertains to the million dollars for the state planning initiative. This is a statewide issue.

2:20:38 Representative Streyle: Would it be possible to get a list of cities that would want the service?

Zimmer: People wanted to update their plans or where they don't have them.

2:22:25 Chairman Skarphol: Are you talking about planning and zoning?

Zimmer: No. Community wide plans.

Chairman Skarphol: That's the type of plan you're talking about?

Zimmer: Yes.

2:23:24 Chairman Skarphol: If we gave you 2 million dollars do you think you could get it done in 2 years?

**Zimmer**: There are communities that we are looking at doing this activity of going through the process of creating plans and ordinances.

2:24:11 Chairman Skarphol: Something like this would start out with a few doing it and as others heard about it, they want to do it. Is there enough motivation out there to really accomplish that much?

**Zimmer**: I think there is, because it's coming from the small towns that don't know where else to go.

2:25:46 Chairman Skarphol: We have phase 1, 2, and 3 of one time funding.

2:25:57 Vice Chair Monson: We've got a bill that passed in the House that is sitting in the Senate which is our chairman's brainchild. HB1358 has a lot of money in it and could these communities use that to fund a plan?

Chairman Skarphol: It's not considered in the bill as an alternative.

2:26:49 Zimmer: Any availability of funding for that purpose, there is a need.

Chairman Skarphol: It's primarily thought of as being for infrastructure for roads.

2:27:18 Zimmer: The economy of the state is great. The smaller communities are not seeing the extra retail tax coming in.

2:29:03 Blake Crosby, Business Center Manager for ND Childcare Resource and Referral: See attachment 10. In support of the bill that deals with childcare facility grant program. Childcare is a huge issue in the entire state, particularly in western ND. This affects workforce, it needs to be addressed. Also in support of the comprehensive study of the childcare industry in ND.

Chairman Skarphol: Last session the salary issue came up. This money would go to grants to build facilities. How are they going to staff them?

2:30:56 Crosby: The legislature years ago saw fit to have the same situation in the nursing home industry. There was support for certified nursing assistants. Childcare finds itself in that same situation.

2:32:34 Chairman Skarphol: Can you show us a business plan that would the effects would be if we did this to those 27 facilities and how they would be able to pay a lower wage, and still be able to cash flow?

Crosby: Yes I can show you that.

Chairman Skarphol: Why hasn't it been made available earlier in the session if it's something we are trying to promote?

2:33:34 Crosby: I will put a portfolio together for you. One of the critical pieces is the cost of real estate.

Chairman Skarphol: Do you have an automated spreadsheet?

Crosby: Yes I have an interactive spreadsheet. I will provide this to share with the rest of you committee.

2:37:20 Cal Klewin, Economic Development Association of ND: See attachment 11. We are the voice of ND. Housing has been the major focus for the legislative agenda this year. We do support the Department of Commerce.

Doug Remboldt, Vice-President of Technical Services at National Information Solutions Cooperative (NISC), Mandan: See attachment 12. He did not testify however requested to go on record that he was present and handed out his testimony in support of SB 2018.

Elaine Myran, GM of Ramada Grand Dakota Lodge & Conference Center, Dickinson: See attachment 13: She did not testify however requested to go on record that she was present and handed out her testimony in support of SB 2018.

Chairman Skarphol recessed the hearing on SB 2018.

### 2013 HOUSE STANDING COMMITTEE MINUTES

### House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 March 25, 2013 Job 20394

☐ Conference Committee

Committee Clerk Signature

David Hanson

### Explanation or reason for introduction of bill/resolution:

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

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol called the committee to order to continue hearing SB 2018.

**Representative Al Carlson**: Thank you for keeping the hearing open. Gave the history of the crafting of the Centers of Excellence. It's no longer the Centers of Excellence it is Research North Dakota. Read from and explained the proposed amendments. See attachment 1, 7:00

Rep. Martinson: Rather than grants, how about equity investments?

Rep. Carlson: What's the difference?

Rep. Martinson: One is you give them the money and the other is when you make an investment and when you get a good return you share in the profits of the company.

Rep. Carlson: That's something you can discuss with those people involved.

Chairman Skarphol: Under subsection 1 of 2.a., what is the second entity?

Rep. Carlson: I did not have that particular language put in. I had this drafted by Legislative Council.

Vice Chair Monson: Why is this narrowed to biotechnology?

Rep. Carlson: This is one of the major disease related ventures that is seeking to find cures for diseases, cancer being the leading one among them. This is meant to be a whole different phase. This is to have a very narrow focus for immunology and the cure of cancer.

**Micheal Jablon**: See attachment 2. This can be driven by an efficient public-private partnership. Gave a background of the company and what the company does. The company operates in biomanufacturing. New technology called T-cell therapy helped save the life of a seven year old cancer survivor. Listed the benefits that the state would receive through this project. Envisions a public-private partnership to come closer to help find cures for cancer. Read a letter from the CEO, Michael Chambers. See attachment 3. 20:30

Chairman Skarphol: Where is Aldevron located in Fargo?

**Jablon**: It did start on campus. We currently have an office on South University on the corner of 32<sup>nd</sup> Avenue. We are in three buildings and acquired all the space next to us that we could.

Chairman Skarphol: Are building labs in the Woodrow Wilson school building?

**Jablon**: We are going to remodel the space to be full clinical grade manufacturing facility. Introduced Richard Glynn.

Richard Glynn: See attachment 4. 26:05

Chairman Skarphol: Why do think West Nile Virus had such a dramatic effect on the geese?

**Glynn**: It is one of the few diseases that geese are very susceptible to. The USDA told us that we could expect that every year. We would take new goslings and raise them for processing, so that we would have new blood. The effect would be that we'd have geese that had no innate immunity to West Nile.

Chairman Skarphol: How many counterparts do you have across the nation and did they have a similar experience with losses?

Glynn: Not too many, because we are the largest processors of geese and goose products in North America.

Vice Chair Monson: So, what you're saying is that the tame geese more susceptible than a flock in nature?

Glynn: In 2002 there were a lot of die-offs in the reserve areas. 28:45 Continued with testimony.

Rep. Williams: From the surviving geese, what caused them to survive?

Gylnn: I would imagine a stronger immune system.

Chairman Skarphol: How did you recognize that antibody?

Jim Schiltz-Schiltz Goose Farms, Inc.: Wild and domesticated geese are different from each other. Why would some survive? It depends on the stress levels of the goose. The

higher the stress the more damage a virus can do. Stressors can affect how a goose will react. Explained how they found the antibodies. 34:20

Dr. Alexander Shnieder: Explained the different antibodies. 36:00

**Glynn**: Continued with testimony. Infectious diseases remain among the leading causes of death. Infectious diseases in animals pose a threat to our food supply. 40:50

Chairman Skarphol: Asked if they were providing vaccines for the animals mentioned.

**Gynn**: They are beginning to do that and are working with a company out of Worthington, Minnesota. 41:00

Chairman Skarphol: What is the approval process for the vaccination of swine?

**Glynn**: You don't have to go through the same process as the FDA. You can have the veterinarian exception where he orders the product and uses it in livestock belonging to his clients. Continued with testimony. The vision is to develop plug-in technology for the treatment and prevention of infectious diseases for animals and humans. The benefits to North Dakota are jobs and investment. 45:35

Chairman Skarphol: How long will it take to get FDA approval?

Glynn: About another four years.

Chairman Skarphol: What do you anticipate your entity asking for out of the proposed amendment?

Glynn: Whatever I can't get, I'll ask for a match.

Chairman Skarphol: What time frame do you have for yourself?

Gynn: I would say about the next six months

Vice Chair Monson: Are they still raising geese for human consumption?

Jim Schiltz: This is another revenue stream. This is always how we've looked at this.

Chairman Skarphol: Do you have separate facilities?

Schiltz: We still have both.

**Dr. Alexander Shneider**: See attachment 6. Cancer is an urgent need and an existing opportunity. Presented statistics from the American Cancer Society. Our immunity is the most efficient warrior against cancer. 1:05:45

Chairman Skarphol: What have the eastern European and Russian Markets provided to you? Do you have the ability to get approval more rapidly?

**Shneider**: 1. They provide money. 2. Hospitals and facilities. 3. Expedited access 4. Rapidly growing markets. Continued with testimony. 1:24:30

Jablon: Thanked Representative Carlson for his leadership. We believe that it is the right time for this.

Chairman Skarphol: Read the amendment proposal. Who are you envisioning you will be working with in this scenario?

**Jablon**: We took a look at a list of half a dozen independent grant making organizations. One example is the Dakota Medical Foundation.

**Rep. Streyle**: The proposed amount is a lot of money to me, but not even close in this field. Is that enough to make any impact whatsoever?

**Jablon**: It's the right reason, step, cause, purpose, and the right seed to plant to start somewhere. We're willing to invest in our private investments to make this go.

Shneider: If you support and we pledge to apply. We will go to sustainability of jobs.

Chairman Skarphol: Do you see Aldevron as one of the partners in this that will put up a certain amount of cash or do you see another entity that puts up the \$6 million?

**Jablon**: We have some investment in this already. We first want to support our partners and collaborators, because they are on the leading edge.

**Chairman Skarphol**: Is this something you need to hold in confidence or could you share who the partners are in this project, because it is public money and the public does probably have a right to know?

**Shneider**: It would depend on the final language that you would approve. It may depend on a case by case basis.

Vice Chair Monson: It says in no uncertain terms that the Department of Commerce shall use these funds. I get kind of nervous when we use the word "shall" when we are talking about this amount of money. Would the word "may" be acceptable so they could have some discretion?

Rep. Martinson: I can answer that. Absolutely not. I've had experience in those things and if you don't tell them exactly what you want, you're probably not going to get it.

Chairman Skarphol recessed the committee.

Blake Crosby-North Dakota Childcare Resource and Referral: 1:35:55 Provided ratio numbers to the committee that they had requested at the last hearing. 1:37:41

Chairman Skarphol: I had a question about the appropriateness of those ratios and whether or not that has driven up the cost of childcare. Who designed, devised, and set those ratios? Are they set in statute?

**Crosby**: They are set by the Department of Human Services. They have an advisory committee of childcare providers that help them determine those staffing ratios. There is an emergency clause where the providers can call DHS and request an additional child or two depending on the age range. The problem in western North Dakota is that order to hire and retain staff, you are looking at wages that are double from two or three years ago. That compounds the problem for childcare.

Chairman Skarphol and Crosby went over spreadsheet scenarios. 1:43:40

Chairman Skarphol: What is it that the \$ 5 million provide?

Crosby: Honestly, the effect will be minimal. But we need to start somewhere.

Chairman Skarphol: How do we do that?

Crosby: Representative Hawken introduced a bill 1422 that provides for some wage stabilization at least for this upcoming biennium. I think that is an appropriate tactic to take.

Rep. Streyle: I own a fast food business and I have the same problems. When do we let the free market be the free market?

**Crosby**: We let it become the free market when it is able to indeed meet the law of supply and demand to a certain extent. You need to think of childcare in the context of what does it provide for workforce. 1:48:25

Rep. Streyle: I don't see how putting money into it is going to solve the problem.

**Crosby**: I'm hanging a lot of credence on the bills for a comprehensive childcare study. Once we get a handle on the childcare industry, I think we can wean some of the costs down to a minimum over a period of time, so that those childcare businesses can end up standing on their own. 1:51:11

Chairman Skarphol: What wage do you think the parents have to have in order to afford childcare? Gave an example of how much her child had pay for child care.

Crosby: It may have to be that high. But then what do we do with the locals?

Chairman Skarphol: If the minimum wage is 17 dollars an hour in those areas, is affordability really issue?

**Crosby**: We have two customer pools out there. We have the pool that comes from the oil patch related and the other pool. I'm concerned about the other pool.

**Rep. Streyle**: You were talking about group childcare was changed to 18 to 30. What is the right number, because eighteen can't be the right number?

Crosby: Yes. I think eighteen is an appropriate number when it comes to health and safety issues. In group childcare most of those children are in the provider's home.

**Rep. Dosch**: In a practical analysis you are not going to have 18 kids in your house and if you do have them in your house you're not going to have the tremendous overhead having a separate facility would have either. Where would we have to pay in order to break even?

Crosby put a scenario on his spreadsheet. 1:58:10

Crosby: Everything that you build today has an oil country contingency attached to it in my opinion.

Rep. Dosch: Wouldn't be a better option to look at a childcare tax credit. A childcare tax credit would make more sense.

Crosby: Those lowest incomes don't pay any taxes to begin with, because they don't make enough. I would also advocate that we increase the federal poverty level for our childcare assistance program.

Chairman Skarphol: What are we utilizing as a federal poverty level today?

Crosby: Gave the number he thought it was at.

**Vice Chair Monson**: Gave an example of his son and wife. When are we going to get to the point that a family decides that it might make more sense for one parent to take care of the kids?

**Crosby**: That's already happening. We spend a lot of time to recruiting young families to come to North Dakota. They come back to work because we are encouraging them to come back to work. It is in our best interest and responsibility to provide them some of the services.

Vice Chair Monson: I don't want to come off as a cure all for everyone. This just doesn't seem to be the solution to everything in childcare. I have some problems with it.

Crosby: I agree.

David Borlaug-Lewis and Clark Foundation: 2:05:50 See attachment 8. He also handed out testimony from Kathy Neset who was unable to attend the hearing. See attachment 7. 2:09:00

Chairman Skarphol: This is a state owned facility?

Borlaug: Yes.

Chairman Skarphol: The Lewis and Clark Foundation has that lease?

Borlaug: Correct. Explained their financial situation. 2:11:22

Chairman Skarphol: Welcomed students from Powers Lake.

Pat Finken: Spoke in favor of the amendment. This is an opportunity to preserve and maintain these heritage institutions. This is a great test case for private and public partnerships.

Chairman Skarphol: Is there an actual amendment that has been prepared?

Borlaug: I can find out for you.

Chairman Skarphol recessed the hearing. The committee was recessed until after the floor session.

#### 2013 HOUSE STANDING COMMITTEE MINUTES

### House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 March 27, 2013 Job 20568

Conforance	Committee
Conference	Committee

Committee Clerk Signature

### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of commerce

Minutes:

Amendment .02005

David Hanson

Chairman Skarphol called the committee to order.

Resentative Robin Wiesz: Addressed the committee to explain his suggested amendment to SB 2018. See attachment 1. (Amendment .02005)

Chairman Skarphol: Asked about the original bill. 1:56

**Rep. Weisz**: There were two sections for the assisted part. Explained what his committee thought about those proposals.

Chairman Skarphol: We have not addressed the issue of children with disabilities in the previous sessions with regard to this.

**Rep. Weisz**: They can come in for those childcare facility grants and use them for some of these things. This would expand it a bit specifically for DD's. 3:27

**Chairman Skarphol**: This would be an amendment on the commerce budget. We have not decided that this is a firm number to commit to.

Rep. Weisz: Wanted to see a certain portion dedicated to this.

Chairman Skarphol: You are asking us to put this language on the bill so that you can go back to your committee to reassure them that we have committed to this.

Rep. Weisz: Correct.

# 2013 HOUSE STANDING COMMITTEE MINUTES

# House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 March 29, 2013 Job 20696

Conference Committee	

Committee Clerk Signature Sauis Blanson
---

# Explanation or reason for introduction of bill/resolution:

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

Minutes:

Attachment 1.

Chairman Skarphol called the committee to order to consider SB 2018.

Chairman Skarphol: Wanted to go over the bill. Read from section 10 of the bill on line 21-22 on page 8. Gave an idea for the childcare program. 2:20

Rep. Streyle: I do not support putting that much money into it.

Chairman Skarphol: We have to make sure that we put that \$400,000 in a special category for the disability childcare facilities as we promised. There are so many things in this bill that seem a little excessive. 3:45

Rep. Streyle: I went over this two or three times and I don't understand what half of these things do. I know there is a reason. Listed examples.

Vice Chair Monson: I think what these exemptions are... the money is usually returned to the General Fund or the fund it was appropriated out of in the session law in 2011, unless we exempt them the money will go away. Is that correct? 6:06

Tammy-OMB: That's correct.

**Chairman Skarphol**: Section 21 is the ag products utilization. There are a number of other references to that in the bill; funding sources. We need to understand what they are, what they do, and whether we agree with them before we decide whether or not we want them to carry the money forward. 7:25

Tammy: It allows them to carry their money forward. It's General Fund dollars, because most of those funds have already been committed to a project. Gave an explanation of sections 21 and 22, 10:07

Vice Chair Monson: Is there new money that they have requested or that has been put into this to add to the \$350,000 or are they asking for \$1,000,000 again?

Tammy: The \$1,000,000 is in the 13/15 appropriation and is part of their base budget.

Chairman Skarphol: I want to see a breakdown of what's in the grants line and what that's been used for.

Vice Chair Monson: We will have to see what it's used for and if we think that it's something that they need money again. If there new is money plus the old money it could potentially be carried over not committed for next time.

Tammy: Explained section 23. 13:00

Rep. Grande: Asked how much was given in the previous biennium.

**Tammy**: Explained how much was carried forward. 14:20 Explained the Nekoma Project. 15:45

Vice Chair Monson: Explained the Nekoma situation. 18:20

Tammy: Explained Workforce Enhancement Fund; section 25. 19:40

Chairman Skarphol and Tammy discussed carryover authority. 21:00

Chairman Skarphol: Asked if someone could find 54-60-21 of the Century Code.

Rep. Streyle: Read from the Century Code. 22:20

Tammy: Explained the carryover for Workforce Enhancement Grant. 24:40

Vice Chair Monson: Read from the Century Code. 25:25

Chairman Skarphol: I still want to know what know about the beginning of the North Dakota Pilot Program is. If we are giving money to the Workforce Enhancement Fund and Tammy brings us a schedule back that there is an appreciation forum; I'm fine with that, but I don't want to continue to fund something that we don't know what it is.

**Tammy**: The reason section 25 is in the bill, is because when we appropriate the money and those dollars are transferred into the Workforce Enhancement Fund that Representative Monson was describing.

Rep. Williams: That money goes into four 2 year colleges?

Tammy: Yes, that is how it's been used.

Vice Chair Monson: References the Century Code.

Chairman Skarphol: Reads from the Century Code. That has been the amount in the past. That's not an increase?

Tammy: That is an increase. Explained how much it increased. 28:27

Chairman Skarphol: Let's go to 27. What is the purpose for North Dakota Fund for Venture Grants?

**Tammy**: That was added by the Senate. Section 7 and 14 of the bill lay out the guidelines for the Venture and Investment Program. It's to be used for investments for startup or spinoffs businesses that utilize technology developed at a research university.

Chairman Skarphol: That's the type of grants that Bobcat was talking about.

Tammy: Yes. 30:48

Chairman Skarphol: Asked about transferring money to the Childcare Facility Loan Guarantee Fund in section 28 of the bill.

Adam-Legislative Council: Explained section 28. 32:20

Chairman Skarphol: How does section 28 and 31 go together?

Adam: They are technically separate. The grants in section 31 are funded by the General Fund and the loans in section 28 are funded from the Band of North Dakota profits.

Chairman Skarphol: Why do we need both? They're both for the same purpose are they not?

**Adam**: I believe that is correct. They are both for the construction of the facilities. Their understanding was someone testified in the Senate that they were having trouble securing a loan for their facility and they thought this might facilitate that.

**Tammy**: The loan program was intended to be set up at the Bank to be accessed more by private individuals and the grant program would be working through a political subdivision.

Chairman Skarphol: And a private entity can't work through a political subdivision?

**Tammy**: They can, but there would have to be a public private partnership in order to go through the grant as well.

Vice Chair Monson: This just seems backwards to me. It seems like we should be making low interest loans. If you had a revolving loan fund where you could help these people get a low interest loan, it seems like giving grants. 35:00

Rep. Grande and Chairman Skarphol discussed a separate bill dealing with childcare. 36:30

**Rep. Streyle**: So, we're going grant money to develop a business plan, and we're going to grant money to renovate a house, and then we're going to grant money to build facilities. And then have operational support. Why don't we build them ourselves?

Chairman Skarphol: Is everybody okay with the sentence in section 29?

Rep. Streyle: This isn't to fund the trade office?

Chairman Skarphol: It is to fund the Trade Office if you read that it says they can spend up to 70% of the money before they have to get any matching funds. And after that they have to have matching dollars in excess of 70%. But they may use a portion of it for matching funds to public and private entities. Tammy, I am incorrect?

**Tammy**: The appropriation to the Trade Office is \$2.6 million. The department can spend up 70% of that without requiring a match. The remainder of it requires a dollar for dollar match from private or other public sources. 39:07

Chairman Skarphol: I didn't like in-kind language. I'm getting more comfortable with salaries being in-kind match. If you are actually paying somebody it's actually costing you money out of your pocket. They can really stretch what in-kind means.

**Vice Chair Monson**: Does this money just go directly to the Trade Office? Is it a separate department within Commerce?

**Tammy**: It's a corporation that is separate from Commerce, but the funding goes through Commerce. This goes to the Trade Office.

#### Vice Chair Monson:

Chairman Skarphol: I don't have a problem with the Trade Office itself, but it doesn't hurt to reevaluate it occasionally.

Vice Chair Monson: Told about his trip to Taiwan when I was Speaker in 2009 relating to the Trade Office. 42:00

Chairman Skarphol: The Upper Great Plains representative testified that he had a federal grant and thought he could get another one. He was suggesting to us that he needed some match money in order to do this work. I asked the oil counties if they wanted to take some money out of the road funds that they have to this and I also asked the non-oil counties. The non-oil counties said yes and I got a 50/50 response from the oil counties. I would like us to do it, but I would like to find some money in this budget to do it.

Rep. Streyle: Asked how much it would take.

**Chairman Skarphol**: They needed a total close to \$2 million to match the federal number, but we will have to verify the number.

Tammy: It is approximately \$2 million that there are trying to match. 44:15

Chairman Skarphol adjourned the committee.

# 2013 HOUSE STANDING COMMITTEE MINUTES

# House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 April 2, 2013 Job 20754

Conference Committee

Marell (Kulgan)	
enlanation or reason for introduction of hill/re	

A BILL for an Act to provide an appropriation for defraying the expenses of the Department of Commerce.

Minutes:

Attachments 1-10

Chairman Skarphol called the committee to order to consider SB 2018.

Chairman Skarphol: Clerk to note that Representative Grande will be a few minutes late. Adam, I asked you to look up section 18 of chapter 50 of the 2011 session laws in reference to section 38 in the bill. I want to know what section 18 of chapter 50 of the 2011 session laws say in regard to that.

Adam, Legislative Council: In regard to section 38 of the bill with the legislative intent relates to the 1 million dollars that was transferred to the development fund.

Chairman Skarphol: Just 1 million dollars, a one-time transfer?

1:06 Adam: Yes.

Chairman Skarphol: Where is that language elsewhere in the bill?

Adam: That language comes from section 18 of chapter 50 of the 2000 session laws.

2:05 Chairman Skarphol: What is there 2 million dollars associated with that as well?

Adam: Those would be grants; the 1 million dollars would be for investments.

Chairman Skarphol: They would be equity positions? I asked the Housing Finance people to talk about their program used for the Child Care facility aspect of this. Section 31 is a general fund appropriation. It provides a 3-1 grant for a facility that someone would wish to build.

Adam: I believe so yes. As far as the 5 million dollars yes that would just be in section 31.

4:05 Chairman Skarphol: Thoughts on how we might do this utilizing the Housing Incentive Fund?

**4:36 Mike Anderson, Executive Director, ND Housing Finance Agency**: We have no experience in financing childcare facilities. We will develop a program by acquiring expertise by consulting with others or bring it internally.

8:00 Chairman Skarphol: The original grant program was a 3-1 match.

Mike Anderson: Yes that's correct.

**9:25 Chairman Skarphol**: An example what ratios would have to happen for the three to one match? \$25,000 would be their investment; your or their program would furnish \$75,000. Of that \$75,000 you're saying 60% would be appropriated under the current scenario general fund dollars and the other portion of it (40%) would have to be tax credit generated within that community?

Mike Anderson: That's correct, that's what we would look at.

10:10 Representative Williams: Where did the figure come from on page 14?

Chairman Skarphol: It does set up a \$250,000 maximum amount that would be applied for by one entity.

10:39 Vice Chair Monson: You had said the matching fund would have to be raised by local tax dollars?

Chairman Skarphol: Credits.

11:07 Mike Anderson: The incentive for contributing to the fund is a tax credit.

Representative Monson: Couldn't they collect gifts and other things to raise the money or would it have to be a tax credit?

**Chairman Skarphol**: You would think that would go into the private contribution of 25% that's required.

11:45 Mike Anderson: That's correct. We would limit our involvement or investment into that project based on the limitations within the program. You asked for the amount to be earmarked for disabled children. A program called Rehab Accessibility Program (RAP) that provides grants for rehab accessibility improvements to the home of disabled people.

13:29 Chairman Skarphol: So, the RAP is for any individual?

Mike Anderson: Any disabled household can apply for that to make adjustments to their home.

Chairman Skarphol: It's for an individual to apply for?

Mike Anderson: That's correct. In terms of providing term care facility funding those amendments are not necessary. We don't believe that section 9 is necessary and ask that it be taken out.

15:52 Chairman Skarphol: Page 8, line 22, its broader than I'm comfortable with.

16:26 Mike Anderson: If you want to change that that is fine.

16:51 Representative Streyle: Of the 20 million has that all been used?

**Mike Anderson**: The 20 million dollars is a proposal in the new preauthorized bill. We haven't attempted to commit to those funds until the HIF program is reauthorized.

Chairman Skarphol: The whole 15 million has been taken in?

Mike Anderson: That's correct.

**18:15** Bob Humann, Chief Lending Officer, Bank of North Dakota: See attachment 1 and 2. We have an existing entrepreneurial loan program available. What the loan program does is provides an 85% guarantee on a loan up to \$100,000. It provides 80% guarantee on loans between \$100,000 and \$150,000 and provides a 75% guarantee on loans between \$150,000 and \$200,000.

**22:50 Chairman Skarphol**: But if we have a \$250,000 limit on our willingness to participate in this, with \$187,500 grant program, you're looking at a \$62,500 loan. I can't imagine that we want to get into the large commercial projects for child care with this program.

23:18 Humann: That is what I'm trying to get a feel for. What are you trying to address here with the legislation. Take care of the smaller or larger day care facilities. We have program that can do both.

Chairman Skarphol: If we have the 3-1 match and we limit the match dollars to \$187,500, what kind of dollars are the large facilities wanting to borrow?

23:56 Humann: When you are looking at a 2 million project, the million and a half will use up considerable buy down.

24:36 Representative Grande: The facility that you described, who owns it?

Humann: It's normally a private child care developers.

Chairman Skarphol: How many children does the facility of that size envision taking care of?

Humann: Anywhere from 60 to 100.

Representative Grande: Does this mean that I can qualify for this if I start a childcare in my home?

Humann: Yes.

Representative Grande: Is that locally owned or is that franchised out?

Humann: That is privately owned.

Chairman Skarphol: How many of the larger facilities have you been made aware of out there?

Humann: Five here in Bismarck. Initially we thought we can do guarantees.

28:00 Chairman Skarphol: Your amendments delete the sections in the bill in regard to the guarantee?

Humann: It deletes the guarantee language that's in there right now.

Chairman Skarphol: Would it take the \$200,000 net worth limitation off all beginning entrepreneur programs or just child care?

Humann: All of them.

29:19 Chairman Skarphol: Have you been bumping up against the limitation?

Humann: Yes.

30:36 Mike Anderson: If it's acceptable I'd like to open it up for those who haven't had the chance to speak. Do it on the tourism side first then focus more of our efforts on Research ND.

31:48 Bill Shalhoob: On behalf of the Greater ND Chamber and the Tourism Alliance Partnership we support the bill. We spearheaded 20/20. We moved across the state with meetings on workforce child care and affordable housing. See attachment 3 and 4.

35:34 Sheri Grossman, Director of Sales, Bismarck/Mandan Convention and Visitors Bureau: See attachment 5. Without the tourism division's marketing budget to do research and offer opportunities many communities couldn't effectively market their destinations. By having us do the marketing we can bring in larger conventions and events.

**38:20 Mike Anderson**: I would like to set the stage for Research North Dakota. I hear it said that Research ND is just a name change for Centers of Excellence. It's not the case. It is a company driven with joint company university proposals for specific research development and commercialization projects. We've heard the issue that we want more of that public involvement and we've tried to make this approach fit in with that as well. It's a straight cash match for work conducted at the research universities. A primary benefit of

this program is the long term benefit for the state of North Dakota and that's what kind of investing in those researchers in the universities and because they are going to stay around.

**48:01 Representative Martinson**: I would like to see from Commerce how much we have spent on Center of Excellence and what the projects were since we created it.

Chairman Skarphol: I think what we need is a report that indicates how much was committed to a project, how much was expended, and how much is still retained. Is that in the report?

Mike Anderson: It is if we can get into the individual projects as a whole.

Chairman Skarphol: Can you put a sheet together that lists the centers, how much was committed, how much is on the book?

49:18 Mike Anderson: We can go over that in detail with you and if we are missing some of those we can get those numbers as well.

**50:14 Dr. Philip Boudjouk, Vice President of Research, NDSU**: See attachment **6**. We are in favor of the first engrossment of SB 2018. However, we are not in support of the new amendment. This amendment creates a new process for this biotechnology grants program that differs from the established practice currently used by the ND Department of Commerce and the COE Commission. Mentions some concerns.

**53:40 Chairman Skarphol**: Do we have anything verging on a treatment for the bio fungal diseases in research in their development stage in the state?

**Dennis Anderson, Associate Vice President, NDSU**: If there is work on going there is not one specific company that specializes there isn't one specific North Dakota company focused on those particular problems.

Chairman Skarphol: Do you think there is an entity that works in the bacterial fungal diseases that would in the next 2 years be at the same stage as avionics is?

**Dennis Anderson**: There is a particular livestock pathogen that NDSU has been studying. This could help poultry.

55:36 Chairman Skarphol: Any other comments you'd like to make regarding the proposal?

Mike Anderson: No, that's fine.

Testimony from Phyllis Johnson, Vice President for Research and Economic Development, UND was distributed. She was not able to attend today. See attachment 7.

Mike Anderson: We are supportive of the amendments that the Bank of North Dakota and Housing and Finance Agency have provided and will aid in assisting in any way we can to

clarify those with you. We have provided all of the amendments with the exception if you're interested we could provide some additional ones on the RND side.

58:28 Chairman Skarphol closed the hearing on SB 2018.

58:45 Representative Streyle: Did we get a listing for all the grant line items yet?

Chairman Skarphol: No we have not. Can you give us a better definition of what's included in a grants line?

Representative Martinson: We will get it for you.

1:00:44 Tammy, OMB: Went through attachment 8.

Representative Martinson: What does fully committed mean?

**Tammy**: It means that they have awarded a grant in that amount; it just hasn't been paid out yet. Continued with report.

**Chairman Skarphol**: So the grants that have been approved in 2011 on 1-1, would they be grants that would come out of the general fund appropriation for 2011-13?

Tammy: Yes, they would come out of the current appropriation.

1:03:27 Chairman Skarphol: ND FFA Foundation sponsorship dated 2011, will come out of this 1 million 701 thousand if it's a general fund?

**Tammy**: That grant would have come out of the prior biennium appropriation. There is a total for the fiscal year 2012.

**Chairman Skarphol**: That 939 and 348 added together would be the total utilized so far of what was appropriated? It's not broken down what's general fund? What is the special funds that they have?

**Tammy**: Yes, it would have been awarded as of August. Most of that comes out of the general fund. Within their appropriation they have carryover authority, grants awarded previously.

Chairman Skarphol: Why are they uncommitted?

1:05:53 Tammy: Under the special funds it does show that they are uncommitted.

Chairman Skarphol: Why is there an additional million?

Tammy: It's spending authority.

1:06:52 Vice Chair Monson: You mentioned the profits of the North Dakota State Milan Elevator. What are their profits?

Tammy: Stated their approximate profits.

Vice Chair Monson: Some of the \$738,000 carryover could be from the state Milan elevator.

Tammy: That was anticipated revenue.

1:09:28 Vice Chair Monson: Will you go through those numbers again.

Chairman Skarphol: 40% of the vehicle registration for farm vehicles.

Tammy: That's going into the ethanol incentive fund. Continued with the information.

1:11:45 Chairman Skarphol: Those are the only two funding sources?

Tammy: Yes. They have some Federal fund authority.

1:12:03 Vice Chair Monson: I thought it was 7 cents that the state held back.

Tammy: Yes, it's 7 cents. Explained the discretionary funds.

**1:14:05 Chairman Skarphol**: The infrastructure planning grants on page four. Is that the same as the planning grants referred to the new proposal in the upcoming biennium?

Tammy: Are you talking about tourism infrastructure grants?

1:15:17 Mike Anderson: Of the million dollars it is probably more similar to the project support.

1:16:42 Chairman Skarphol: Who does the mapping?

Mike Anderson: It is an ITD effort.

Vice Chair Monson: What is the other \$250,000 for?

**Mike Anderson**: Technical expertise. If you look at the past what happened. This expertise would be a onetime two year issue to try and provide some support to those communities and provide templates so they can use instead of hiring a third party.

Vice Chair Monson: That would be through ITD as well?

Mike Anderson: That's through commerce.

Chairman Skarphol: What is the procurement technical assistance center?

Mike Anderson: Defer to Mr. Govig.

1:19:11 Paul Govig: We contracted that out to the impact foundation. They are trying to help businesses secure procurement contracts.

Chairman Skarphol: Who's the impact foundation?

Govig: Much of what they do is with charitable contributions.

Chairman Skarphol: Explain it a little more.

Govig: It's to get contracts from the federal and state government.

Chairman Skarphol: Can you tell me about partners in marketing.

1:20:42 Govig: We are trying to provide dollars to development corporations to provide some marketing of the organizations or their communities.

Chairman Skarphol: They are grants?

Govig: They are.

Chairman Skarphol: What is the vaccinology study?

1:22:30 Tammy: Explained that the vaccinology initiative.

Govig: We can get additional information on that.

Chairman Skarphol: It would be nice to know if there was some benefit from it.

1:23:56 Sarah Otto-Coleman, Director, North Dakota Tourism Division: We have expansion grants that we created as a result of this committee's recommendation for those sessions ago.

Chairman Skarphol: We had a line for that somewhere.

**Coleman**: Last year you gave us the additional money for the larger infrastructure grants so that was a separate program for larger projects.

Vice Chair Monson: So, you give these out and what do you get in return?

**1:25:14 Coleman**: The purpose of the project was to develop tourism infrastructure. Listed some specific projects.

Chairman Skarphol: How much was the Bismarck Zoo?

Coleman: Dakota Zoo is \$100,000.

Govig: On the procurement side we have an agreement that's worked out our contract. I can provide that.

1:30:18 Representative Martinson: Under continuing appropriations is there money left in the Center for Excellence fund?

**Tammy**: For the Centers of Excellence there is still money in there. So, it will sit in there until it is dispersed completely.

Vice Chair Monson: They are actually two Centers of Excellence.

Chairman Skarphol: Let's do both. Can you talk about baseline utilization grants?

1:32:41 Govig: I don't have that information in front of me.

Chairman Skarphol: Is it some local entity in Grand Forks you are working with in granting these monies to?

Govig: It's the dollars that have been provided to Minot.

Chairman Skarphol: I think you are right it was referenced to Minot. What's it about?

**Govig**: It is working through that Chamber office there. They are trying to be proactive. They are interested in cost cutting.

1:34:21 Vice Chair Monson: That was just strictly Minot or both bases?

Govig: It is for all the bases.

1:36:45 Tammy: Explained attachment 9 regarding the Workforce Enhancement Grant Program.

1:38:59 Chairman Skarphol: Why does it exist if it expired? Is there still a reporting requirement?

**Tammy**: In the statute books it's listed there and it has an expired date under it. There was a final report that was issued. I don't believe there are ongoing reporting requirements with that program.

**1:40:46 Vice Chair Monson**: Looking through the list of projects I see degree and non-degree programs. I was under the impression that the workforce was a separate thing from the mission of the college.

Tammy: These are for degree programs that would enhance our workforce as well.

Vice Chair Monson: I'm thinking that Higher Ed should be doing the degrees and workforce Train ND shouldn't be concentrating on that.

Chairman Skarphol: Welcome students from Carrington.

1:42:41 Beth Zander, with Commerce: What I ask degree and non-degree colleges to do when developing these grants is to try and leverage the dollars. We are addressing current and future workforce needs.

**1:43:48 Chairman Skarphol**: There is some consideration for granting partial credits for completion of certifications in order to enable and encourage people to upgrade their skills in their education levels. From your perspective were you familiar with that?

**1:44:26 Zander**: I believe that was from the Senate and that came as a result of conversations with the Train ND instructors around the state asking what would they need to provide more support to employers.

Chairman Skarphol: I think the sense that there was a nice request but not well documented.

**1:45:40 Representative Grande**: Asked about the handout for WEGP. Under Lake Region it says deploy training to employees housed in agriculture implement dealerships, Ag producers and other ag businesses. We're taking money, giving it to employers or students to go to work, did the student pay tuition and would that not have gone to that? Is this an internship?

1:46:58 Zander: Explained the Lake Region program.

1:48:46 Tammy: Explained attachment 10 regarding the Agriculture Consumer Refund claims.

1:53:10 Vice Chair Monson: If I don't ask for a refund, it all goes to the DOT because they assume I'm burning it in trucks. If I apply then the 23 cents, 7 cents of it is withheld and I get back my \$75 or \$100 whatever it is?

Tammy: That's correct. Continued explaining attachment 10.

1:56:55 Vice Chair Monson: That is a transfer from the Milan Elevator?

Tammy: It's an increase in spending authority that now is the Milan Elevator profit.

Vice Chair Monson: How much is in the executive budget? How much is going to be transferred into the Milan Elevator?

Tammy: I can get that for you.

Chairman Skarphol recessed for ten minutes.

### 2013 HOUSE STANDING COMMITTEE MINUTES

# House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 April 2, 2013 Job 20766

Conference	Committee
001110101100	0011111111100

Committee Clerk Signature	angelia Dinius	
---------------------------	----------------	--

# Explanation or reason for introduction of bill/resolution:

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

Minutes:

Attachment 1, 2

Chairman Skarphol called the committee back to order.

Chairman Skarphol: Explained the attachment Adam handed out.

Adam-Legislative Council: Explained the intellectual property policy.

Chairman Skarphol: The Board policy is that they are required to make annual payments of at least 30% to the inventor. NDSU does 30%; UND does 45% to the inventor.

Rep. Dosch: Do you have any idea on an annual basis what kind of revenue it is?

Adam: I didn't request that information from the universities, but I can follow-up.

Rep. Dosch: I think we need to know.

Chairman Skarphol: In the human services budget with regards to childcare, I'm assuming there are federal dollars.

Tammy-OMB: I would have to confirm. Most are federal funds.

Chairman Skarphol: Is there anything in there with regard to facilities?

Tammy: My understanding is that it is mainly training and certification. I can confirm that right now.

Chairman Skarphol: Adam, what is the status of HB1492 and 1113?

Adam: I will check on the status.

Chairman Skarphol: We are going to have to start taking action.

Rep. Grande: Are you also including the Weisz amendments?

Chairman Skarphol: We'll take care of the Weisz amendments as we move forward. First we have to make a decision on the housing incentive fund. Then, we need to decide if we want to utilize some of that fund for childcare facilities.

Chairman Skarphol: In regards to the housing incentive, where is the money located?

Adam: I'll have to double-check. But you are correct; it is in a different bill.

Tammy: I believe that it is in the Industrial Commission bill. I think it is bill SB 2014.

Chairman Skarphol: If we want to change the dollar amount, we'll have to change it in another budget.

Rep. Streyle: I can't support that \$50 million. It needs to be reduced.

Chairman Skarphol: This interim we had \$15 million in tax credits available. The change recommended here is \$20 million in tax credits and \$30 million in appropriated.

Vice Chair Monson: What was the total amount available last time?

Chairman Skarphol: \$15 million in tax credits.

Chairman Skarphol: Is there a requirement that the tax credits have to flow in before the appropriated dollars can be used?

Alan Anderson: (0:11:05) I don't believe there is a requirement. I think the idea was that they wanted to access the 30 prior to getting that tax.

**Chairman Skarphol**: Tell us how this is likely to work. If someone wanted to make use of this, why would they want to use the tax credits? Why wouldn't they just want to use the appropriated dollars?

Anderson: The \$15 million from last time they had it all committed before they could get the tax credits. They worked through that process. It did delay some of those programs. With the split with some of the general fund dollars, I think there was a hope that they could accelerate the process and get more done earlier in the season. I don't know how they were going to balance the two.

**Chairman Skarphol**: I'm guessing his intent was that a project would have to use 60% appropriated and 40% tax credit in order to be authorized. Any project would have to get some tax credit dollars. In the meantime, with regard to childcare facilities, is that a number that we want to stick with?

Rep. Streyle: I don't support that at all.

Chairman Skarphol: It is an issue across the state. The original concept of paying salaries was totally unacceptable. We could do something to help the facilities cash-flow. It's a 3-to-1 match whether we general fund it or fund it out of the incentive fund.

**Rep. Grande**: We already have set the precedent that we support start-ups. The need is there when the workforce is drawn in the way it is, especially in the west. If this is a way we can help get things set up, but I don't want to see this as an on-going thing. If they're not able to cash flow themselves, my concern is that the state might be holding the bag with these. It needs to be done solely on a needs basis. There has to be balance.

**Vice Chair Monson**: I really wonder if we shouldn't check with Rep. Pollert and his committee and see which of these they're advancing. There is a need, but I don't think we should be doubling up in different departments.

Rep. Streyle: What if we did \$15 million credit, \$10 million cash, \$5 million childcare?

Vice Chair Monson: I think that's a place to start. Why isn't 2014 on this list?

Chairman Skarphol: It's really not childcare. The money in 2014 is for the housing incentive fund. What we are discussing is eliminating the \$5 million general fund appropriation for childcare facilities and moving the capability into the housing incentive fund to fund those facilities. What if we said 15 credit and 15 cash and up to \$5 million could be used for childcare facilities and it would still allow for the policy that would say that half of it has to be credit and half cash?

Rep. Streyle: I guess I don't a have a problem with that. I don't like any of the \$30 million.

**Rep. Dosch**: Is there any problem in getting the tax credits out there? On the childcare portion, rather than starting another program, would it make more sense to just give it to the entrepreneurial fund and let them handle that through the bank?

Chairman Skarphol: (0:21:26) Give the \$5 million?

Rep. Dosch: That was my understanding; that Bank of ND said they could incorporate that instead of starting another program.

**Chairman Skarphol**: I don't think he had provisions for a grant type scenario. I think the two of them are willing to work together to facilitate a loan for the entity as well as a grant. With regards to the tax credits, the awareness is not there.

Rep. Streyle: Nobody is really aware of this except for the accountant.

Tammy: I spoke with Lori and she said that none of the money in the DHS budget can be used for facilities.

Chairman Skarphol: Would you comment on the \$3.1 million and the utilization?

Becky-Legislative Council: (0:25:27) I'll try to get ahold of DHS to get those answers.

**Tammy**: The money that you gave at the end of last session was \$3.1 million. It was included in the commerce department budget, but it was an appropriation to DHS and it was for the exact purposes that are listed here.

Chairman Skarphol: This is the same?

Tammy: This is the same money.

Vice Chair Monson: But capacity building means this is a grant to help them have more capacity, more kids served.

Tammy: I believe it works through childcare resource and referral. I'm being told that it cannot be used for any facility.

Linda Reinekie: The 3.1 was initially appropriated 4 years ago for recruitment, training and retention of childcare providers. We set up a goal of recruiting 90 family childcare providers, which really didn't mean building facilities. But each of those providers was licensed for at least 7 children. We gained capacity that way. We also said we would recruit 10 centers. By that we meant that we would provide them grants to buy equipment. We also worked with 180 existing childcare providers and 10 existing centers to help them improve their program.

Rep. Dosch: The childcare providers have to be licensed by the state, correct?

Reinekie: Yes and to be part of this program, they need to be licensed.

Rep. Dosch: Has the capacity been increasing?

Reiniekie: The retention has about a 20% turnover. The need is growing dramatically.

Rep. Dosch: If we're only maintaining or dropping, maybe we need to look at a different approach.

Reinekie: It's working in the way the program was designed. But we've lost a large center.

Chairman Skarphol: What is being recommended to change that?

Reinekie: We need three things; facilities, workforce and on-going support.

Chairman Skarphol: Does the 3.1 address the retention aspect of it? I want you to comment about the Bismarck facility that closed. What happened?

**Reinekie**: There were a number of reasons; the program had difficulty keeping a high enrollment and holding onto staff and they felt the neighborhood had become unsafe for children. There is such a limited break-even in childcare. We need to continue to hold onto the programs that we have.

Chairman Skarphol: Are the ratios correct?

Reinekie: North Dakota is right in the middle.

**Rep. Grande**: It sounds to me that the Bismarck city planners are at fault when it came to the childcare closing. Regarding your comments on the \$3.1 million in the recruitment and retention, you mentioned 10 centers. What is the average size of these centers?

Reinekie: Centers usually range from 60-100 children. One of the things that we tell people opening childcare businesses is that they need to get to 60 or above to get to a break-even point in their budget.

Rep. Grande: When you work with the centers, do you feel you've left them with a good enough business plan that they would be able to expand?

Reinekie: If they have room to expand, that's what we encourage.

Rep. Streyle: Shouldn't we be after the root of the problem as opposed to building?

Reinekie: The rules and regulations are interesting in that most cities have rules and regulations that supersede state regulations.

Rep. Streyle: I think there are issues on the regulatory side that need to be addressed.

Reinekie: I would defer regulation questions to the DHS.

Rep. Williams: Didn't you say that the cities can set up rules that supersede state rules?

Reinekie: Yes. It's a balance.

Chairman Skarphol: Let's go to the green sheet.

Alan Anderson: (0:49:43) It's about half for salary and half for operating expense. The operating expense includes 2 FTEs.

Vice Chair Monson: Where did the other three people go?

Alan Anderson: They had numerous assignments besides the state data center. They still do additional studies. They just don't offer any information on the census bureau.

Rep. Dosch: Is this on the total budget of the state data center?

Alan Anderson: It is.

Vice Chair Monson: The state data center is being taken from NDSU Ag Extension and Research and is going to be moved physically out here? Or are you still going to be in control of it and it will still be in the same office?

Alan Anderson: It occurred earlier last year. We took over the duties of that. We've been doing it on a contract basis here is Bismarck.

Rep. Streyle: What is the purpose of the state economist? Why do we need one?

Alan Anderson: The position is for our state demographer. We'll be requested to do studies that we're not capable of doing, so we'll hire a state economist for that.

Chairman Skarphol: Mike, for housing credits, if somebody comes and wants to utilize that service, you're practice would be half would be from the appropriation and the other half would require them to have tax credits sufficient to cover it?

Mike Anderson: That is correct.

Chairman Skarphol: If we incorporate the child care facilities into that amount, you would anticipate doing the same thing with any entity that applied for a childcare facility grant from that program?

**Mike Anderson**: That's correct. Whatever portion of the facility that would be coming from the program, we would divide that piece between appropriation and the tax credits.

Chairman Skarphol: Would the amendment you provided us accomplish that?

Mike Anderson: The amendments don't specifically discuss that. That's the way we intend to structure the allocation plan when we start soliciting for projects.

**Chairman Skarphol**: The amendment from the bank would work with this scenario? So if an entity wanted to do a facility, they would be able to do the bank loan for their portion and that would qualify for the one in the 3-to-1 match?

Mike Anderson: I don't know if the loan itself is what they were looking at. We would look at the total cost of the project.

Chairman Skarphol: (0:57:34-1:02:45) Continued with the green sheet.

Vice Chair Monson: I think that this is overlapping with the mission of higher ed. I think that higher ed is getting a lot of funding and there is overlapping.

Chairman Skarphol: Beth, how does higher ed utilize this type of equipment in their degree programs?

Beth Zander: Instrumentation and Controls which is at NDSCS. The demand needs to be there and the employers need to need it. That one they developed so that they could be working on the degree and certificate programs at the academic site; also because they were having employers needing training for existing workers. When they want to purchase or set up a program to train existing employees, I want to know that they're going to use it fully. If it's feasible, I want them to be training and certifying our youth.

Chairman Skarphol: The assumption is that SCS would utilize this equipment in their degree program. We should also assume that there are employers that have on-the-job

training where they want their employee to gain knowledge and that is the non-degree aspect of this?

Zander: Yes.

Chairman Skarphol: Do you keep records as to the proportions between degree and non-degree entities?

Zander: I do not.

Rep. Dosch: This particular one is a good program because it responds to an immediate need for training.

Chairman Skarphol: And I know that there is consideration being given to some of the certification being given, like a portion of a college credit.

Zander: I think credits are important, but I think there is a critical need to balance that with quick to market training.

Chairman Skarphol: I don't think there is an attempt to train but rather to encourage.

Vice Chair Monson: Lake Region State College has their non-degree program. I wonder about the one above it. Why are we duplicating? Why are we paying BSC to do a degree in the same field? That should be under higher ed.

**Zander**: We examined that closely when those requests were made because we don't want that duplication. Gave an example the differences in the programs (1:09:53).

Chairman Skarphol: Which one is the more sophisticated curriculum?

**Zander**: The curriculum from Lake Region is designed to meet the needs of implement dealers and other agri-business.

Chairman Skarphol: How is the Bismarck program different?

**Zander**: The Bismarck program picked up the equipment, the software and the training for the instructors to incorporate precision ag into existing ag programs.

Chairman Skarphol: (1:12:13) Continued with the green sheet.

Rep. Dosch: Based on what has been done in the changing of the formula for the oil impacted counties, I really don't think that we need to include that. It can be removed.

Chairman Skarphol: (1:13:23) Continued with the green sheet.

Rep. Streyle: What that for the road study as well? So we don't need this?

Chairman Skarphol: Yes. Correct. That can be removed.

Rep. Streyle: I would take out 6, 7, 10, 11, 12, 13.

Chairman Skarphol: (1:14:25) Continued with the green sheet.

Rep. Streyle: On the operation intern, is there a big demand for that?

**Tammy**: I know there is a demand for it. In the past, the money has been expended or committed in the first year of the biennium.

Chairman Skarphol: It's to subsidize interns for businesses.

Anderson: I don't know if I'd put it that way. Workforce is one of the key things. We're wanting to hold on to as many of our young people as we possibly can. It does assist businesses on a match to give the intern a chance to look at those companies for possible assignments in the future. Demand is huge. It has a huge success ratio.

Chairman Skarphol adjourned the committee.

### 2013 HOUSE STANDING COMMITTEE MINUTES

### House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 April 3, 2013 Job 20804

Conference Committee

Lynellhueson
Explanation or reason for introduction of bill/resolution:
A BILL for an Act to provide an appropriation for defraying the expenses of the Department of Commerce.

Attachments 1, 2, 3

Chairman Skarphol called the committee to order to consider SB 2018.

Chairman Skarphol: We might meet later tonight and early tomorrow morning. Went through the green sheets. Asked Adam from the Legislative Council about the status of bills and if any failed.

2:27 Adam, Legislative Council: At this point none of them have failed and are in committee.

Chairman Skarphol: Discussion on the amendment Representative Carlson had 02004 with regard to the Research ND project. See attachment 1.

Representative Martinson: I move a Do Pass and seconded by Representative Grande. Motion carried.

A Do Pass Roll Call vote: Yes = 8, No = 0, Absent = 0.

Minutes:

Representative Martinson: Could you hold until tonight the 6 million dollars and the large infrastructure tourism grants?

Chairman Skarphol: We don't have to act on the whole bill. Let's decide on the housing incentive fund language on page 8.

9:47 Representative Dosch: I would support that as well.

Representative Streyle: I move to adopt the amendment, seconded by Representative Dosch.

Chairman Skarphol: The motion would be to change that to where it's 30 million dollars, half in credits and half in cash.

A Do Pass Roll Call vote: Yes = 8, No = 0, Absent = 0. Motion carried.

11:07 Chairman Skarphol: The appropriation for child care doesn't necessarily need to be that high. What are the committee's thoughts?

Vice Chair Monson: You want us to adopt this amendment as presented?

Chairman Skarphol: We'll have to do something with the amendments from Housing and Finance if you want to do that first.

Vice Chair Monson: I move Do Pass on the amendment handed out from the Bank of North Dakota changes the language; it doesn't have anything to do with money. Seconded by Representative Grande.

A Voice Roll Call vote was taken. Motion carried.

13:10 Representative Monson: I move to adopt the amendment on that language also regarding Housing and Finance. Seconded by Representative Dosch.

A Voice Roll Call vote was taken. Motion carried.

Representative Dosch: I don't want it to be general fund dollars. Maybe look at something less.

Representative Grande: Its 3 million clear plus the 4? So it's 3.4 now?

Chairman Skarphol: Which way did you want it? This is a good way to do the funding for this project because it has community involvement.

Representative Grande: I move 2.4 be committed to child care with the amendment. Seconded by Representative Monson.

Representative Boe: That was taking it out of the housing fund?

Representative Grande: Correct.

Representative Boe: I'd rather see the total at 3 million.

Chairman Skarphol: So 3 million total and take \$400,000 out of the 3 million? Is that a substitute motion?

Representative Boe: Yes. Seconded by Representative Streyle. Motion carried.

**Chairman Skarphol**: We're going to take 3 million out of that 30 million for child care facility programs and \$400,000 of it to be utilized for the disability aspect that Representative Weisz's amendment addresses.

Representative Monson: Is this going to be one and a half tax credit and one and a half of general funds?

Chairman Skarphol: That would be the intent, yes.

A Do Pass substitute motion Roll Call vote: on \$3 million committed with the Weisz amendment: Yes = 8, No = 0, Absent = 0.

Chairman Skarphol: Section 36 of the bill is for the Upper Great Plains Transportation Institute study. This was taken care of in the Ag Research budget.

Representative Monson: I move to remove Section 36. Seconded by Representative Grande.

A Voice Roll Call vote to remove section 36. Motion carried.

20:54 Representative Grande: I move to remove the \$1 million from planning. Seconded by Representative Martinson.

A Voice Roll Call vote: Motion carried.

**Adam**: You talked about changing the \$4 million dollars for the UAS to become a general fund appropriation. Whether to make it an actual general fund appropriation or just to flow through the general fund and make it a general fund appropriation.

22:14 Representative Streyle: We wouldn't be changing the amount just the source that it flows through general fund?

Chairman Skarphol: Yes, it wouldn't be changing the timeframe because it only is available if the unmanned aero system grant program is authorized.

**Representative Monson**: I **move** to change number 4 on the green sheet under special funds to have it reflected as general fund dollars only available if there are federal funds. Seconded by Representative Grande.

A Voice Roll Call vote: Motion carried.

25:44 Representative Streyle: I move we move the 1.325 million large infrastructure grants to reflect number 6 on the green sheet page 2. Seconded by Representative Martinson.

Representative Dosch: What was the amount in there last time? I think there should be something in there. I make a substitute motion to leave it at \$500,000. Seconded by Representative Boe.

**28:13 Tammy**: There was \$750,000 provided for large tourism infrastructure grant. The funds weren't a direct appropriation but carryover funds.

Vice Chair Monson: How much is unspent right now?

Tammy: I don't believe there is any carryover.

Chairman Skarphol: How much was in that Great Plains Applied Research carried forward?

Tammy: There were several items funded from that.

29:42 Chairman Skarphol: Any other discussion on the motion to reduce tourism large infrastructure grants from 1.325 million down to \$500,000?

A Voice Roll Call vote: Motion carried.

Representative Streyle: Can we cut the 4.4 million in an ethanol fund too?

Chairman Skarphol: Discussion on the handout from Adam and Tammy on the Ethanol Production Incentive Program that was passed out earlier. See attachment 2.

31:14 Tammy: Presented attachment 3. This program provides payments to ethanol producers based upon a counter-cyclical formula using the prices of North Dakota ethanol and corn.

33:04 Representative Grande: There is supposed to be an incentive that goes to the dealer. This would keep the cost down. Do we still do that?

Representative Boe: That's not the blender pump payment is it?

Representative Grande: No. I'm thinking back in 2005 or 2007 this happened.

35:09 John Schneider, Executive Director, APAC: It no longer exists.

Adam: I think that covers it.

Chairman Skarphol: It appears like there is spending authority for 4.4 million for ethanol subsidies in here.

Tammy: That is a continuing appropriation.

36:35 Chairman Skarphol: The estimate must be somewhere?

**Tammy**: When they send their budget to us they do since for all continuing appropriations they submit estimates of the revenue and provide expenditure information for us.

36:48 Chairman Skarphol: Is it reflected in the bill? In order to change it, what do we need to do?

Tammy: No.

Representative Streyle: I think an annual cap might be the way to do it.

Chairman Skarphol: Adam, do you follow what he's saying?

Adam: Yes.

Representative Streyle: I move we put a cap over \$500,000 per year to an eligible producer so that the total would be 2 million for the biennium. I withdraw this motion and make a substitute motion for the cap to be \$300,000 per year. Seconded by Representative Grande.

38:52 Vice Chair Monson: How much money is estimated to be in that fund at the end of this biennium?

Adam: Probably 6.1 billion for the entire biennium and if their expenditures at the end of December were 4.4.

40:13 Tammy: Currently the balance in that fund is \$9,400.

Chairman Skarphol: What is going to come in?

Tammy: That's what has been received over the past 3 years.

Vice Chair Monson: You said something about the price of corn.

41:20 Tammy: The payments are based on a formula that uses the prices of ethanol and corn.

**Representative Boe**: If the draw on this exceeds the revenue would they lower everyone's payments equally?

**Tammy**: They only distribute on the amount available.

**42:58 Paul Govig**: We would never go beyond what is placed in the fund. This is quarterly.

**Representative Boe**: If another plant came online and applied for these payments, which would make the others ones prorated?

Govig: Yes it would be divided up amongst a greater number so they'd get less.

**Vice Chair Monson**: I understand Representative Streyle's motion to cap the payment to the ethanol producers at \$300,000 per year. If the money is to continue to flow into this fund is it at the same rates?

Govig: I would agree with that.

Representative Streyle: I move a substitute motion to cut the 40% to 20%. Seconded by Representative Dosch.

Representative Boe: I resist that motion. We may see a few more ethanol plants coming online in the future and it would be good for North Dakota if we would continue to incentivize them.

46:30 Vice Chair Monson: I'm thinking this would push the cost of ethanol up some.

A substitute motion Roll Call vote to cut 40% to 20%. Yes = 5, No = 3, Absent = 0. Motion carried.

49:44 Representative Dosch: I move to see the state data center reduced from \$498,852 to \$400,000. Seconded by Representative Grande.

A Voice Roll Call vote. Motion carried.

**50:29 Representative Dosch**: Number 10 and 11 on the green sheet are good programs. We need to make cuts. I **move** that on **number 10** as far as Innovate ND that the \$100,000 proposed increase be changed to \$50,000 increase and **number 11** operations reduced to \$100,000 increase, representing a 10% increase in both the programs. Seconded by Representative Boe.

A Voice Roll Call vote: Motion carried.

Representative Grande: I move on Number 12 to decrease it down to \$750,000. Seconded by Representative Streyle.

**54:19 Representative Dosch**: I move a substitute motion to make it a 1 million dollar increase in the budget. Seconded by Representative Grande.

A Voice Roll Call vote: Motion carried.

Representative Streyle: I move to remove section 12.

57:20 Tammy: Explained SB 2014 on page 9, section 18, lines 9-10.

Vice Chair Monson: If we take out section 12 we're just filling up the pot again and no money will get spent if we eliminate this section?

Tammy: If you eliminate this section without changes being made to 2014 you'll have an allocation from those monies that don't have any place to go.

Chairman Skarphol: Representative Streyle made a motion to remove section 12, is there a second? Representative Martinson seconded the motion.

59:27 Vice Chair Monson: Is this the governor's proposal or is this one the Senate put in?

Tammy: This was part of the executive recommendation to create this funding.

Chairman Skarphol: What would be the potential be for this?

Tammy: This could be grants to any political subdivision for energy conservation projects.

1:00:36 Vice Chair Monson: So, you're looking at replacing fluorescent light bulbs with more efficient kinds, etc.? How much is expected to be in this?

Tammy: Expect 2.7 million in the fund over the biennium.

Vice Chair Monson: No match, no other rules?

1:01:07 Tammy: The statute has no match requirement.

Representative Grande: Do we have a weatherization bill still in committee?

A Roll Call vote was taken. Yes = 7, No = 1, Absent = 0.

1:02:40 Chairman Skarphol: Welcomed students from Beach.

Representative Martinson: What source of funding did the Idea Center get their \$300,000 from last session?

**Tammy**: The Idea Center funding came from the carryover described earlier from the Great Plains Applied Energy Resource Center.

Representative Martinson: If we wanted to give them \$300,000 again this session what pool of money within the budget would that come from?

**Tammy**: That would be a grant and on the grants line.

### 2013 HOUSE STANDING COMMITTEE MINUTES

### House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 April 3, 2013 Job 20827

Conference Committee

of a state	
Junelly hueson	

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Attachment 4 and 5

Chairman Skarphol called the committee back to order.

Representative Martinson: I move we take \$100,000 out of the base realignment 1.5 million and designate that for the U.S.S. North Dakota promotion. Seconded by Representative Williams. Motion carried.

Representative Martinson: This gives them money for promotional purposes.

Vice Chair Monson: So your intention is to make the 1.4 million for the base realignment retention grant and \$100,000 stays in commerce?

Representative Martinson: The U.S.S. North Dakota committee.

A Voice Roll Call vote was taken. Motion carried.

3:08 Representative Streyle: I move that the 1.4 million be split \$500,000 Grand Forks, \$500,000 Minot, \$400,000 Fargo, and it being a grant directly to them. Seconded by Representative Martinson.

3:34 Vice Chair Monson: What happens through the discussions that Minot is the one that's being targeted instead of the other two and only limited to that certain amount?

Representative Streyle: The intent was to split it three ways evenly.

A Voice Roll Call vote was taken. Motion carried.

Representative Martinson: I move to give the Idea Center funds from carryover money of \$300,000 available. Seconded by Representative Streyle.

**Tammy:** On the schedule handed out yesterday it shows the carryover and the amount that is uncommitted.

**6:25 Representative Dosch:** Do you know what the total budget is for the Idea Center? What happens if they don't get this money?

A Roll Call vote was taken. Yes = 8, No = 0, Absent = 0. Motion carried.

Chairman Skarphol: The handout shows a list of grants.

Tammy: Attachments 4 and 5. This details the grants line items.

Chairman Skarphol: What is the other one?

**Tammy**: A schedule showing the Centers of Excellence disbursements over the lifetime of the program.

**9:44 Justin Dever, Department of Commerce**: The commercialization program is partnering with Triton Systems. It is working on utilizing technology that NDSU has developed that private sector partners are interested in commercializing.

Chairman Skarphol: What is the timeframe for it happening?

Dever: That budget is 5 years.

Chairman Skarphol: On the second page of attachment 5. Are they eligible for a second award?

Dever: Yes.

11:45 Representative Streyle: What's the plan for the unspent items?

Dever: The Avian Therapeutics and gas utilization were both approved late last year.

13:07 Adam: Research ND program is the only item left for discussion.

Vice Chair Monson: During the break we were talking about flood impact grants/loans and on page 2, line 5, can you explain what that's all about?

13:46 Representative Streyle: That was just announced. That was part of the New York CBDG money. I don't know if that authority needs to be put into this bill to push that through.

Tammy: I would think they would need authority to accept and expend those funds.

Vice Chair Monson: So this 11.782 million is what?

Tammy: That's the current federal grant in place.

Chairman Skarphol: When did that money appear?

Tammy: During the special session they were given a large amount of authority for additional CDBG disaster funds that would be coming in.

15:26 Chairman Skarphol: Why wasn't it dispersed?

Tammy: It is in the process of being disbursed. It's a timing issue.

**15:57 Govig**: There was an announcement. We might be able to get an amendment. It is carryover. We use some of those dollars for moving homes, the earthwork and dike in the dam.

**Chairman Skarphol**: Was it the same type of money that was used to rebuild the schools or was that different?

Govig: CDBG block grant dollars can be used for other sources so it's wide ranging.

Vice Chair Monson: How about childcare?

Govig: We could with some CDBG dollars for childcare facilities.

Chairman Skarphol: How is that determined?

**Govig**: We have some low income restrictions associated with that so it's not easy to do but we can use some of it for that.

Chairman Skarphol: What low income restrictions? Is it a percentage of the poverty level?

**Govig**: The people that access the benefit of those dollars have to meet a certain income requirement. It is broken down by county.

**18:18 Vice Chair Monson**: The portion that is coming to Commerce is that able to be used everywhere or is it specific to flood situations?

**Govig**: It is my understanding it would be due to the Souris Basin flood. But we have not seen everything and it's not done yet.

Chairman Skarphol: What if you end up with significantly more money than what we give you spending authority for?

Govig: What happens is we go to the Emergency Commission and they act on it.

**19:57 Representative Dosch**: We requested a list about the royalty income coming in. Have we been able to obtain that?

Chairman Skarphol: Royalty income from where?

Representative Dosch: From NDSU and UND.

Adam: I'm still waiting to hear back from the universities on that.

20:28 Representative Dosch: Are we going to talk about the Intellectual study policy? See attachment 1.

22:10 Chairman Skarphol: Typically we tend to give some direction as to who would do the study.

Adam: I'm not sure how you would go about configuring that.

**Chairman Skarphol**: Could Representative Dosch and Adam work together on putting that language together.

Representative Dosch: I move to make a study. Seconded by Representative Streyle.

A Voice Roll Call vote was taken. Motion carried.

#### 2013 HOUSE STANDING COMMITTEE MINUTES

### House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 April 4, 2013, afternoon Job 20909

	1/ //	
Committee Clerk Signature	Winder Himma	

A BILL for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact a new chapter to title 6, a new section to chapter 10-30.5, section 54-45.5-10, and three new sections to chapter 54-65 of the North Dakota Century Code, relating to a loan guarantee program, the research North Dakota venture program, the energy conservation fund, and the research North Dakota program; to amend and reenact sections 4-14.1-02, 4-14.1-03, 4-44-03, 17-02-05, 54-17-07.3, 54-17-40, 54-18-21, 57-43.1-03, 57-43.1-03.1, 57-43.1-03.3, and 57-43.1-08 of the North Dakota Century Code, relating to the agricultural fuel tax fund, ethanol production incentive fund, the agricultural research fund, housing finance programs, and the housing incentive fund; to provide exemptions; to provide for transfers; to provide a continuing appropriation; to provide for an upper great plains transportation institute study; to provide for legislative management studies; and to declare an emergency.

#### Minutes:

You may make reference to "attached testimony."

Chairman Skarphol called the committee back to order.

Chairman Skarphol: I had a conversation with the leader, and he suggested we wait with the Teddy Roosevelt thing and that if we do it, we do it in full committee. He said his directive to Rep. Martinson is to find the money. I asked about money in several areas, to which he said no. He is giving you, Rep. Martinson, time to find the money.

0:38 **Rep. Martinson:** We should meet with him at the same time. Related conversation with different response.

Chairman Skarphol: If we can come up with the money, I will support it in full committee. We might as well fight the battle here. I'd like to clean this bill up. We need to talk about the amendments which were passed out. Then we will act on it. If we need to reconsider or amend it in full committee, we will do that.

Rep. Martinson: I have a couple of minor amendments which should not be a problem.

Rep. Martinson moved amendment to go back to the original \$1.5 million, that it's \$500,000 for each of those cities, Fargo, Minot, and Grand Forks, with the language that

Rep. Streyle put in that the checks be written immediately. Then the \$100,000 for the USS North Dakota comes out of the carry-over money from Minot. They will have \$500,000 plus carry-over money.

3:05 Chairman Skarphol: Question on the carry-over money.

Rep. Martinson: Provided details on the amount of carry-over money.

Motion seconded by Rep. Streyle.

Voice vote. Motion carries.

4:11 **Chairman Skarphol:** Made reference to Attachment 1 from Adam Mathiak in Legislative Council. Adam made me aware that there is some additional CDBG money that is for Minot. This amendment increases the spending authority. It would increase page 2, line 5, for flood impact grants or loans. I guess it doesn't have to go Minot; it could go to Bismarck. Have you looked over this and think you could make it work?

5:35 Adam Mathiak, Legislative Council: I believe it would also make a change in Section 1 to the grant fund. It wouldn't affect general funding, but I believe it would still affect the estimated income. It looks like this is only for Section 2, but Section 2 is based on Section 1.

Rep. Streyle moves the adoption of the amendment, attachment 1, to update the flood impact grants, line 5 on page 2. Seconded by Rep. Boe.

Voice vote. Motion carries.

Chairman Skarphol: Drew attention to another proposed amendment, attachment 2.

Rep. Dosch: Where is this amendment from?

Chairman Skarphol: It's from the Commerce Department. Adam, this isn't addressed elsewhere in the bill in any other fashion, is it?

8:11 Adam Mathiak: The continuing appropriation would not be, but the unmanned aircraft system is in the bill. Indicated section.

Chairman Skarphol: Is this designed to replace that section?

**Adam Mathiak:** No, this would be in addition so that once the test site would be operational, they're looking at using a continuing appropriation. But this would be more so contingent upon the site being approved.

8:56 **Rep. Grande:** Where do they think this test site will be, and how are they going to commandeer the land for it?

Chairman Skarphol: My assumption is the intent is to have it on the air base.

Tammy Dolan, OMB: That is my understanding as well.

9:37 **Justin Dever, Department of Commerce:** It is my understanding the test site will based be out of the Grand Forks Air Force Base. They also have some operations with UND at the airport currently. It will be up to the FAA to decide the size and scope of the test site.

10:06 **Chairman Skarphol:** But isn't the reason that Grand Forks is being considered because of the air space to the north and the east?

Justin Dever: If you look at a map of the United States and the flights that go on daily, North Dakota is well positioned with having a relatively free air space.

10:46 **Rep. Grande:** If this is on the base, why are there fees, and who is charging the fees to be paid for whom, and why do we need a public interest if this is already on federal land?

Justin Dever: The fees would be for private interests that want to utilize this test site to test their the unmanned aircraft systems in this air space

Rep. Grande: But the test site is located on the air base.

Justin Dever: The test site would be much broader than just the air base.

Chairman Skarphol: Where do you envision yourself, as far as the department, to be physically located? Where are these private businesses going to be located so you should have the right to charge them fees?

**Justin Dever:** The fees would not be for the location. The fees would be to utilize the services of the test site. Right now, unmanned aircraft systems cannot be flown in the national air space. This provides opportunity for people to utilize the national air space in this test site. There need to be safety protocols put in place. There needs to be management of the airspace to make sure that these UAS are not interfering in normal flight of manned operations:

12:32 Rep. Grande: What land? What space?

Chairman Skarphol: Why should you have the right to charge anyone anything? What is it about this arrangement that precludes a private entity from being the one to collect the fees for this service? What is unique about this situation?

Justin Dever: The FAA would designate an entity, and it is only that entity that has operational control over this test site.

Chairman Skarphol: Does it need to be a governmental entity?

Justin Dever: I am unsure of the parameters that the FAA has outlined.

Rep. Boe: Is this the airspace that they took comment on two years ago?

**Justin Dever:** I am guessing that that airspace is the airspace that the National Guard utilizes where they have some restricted airspace. This would not be restricted; it would be on a test site, testing the capabilities of having UAS and manned aircraft flying in the same airspace.

**Rep. Grande:** Whose program is this? Is Commerce running an unmanned aircraft system program, or is the university's aeronautics doing it? And why is it the department getting to collect money? I'm assuming that when it says department, that is the chamber.

14:40 **Justin Dever:** This would be a consortium of the Department of Commerce, of University of North Dakota, of the Aeronautics Commission. We would have authority established that would manage this airspace. We would be the ones that would be the responsible for the funds. At the direction of this authority, we would issue any checks to pay for expenses associated with it.

15:15 **Rep. Dosch:** It is my understanding that there will be only six of these sites selected across the country. It is basically a project of the United States government or Air Force to determine how they can incorporate these drones into the normal airspace. We are trying to become one of those six designated sites.

Chairman Skarphol: I think there are 28 that have made application to be one of the sites.

Justin Dever: That sounds about right. I've heard into the thirties.

16:08 Chairman Skarphol: It's a bit unique to have this level of authorization on such a short notice. Read from the proposed amendment, attachment 2.

**Justin Dever:** The amendment was drafted by the Attorney General's office. Our original intent was to have the funding in this bill and have this authority established via executive order. We were advised that that may not provide the liability protections necessary for something like this.

17:12 **Chairman Skarphol:** That's useful information. Read from attachment 2. Would that corporation have any type of authority for taxing?

Justin Dever: No. My understanding is that that is not the intent.

Chairman Skarphol: It says the corporation must possess all the powers of a business corporation. So that should preclude them from being a taxing authority, I would think. Rep. Dosch, do you feel at a comfortable level of trust?

18:51 **Rep. Dosch:** I do. If North Dakota or Grand Forks is selected for this, it would be huge. I understand it might be a little broad, but this is something new. We have to give them a bit of latitude at this point in time. Should they be fortunate enough to be selected, then next session we can perhaps reign it in a little bit.

Rep. Dosch moved the adoption of the amendment (attachment 2) as provided by the Commerce Department. Seconded by Rep. Boe.

20:06 **Rep. Grande:** I will go along with this, but I want it on the record that as Rep. Dosch said, when we would be getting this, I would like to have it understood that we as a legislative body have the opportunity to reign in anything that looks astray.

**Chairman Skarphol:** We always have that. I think the amendment is fine, but I'm not sure we should not go one step farther and ask for periodic reports on the progress on this Is there anything in here about reporting?

**Adam Mathiak:** There are some sections that do require some reporting. We could probably tie it into that. Some of those reporting requirements were added by the Senate. There is nothing tied specially to reporting for the unmanned aircraft system.

Rep. Dosch: I change my motion to incorporate reporting. That would have been my intent.

Rep. Boe, the seconder, concurs.

Chairman Skarphol: Adam, will you take care of that? We don't need it quarterly, just biannually to keep us up to speed.

Adam Mathiak: Semiannually is what you'd like?

Chairman Skarphol: That is sufficient.

Voice vote on the adoption of the amendment. Motion carries.

Chairman Skarphol: Adam, is there anything we haven't touched on?

**Adam Mathiak:** As it came out of the Senate, there was Section 3. It was also recommended by the Governor to provide a new continuing appropriation for the agricultural products utilization commission.

22:50 **Chairman Skarphol:** Directed attention to page 3 of the bill, lines 19-20. That is new. Ag products utilization has not had a continuing appropriation. Tammy, explained if there is a reason we need to do that this time.

23:40 **Tammy Dolan:** They do receive carry-over authority generally each session. This would be giving that authority up front. When you approve grants, they are always on a reimbursement basis, so there is usually on a timing issue. It is a more efficient way of operating.

Chairman Skarphol: But they are also able to spend whatever money comes in?

Tammy Dolan: Yes.

Chairman Skarphol: With the continuing appropriation, they can spend whatever flows into the fund?

Tammy Dolan: Yes.

Chairman Skarphol: In this budget, do we have a limitation on what ag products utilization can spend?

Tammy Dolan: There is special fund authority in the budget for ag products, so there would be that limitation.

Chairman Skarphol: Identified an amount. If more money than what is reflected on line 6, page 2, right hand column, came in, on a continuing basis they'd have the right to spend it?

Tammy Dolan: Yes.

Adam Mathiak: I believe that would be correct. I believe that would be happening if ended up going through, because it would be that same fund, I believe it eventually would be removed from Section 1 because it would become a continuing appropriation. If you provided general funding, the line item would still be there for the general funds, but the special funds would not be a component of it anymore because it would become a continuing appropriation.

Chairman Skarphol: I'm not particularly fond of the continuing appropriation aspect of it.

Rep. Boe: Is that funding source a shrinking amount?

**Tammy Dolan:** The amount that was coming from the motor vehicle fuel tax was a shrinking amount. This bill eliminates that funding source. The funding source now for the fund would be mainly from the state mill and elevator profits.

Chairman Skarphol: That number is designated?

Adam Mathiak: That's five percent of the state mill and elevator profits.

26:41 **Tammy Dolan:** We're anticipating that to be \$800,000 over the next biennium. The other number you were talking about is not entirely special funds; that includes general fund dollars as well. The special fund amount of the \$3.2 million is approximately \$1.7 million.

**Rep. Boe:** How many years ago was it that the profits from the state mill and elevator were nothing?

Chairman Skarphol: Not that many years ago.

Rep. Streyle: We could sell the mill and put that into a fund which would then earn interest to fund this.

Chairman Skarphol: What were the profits of the state mill this past year?

28:10 Tammy Dolan: Listed the profits of the state mill and elevator.

29:00 Rep. Martinson: Mr. Chairman, I would agree with you on taking out the continuing appropriation.

No Second was made on this motion. The motion and second to reconsider and make the motion again is on Job # 20947 date April 4,2013.

Voice vote on removal of continuing appropriation. Voice vote carries.

Adam Mathiak: I believe Allen had talked to you about brining components of 1029 into this bill related to the tax credit portion of the housing incentive fund.

Chairman Skarphol: Was he preparing that? Do we need to have a motion on that.

Adam Mathiak: I'd say probably not because you had specified in your previous motion that you did want it to be 50% credits, 50% cash.

Chairman Skarphol: This issue is that because the money is in the Industrial Commission budget....

Adam Mathiak: We did also put the appropriation for \$15 million into this one, so I think it would have to be addressed with the Government Operations division, coordinating the effort.

**Chairman Skarphol:** I did discuss that with the chairman of that subsection. It appeared that they were going to do that. I'm wondering whether or not we need a motion to do what Allan asked about with regard to getting that correctly in place.

Adam Mathiak: I would not know the technicalities of that.

Chairman Skarphol: Called Allen Knudson. We're good on that. Rep. Thorson does have to make the adjustment on the Industrial Commission budget.

Rep. Martinson moves a Do Pass as Amended. Seconded by Rep. Dosch.

Roll call vote on Do Pass as Amended. Motion carries. Yes = 7 No = 0 Absent = 1

This remainder of this recording is for SB 2003 Job # 20910

## 2013 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 April 5, 2013 Job # 20947

	☐ Conference Committee
Committee Clerk Signature	Marlyxienzle
Minutes:	

Chairman Skarphol: Open SB 2018 due to no second for the motion that Rep Martinson made with regard to removing of the continuation of appropriation of the APUC dollars.

Rep Martinson: Made a motion to reconsider the committee's actions on SB 2018.

Rep Grande: Second the motion.

Voice vote carried.

Rep Martinson: Made a motion to remove the continuation of appropriation of APUC dollars.

Rep Grande: Seconded the motion.

Voice Vote carried.

Rep Martinson: I move that we amend to take 6 million dollars from Research North Dakota and put that towards Theodore Roosevelt Center in Dickinson. Allow Dickinson to raise additional 3 million dollars from the community.

Rep Grande: Seconded by Rep Grande.

It was discussed if the funding for the TR Center included in the Commerce Department Budget or the University Systems?

Rep Martinson: Commerce.

Rep Monson: Is the plan to build or is there already something built?

Rep Martinson: It would be a new structure. It would incorporate what they already have already. All of the thousands of images are computer scanned there already.

Rep Monson: Would it be on the campus?

Rep Martinson Some of their facilities are on the campus and others are not. If they get the 12 million plus their private money, they could put this where they would like.

Rep Monson: Made a Do Pass as amended

Rep Martinson: Seconded the motion

DO PASS AS AMENDED Yes 5 No 1 Absent 2

No Carrier

## 2013 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Education and Environment Division Roughrider Room, State Capitol

SB 2018 April 9, 2013 Job 21009

Committee Clerk Signature	David Hanson
Explanation or reason for introd	duction of bill/resolution:
. DUI	
A BILL for an Act to provide an ap of commerce.	opropriation for defraying the expenses of the department
	Amendment .02010

Trust Lands budget and has addressed the Housing Incentive Fund.

The committee reviewed amendment .02010.

# 2013 HOUSE STANDING COMMITTEE MINUTES

# House Appropriations Committee

Roughrider Room, State Capitol

SB 2018 4/11/13 Job 21103

Conference Committee

Committee Clerk Signature



# Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact a new chapter to title 6, a new section to chapter 10-30.5, section 54-45.5-10, and three new sections to chapter 54-65 of the North Dakota Century Code, relating to a loan guarantee program, the research North Dakota venture program, the energy conservation fund, and the research North Dakota program; to amend and reenact sections 4-14.1-02, 4-14.1-03, 4-44-03, 17-02-05, 54-17-07.3, 54-17-40, 54-18-21, 57-43.1-03, 57-43.1-03.1, 57-43.1-03.3, and 57-43.1-08 of the North Dakota Century Code, relating to the agricultural fuel tax fund, ethanol production incentive fund, the agricultural research fund, housing finance programs, and the housing incentive fund; to provide exemptions; to provide for transfers; to provide a continuing appropriation; to provide for an upper great plains transportation institute study; to provide for legislative management studies; and to declare an emergency.

#### Minutes:

Chairman Delzer called the committee to order and a quorum was declared. He outlined the schedule for the bills remaining in committee. He suggested that when members are on the floor to explain the difference between this budget and last session's budget on the 14<sup>th</sup> order and to explain the changes to the governor's proposal on the 6<sup>th</sup> order. He brought up for consideration SB 2018, the commerce budget.

04:05

Rep. Skarphol: Went over amendment .02010.

14:35

**Rep. Hawken**: Any money put towards childcare is fine, though facilities are probably not at the top of the list. The \$400,000 was never for facilities; it's for training so that the providers know how to deal with special needs children. So, in putting this in this location is totally opposite of what the initial money was intended to do. Certainly you could make a facility more handicap accessible, but if you don't have people that are trained to work with the children it doesn't make much difference what your facility does. I would really like to see this \$400,000 moved to a place where it would be used correctly.

**Rep. Skarphol**: Obviously my subcommittee misunderstood Rep. Weisz's request. If there is something that was misunderstood we will address it in conference committee. Continued to go over the amendment.

16:50

Chairman Delzer: Section 41 page 8 of the amendment, the intellectual property study.

**Rep. Skarphol**: That has to with the fact that we had some questions about the how the intellectual property was distributed within the institutions. There was some fairly wide disparity. He gave an example of the differences at different schools.

17:54

Chairman Delzer: On the bill itself, you said the Senate had added a great number of sections. How many of those did you delete?

**Rep. Skarphol**: I did not take a count. Some of it was reconfiguring the how the money flows for Ag Products Utilization. Some of it was some carry forward aspects that weren't necessarily included in the bill.

Chairman Delzer: Did you remove those?

Rep. Skarphol: No, we felt those were legitimate.

Adam Mathiak, Legislative Council: Most of the sections the Senate added were towards the end, for studies and reports. They added two sections about the Housing incentive Fund and some sections Research North Dakota. As far as the sections that were removed by the House that were added by the Senate, it is about 6 or 7.

Rep. Skarphol: Upper Great Plains was one.

Mathiak: The sections removed from the engrossed bill were sections 6, 9, 14

Chairman Delzer: What about 12, did you do anything to that?

Mathiak: That was removed by the House; it was in the original version, it was not added by the Senate.

Chairman Delzer: What did you do with the fuel tax?

Rep. Skarphol: The APUC funding coming from the gas tax has been dramatically declining funding source.

Mathiak: In section 3 of the engrossed version of the bill, they added a new continuing appropriation; the House removed that. They did remove the refund that is withheld for agricultural purposes of the motor vehicle fuel tax. That was removed, because that is a declining revenue source. APUC does get 5% of the profits of the State Mill and Elevator, so that has been sufficient for them.

23:25

Chairman Delzer: What about the ethanol incentive fund?

Mathiak: Currently, the 40% of the registration fees on the farm vehicles are transferred into the Ethanol Production Incentive Fund. That 40% was reduced down to 20% by the House.

**Rep. Grande**: To clarify, the money that we put in for disabled and developmentally delayed childcare, references specific Century Code. It specifically talks about the programming development of programming, program environment, care practices, individual needs of the children, assisting in providers in development coordinators plans etc. Those are all a part of that section and what this grant goes on to say is that they may also be used for equipment. All of it inclusive of this type of section.

Rep. Pollert: Why was the ethanol incentive fund dropped from 40 to 20?

Rep. Streyle: That was cut by around \$2 million, 50%. It was felt by the division that some have been subsidized since 2005-2006 and it was not needed to continue at that level.

Rep. Skarphol: The funding originates from 40% of registration fees on farm vehicles going to that subsidy. It would go back to the formula for distribution.

Chairman Delzer: The way the ethanol incentive fund is set up, it is counter-cyclical to corn prices. It was limited to 10 years and a maximum dollar amount. Did you look at where that is at?

**Rep. Skarphol**: We have plants that have received payments since 2007. Whatever money is available is prorated to the plants based on production. Listed how much each plant has received since 2007.

27:17

Chairman Delzer: Do we have a cap?

**Rep. Skarphol**: An eligible producer cannot receive more than 1.6 million per year. The revenues flowing into there have not made it to that point. No producer may receive in excess of \$10 million in incentive payments over the life of their production facility.

28:20

Rep. Kreidt: If we could go back to the Dickinson State and Theodore Roosevelt Center, could you elaborate more?

**Rep. Skarphol**: The intent is for the Teddy Roosevelt Presidential Library, except that it cannot be an official presidential library, because the state cannot create what would be recognized as one. It is an opportunity for western ND to have something pretty unique. It is not to be a library for Dickinson State University, but to be a presidential facility.

**Rep. Martinson**: It will be somewhat like the George Bush or Ronald Reagan libraries. It's not a book library; it's more of a scholarly library. Roosevelt does not have a presidential library and there was an effort to make a presidential library for him I think in Long Island. They were all set to build it and it fell through.

31:20

Rep. Skarphol: I don't remember who the first president was to receive a presidential library, but no presidential library has ever been built for a previous president.

Rep. Skarphol moved adoption of amendment .02010, seconded by Rep. Monson.

**Rep. Hawken**: On the energy conservation fund grants, in reading the Industrial Commission minutes there was discussion about how that was used. Why are we taking that out? It is in Section 12 in the bill.

**Rep. Skarphol**: We took the section out because of the continuing appropriation. We wanted it to be appropriated. I don't think we took out the money, just the authority for a continuing appropriation

Mathiak: Section 12 of the engrossed version talks about the energy conservation grant fund. We removed that whole section.

Chairman Delzer: The money is probably still exists in the Industrial Commission.

Rep. Streyle: That section was removed. These are grants to political subdivisions; we felt that shouldn't be covered by the state.

Rep. Hawken: What happens to the half a penny that was going into that fund?

Chairman Delzer: Removing this would probably would not change that.

Rep. Hawken: Those funds would still exist?

Chairman Delzer: The money would still exist in the existing fund. Current language would still be there.

Rep. Nelson: What would that money be used for?

Chairman Delzer: Whatever it's been; it's probably in the grants line of one of these bills.

Rep. Nelson: So that would just be switched over to the grants line and it could be appropriated through the Commerce Dpartment in there grants line?

Chairman Delzer: If that is where it currently exists. If it's not in the grants line than that is something we need to check out.

Rep. Nelson: I don't think that's true.

Mathiak: I will have to check on where the money is coming in for that fund.

38:55

Rep. Skarphol: I just found my notes on this. The money is actually one half of one percent of the resources trust fund amounts \$2.7 million. The money will remain in the resources trust fund.

Rep. Hawken: So this money would not be available to do these things.

Rep. Skarphol: No. If it is worthwhile we shouldn't have to subsidize political subdivisions to do it.

Rep. Nelson: That would flow back to the resource trust fund and be used for water projects, in all likelihood. I believe when that resource trust fund was set up there was some energy conservation money that was in there and not one dollar has been spent out of there yet for that program. Is that correct?

Rep. Skarphol: That is correct.

Rep. Nelson: It seems illogical to have language where we choose to use some and choose not to use others and this is one we've never used.

Rep. Glassheim: What is left of the base retention money, and what was changed on the unmanned aerial systems?

Rep. Skarphol: Explained how much is left on the base retentions. He didn't believe that they changed anything with regard to the unmanned aerial systems.

42:05

Motion carried on a voice vote.

42:45

Rep. Nelson moved to further amend to change from 20% to 40% and seconded by Rep. Kempenich.

Rep. Skarphol: Some of us think ethanol should be a profitable business; it appears to be a profitable business. It was the sense of the subsection that we didn't think we needed to continue to do that at that level and that the money should go back to other important needs of North Dakota. Most of that money will go back to the political subdivisions in some form or another.

Rep. Nelson: I think this program; it's been a model that many states have used to promote a wider fuel production methodology. It's not a direct subsidy unless there is a market based reason for it. It's been used sporadically; it has a limit; it promotes ethanol plants in our state. In North Dakota we use about one unit-train a day of corn for production. If we don't have them here and they close down. What happens to that corn? Its shipped out of state.

47:28

Rep. Skarphol: The only affect that the change has is that it lengthens the time frame for these entities to get the money. It really doesn't change how much money they get.

**Rep. Holman**: The extension of this carries back to probably one the entities that's been increasing ag income in our state and that is corn. The ethanol production within our state can be tied directly to the marketability of corn and thus adding to the income of our state. So, there is a return to supporting ethanol by added income and taxes to our treasury.

Rep. Streyle: He would be amenable to take it out if it will cause great problems to the industry.

**Rep. Skarphol**: We aren't cutting the money that these plants are going to get. We are just extending the time frame over which they'll get it. They are eligible for \$10 million. If getting \$600,000 a year in an ethanol subsidy makes a difference in the operation of one of these plants, I would be amazed. And if it does, then I would say they have much bigger problems then the size of this payment.

Motion carried on a voice vote.

Rep. Skarphol moved do pass as amended and seconded by Rep. Monson. Motion carried with Rep. Skarphol to carry the bill. Aye-21 Nay-1 Absent-0

Chairman Delzer recessed the committee for five minutes.



# PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

- Page 1, line 2, after the semicolon insert "to provide an appropriation to Dickinson state university;"
- Page 1, line 2, replace "chapter to title 6" with "section to chapter 6-09.15, a new subsection to section 6-09.15-01"
- Page 1, line 3, replace "section 54-45.5-10, and three" with "two new sections to chapter 54-60, two"
- Page 1, line 3, after "54-65" insert ", and a new subsection to section 57-35.3-05"
- Page 1, line 4, replace "program" with "for child care facilities, an unmanned aircraft systems program"
- Page 1, line 4, remove "the energy"
- Page 1, line 5 remove "conservation fund, and"
- Page 1, line 5, after "program" insert ", the research North Dakota biotechnology program, and housing incentive fund tax credits"
- Page 1, line 6, after the second comma insert "and"
- Page 1, line 6, after the third comma insert "subsection 1 of section 6-09.15-01, and sections"
- Page 1, line 6, remove "54-17-07.3,"
- Page 1, line 6, after the seventh comma insert "57-38-01.32,"
- Page 1, line 8, after the first comma insert "the beginning entrepreneur loan guarantee program, the"
- Page 1, line 9, replace "finance programs" with "incentive fund tax credits"
- Page 1, line 10, replace "for an upper great plains" with "a statement of legislative intent"
- Page 1, line 11, remove "transportation institute study"
- Page 1, line 11, after the second semicolon insert "to provide an effective date; to provide an expiration date;"
- Page 1, remove lines 22 through 24
- Page 2, replace lines 1 through 14 with:

		10 acc 324	*** 105 105
"Salaries and wages	\$10,858,251	\$1,327,174	\$12,185,425
	0	243,767	243,767
Accrued leave payments	12 876 6E0	1,059,099	14,935,749
Operating expenses	13,876,650		
Capital assets	70,018	(60,018)	10,000
	59,977,994	(4,155,044)	55,822,950
Grants	928,082	Ó	928,082
Discretionary funds	920,002	0 000 000	2,000,000
Workforce enhancement fund	0	2,000,000	
Economic development initiatives	186,846	0	186,846
Flood impact grants/loans	0	18,358,866	18,358,866



Less estimated income	2,739,767 0 2,613,400 2,022,044 0 93,273,052 69,666,470 623,606,582	500,727 6,000,000 0 0 <u>796,770</u> \$26,071,341 <u>3,656,143</u> \$22,415,198	3,240,494 6,000,000 2,613,400 2,022,044 796,770 \$119,344,393 73,322,613 \$46,021,780"
Page 2, replace line 25 with: "Flood impact grants/loans		235,000,000	18,358,866"
Page 2, replace line 27 with: "Research North Dakota Page 2, remove lines 30 and 31		0	6,000,000"
Page 3, replace lines 1 and 2 with: "Tourism large infrastructure grants		0	500,000"
Page 3, replace lines 5 through 7 with: "Total all funds Less estimated income Total general fund		\$272,121,750 <u>259,496,750</u> \$12,625,000	\$36,655,636 <u>21,655,636</u> \$15,000,000"

Page 3, after line 11, insert:

"SECTION 3. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$15,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the period beginning with the effective date of this Act and ending June 30, 2015. The funding provided in this section is considered one-time funding.

SECTION 4. APPROPRIATION - DICKINSON STATE UNIVERSITY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, and from special funds from private gifts and donations, the sum of \$3,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of constructing a Theodore Roosevelt center, for the biennium beginning July 1, 2013, and ending June 30, 2015. The funding provided in this section is considered a one-time funding item. Dickinson state university may not spend any of the funds appropriated from the general fund under this section until it has raised \$3,000,000 from nonstate sources for the project."

Page 3, line 14 remove "- Continuing"

Page 3, line 15 remove "appropriation"

Page 3, line 18 remove the overstrike over "The fund must be used to"

Page 3, line 19 remove the overstrike over "defray"

Page 3, line 19 remove "All moneys in the fund are appropriated to the department of commerce on a continuing"

Page 3, line 20, remove "basis for the purpose of defraying"

Page 4, remove lines 22 through 30

Page 5, replace lines 1 through 30 with:

"SECTION 8. AMENDMENT. Subsection 1 of section 6-09.15-01 of the North Dakota Century Code is amended and reenacted as follows:

- "Beginning entrepreneur" means a resident of this state who:
  - Has graduated from high school or has received a general equivalency certificate.
  - Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
  - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than two hundred thousand dollarsan amount determined by the Bank of North Dakota.

**SECTION 9.** A new subsection to section 6-09.15-01 of the North Dakota Century Code is created and enacted as follows:

"Child care provider" means a child care home, group, or center licensed by the department of human services.

SECTION 10. A new section to chapter 6-09.15 of the North Dakota Century Code is created and enacted as follows:

## Loan guarantee for child care facility.

A beginning entrepreneur who receives a loan for a child care facility must be a child care provider."

Page 6, remove lines 25 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 5

Page 8, line 10, replace "fifty" with "thirty"

Page 8, line 13, after the period insert "The housing finance agency shall disburse from the fund:

- a. Two million six hundred thousand dollars for grants to child care providers for new construction, rehabilitation, or acquisition of child care facilities.

  The housing finance agency shall establish guidelines to qualify for a grant under this section which must include a matching requirement of one dollar of matching funds for every three dollars of grant funds and a maximum grant amount of one hundred eighty-seven thousand five hundred dollars.
- <u>b.</u> Four hundred thousand dollars for grants to licensed early childhood services providers that provide care for children with disabilities or

developmental delays pursuant to section 5-11.1-18. The grants may be used for equipment, renovation of facilities used to provide the services, and staff."

- Page 8, line 16, overstrike "with a population of not more than ten"
- Page 8, line 17, overstrike "thousand individuals"
- Page 8, line 18, overstrike "At least fifty percent" and insert immediately thereafter "A portion"
- Page 8, line 18, after "fund" insert "as determined by the housing finance agency in the annual allocation plan"
- Page 8, line 18, overstrike "households with"
- Page 8, line 19, overstrike "incomes at not more than fifty percent of the area median" and insert immediately thereafter "individuals and families of low income or moderate"
- Page 8, line 20, after "fund" insert ", project developers, applicants, or grant recipients"
- Page 8, line 22, after "housing" insert "or child care facility"
- Page 8, line 24, after "project" insert "or a child care facility"
- Page 9, line 2, after the third semicolon insert "nonprofit organizations and for-profit child care providers;"
- Page 9, replace lines 15 through 21 with:

"SECTION 15. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

# Unmanned aircraft systems program - Report to legislative management.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties appointed by the governor in the administration of the test site. The department may charge fees sufficient to operate the test site. The department shall, to the extent possible, use competitive bidding in the establishment and administration of the test site. The commissioner may charter a public corporation to operate the test site. The corporation must possess all of the powers of a business corporation consistent with this chapter. The department shall report to the legislative management semiannually on the status of the program.

SECTION 16. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

# Unmanned aircraft systems program fund - Continuing appropriation.

There is created in the state treasury a special fund known as the unmanned aircraft systems fund, which must be used to defray the expenses of the operations of an unmanned aircraft systems test site officially designated by the federal aviation administration. The fund consists of fees collected for the administration of the test site. All moneys in the fund are appropriated to the department of commerce on a

continuing basis for the purpose of defraying the expenses of the unmanned aircraft systems program. Interest earned on moneys in the fund must be credited to the fund."

Page 9, remove lines 22 through 31

Page 10, replace lines 1 through 12 with:

"SECTION 17. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

## Research North Dakota biotechnology grants.

The department shall establish and administer a research North Dakota biotechnology grant program to provide grants to eligible tax-exempt nonprofit organizations or foundations with principal offices in North Dakota that shall award grants to eligible private companies with research facilities and principal operations located within the state to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases. To be eligible for a grant under this section, a tax-exempt nonprofit organization or foundation:

- Must be an independent grantmaking organization that has previous experience administering grants within the state for health-related purposes, including projects designed to improve health and access to health care;
- Shall provide the department with detailed documentation:
  - a. Of private sector participation, including the private company's:
    - (1) Establishment of a partnership with a research university or a related research university organization to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases; and
    - (2) Establishment of research facilities and principal operations within the state; and
  - Of the availability of one dollar of matching funds from private or other public sources for each dollar of state funds to be distributed.
     Matching funds must be in the form of cash and may not include in-kind assets;
- 3. May not retain more than five percent of the grant award for administrative costs; and
- 4. May not provide indirect cost reimbursement to a research university or a related research university organization of more than five percent of the amount of the grant award relating to the research university's involvement or the related research university organization's involvement."

Page 10, line 15, after "Dakota" insert "biotechnology"

Page 10, line 16, after "Dakota" insert "biotechnology"

Page 10, line 17, after "Dakota" insert "biotechnology"

Page 10, line 18, replace "this chapter" with "a research North Dakota biotechnology grant program"

Page 10, after line 19, insert:

"SECTION 19. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 54-17-40. For the purposes of the credit allowed in this subsection, subsections 2 through 9 of section 57-38-01.32 apply.

SECTION 20. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, 20102012) Housing incentive fund tax credit.

- 1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
- North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
- The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
- If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
- The aggregate amount of tax credits allowed to all eligible contributors is limited to fifteen million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
- 6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
  - The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
  - The dollar amount paid for the contribution by the taxpayer.
  - The date the payment was received by the fund.

- 81
- 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
- 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.
- 9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of 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."
- Page 12, line 7, replace "The amount" with "Of the \$1,000,000"
- Page 12, line 9, after "Laws" insert ", \$700,000"
- Page 12, line 10, after the period insert "The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall use up to \$300,000 for a grant to a not-for-profit organization assisting individuals with business ideas. The department of commerce shall use any remaining amount for the technology-based entrepreneurship grant program."
- Page 12, line 18, replace "for" with "during the biennium beginning July 1, 2013, and ending June 30, 2015. The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall award a grant of up to \$100,000 for promotion and marketing of the USS North Dakota. The department of commerce shall award"
- Page 12, line 19, replace "and" with ". The department of commerce shall award a direct grant and not a cost reimbursement grant"
- Page 12, line 22, remove "during the biennium beginning July 1, 2013, and ending June 30, 2015"
- Page 12, line 29, replace "\$1,500,000" with "\$1,000,000"
- Page 13, line 1, after "DAKOTA" insert "BIOTECHNOLOGY"
- Page 13, line 3, after "Dakota" insert "biotechnology"
- Page 13, line 4, after "Dakota" insert "biotechnology grant"
- Page 13, line 5, remove "The department of commerce may use up to"
- Page 13, remove lines 6 through 10
- Page 13, line 24, after the period insert "The grant program must award direct grants and not cost reimbursement grants."
- Page 13, remove lines 26 through 30



Page 14, remove lines 1 and 2

Page 14, line 3, remove "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"

Page 14, line 7, remove "strategic investment and"

Page 14, line 8, replace "improvements" with "general"

Page 14, remove lines 29 through 31

Page 15, remove lines 1 through 8

Page 15, after line 15, insert:

"SECTION 40. LEGISLATIVE MANAGEMENT STUDY - INTELLECTUAL PROPERTY AT RESEARCH UNIVERSITIES. During the 2013-14 interim, the legislative management shall consider studying the intellectual property policies and procedures at research universities within the state. The study must include consideration of the current and potential income generated through the commercialization of intellectual property. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Page 15, after line 20, insert:

"SECTION 42. EFFECTIVE DATE - EXPIRATION DATE. Sections 19 and 20 of this Act are effective for the first two taxable years beginning after December 31, 2012, and are thereafter ineffective."

Page 15, line 21, replace "\$1,500,000" with "\$1,000,000"

Page 15, line 24, replace "26" with "3, 13, 15, 16, 31,"

Page 15, line 24, replace "32" with "35"

Renumber accordingly

### STATEMENT OF PURPOSE OF AMENDMENT:

## Senate Bill No. 2018 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Dickinson State University	**	\$0	\$9,000,000	\$9,000,000
Total all funds	\$0 0	0	3,000,000	3,000,000
Less estimated income General fund	\$0	\$0	\$6,000,000	\$6,000,000
Housing Finance Agency	***	\$0	\$15,000,000	\$15,000,000
Total all funds	\$0 0	4.0	\$15,000,000	0
Less estimated income General fund	\$0	<u>0</u> \$0	\$15,000,000	\$15,000,000
Department of Commerce			(67,000,470)	¢440.244.202
Total all funds	\$124,566,065	\$127,327,563	(\$7,983,170) 2,521,434	\$119,344,393 73,322,613
Less estimated income General fund	\$56,325,031	70,801,179 \$56,526,384	(\$10,504,604)	\$46,021,780
Bill total			Take de	- VIII 111 1944
Total all funds	\$124,566,065	\$127,327,563	\$16,016,830	\$143,344,393
Less estimated income	68,241,034	70,801,179	5,521,434	76,322,613
General fund	\$56,325,031	\$56,526,384	\$10,495,396	\$67,021,780

## Senate Bill No. 2018 - Dickinson State University - House Action

Theodore Roosevelt center	Executive Budget	Senate Version	House Changes \$9,000,000	House Version \$9,000,000
Total all funds Less estimated income	\$0 0	\$0 0	\$9,000,000 3,000,000	\$9,000,000 3,000,000
General fund	\$0	\$0	\$6,000,000	\$6,000,000
FTE	0.00	0.00	0,00	0.00

# Department No. 239 - Dickinson State University - Detail of House Changes

	Adds Funding for Theodore Roosevelt Center <sup>1</sup>	Total House Changes
Theodore Roosevelt center	\$9,000,000	\$9,000,000
Total all funds Less estimated income	\$9,000,000 3,000,000	\$9,000,000 3,000,000
General fund	\$6,000,000	\$6,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment adds funding of \$6 million from the general fund and \$3 million from special funds to Dickinson State University for construction of a Theodore Roosevelt Center. The \$6 million of funding from the general fund may not be spent until Dickinson State University raises \$3 million from nonstate sources for the project.

# Senate Bill No. 2018 - Housing Finance Agency - House Action

	Executive Budget	Senate Version	House Changes	House Version
Housing incentive fund			\$15,000,000	\$15,000,000
Total all funds Less estimated income	\$0 0	\$0 0	\$15,000,000 0	\$15,000,000 0
General fund	\$0	\$0	\$15,000,000	\$15,000,000
FTE	0.00	0.00	0.00	0.00

# Department No. 473 - Housing Finance Agency - Detail of House Changes

	Provides a Transfer to Housing Incentive Fund <sup>1</sup>	Total House Changes
Housing incentive fund	\$15,000,000	\$15,000,000
Total all funds Less estimated income	\$15,000,000 0	\$15,000,000 0
General fund	\$15,000,000	\$15,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment provides a transfer of \$15 million from the general fund to the housing incentive fund.

### Senate Bill No. 2018 - Department of Commerce - House Action

		Executive Budget	Senate Version	House Changes	House Version
Salaries and wage	96	\$12,396,970	\$12,658,468	(\$473,043)	\$12,185,425
Operating expens		16,434,601	16,434,601	(1,498,852)	14,935,749
Capital assets	40	10,000	10.000		10,000
Grants		59,147,950	61,647,950	(5,825,000)	55,822,950
Discretionary fund	te	928,082	928,082	2	928,082
Workforce enhance		2.000,000	2,000,000		2,000,000
Economic develo		186,846	186,846		186,846
Flood impact gran	nts and loans	11,782,866	11,782,866	6,576,000	18,358,866
Ag Products Utiliz		3,246,536	3,246,536	(6,042)	3,240,494
Research North D	Dakota	12,000,000	12,000,000	(6,000,000)	6,000,000
North Dakota Tra		2,613,400	2,613,400	45.00	2,613,400
Partner programs		2,022,044	2,022,044		2,022,044
Federal fiscal stir		796,770	796,770		796,770
North Dakota pla		1,000,000	1,000,000	(1,000,000)	
Accrued leave pa			7.0301	243,767	243,767
Total all funds		\$124,566,065	\$127,327,563	(\$7,983,170)	\$119,344,393
Less estimated in	ncome	68,241,034	70,801,179	2,521,434	73,322,613
General fund		\$56,325,031	\$56,526,384	(\$10,504,604)	\$46,021,780
FTE		69.25	69.25	0.00	69.25

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

	Adjusts State Employee Compensation and Benefits Package <sup>1</sup>	Provides Separate Line Item for Accrued Leave Payments <sup>2</sup>	Reduces Funding for the State Data Center <sup>3</sup>	Removes Funding for Child Care Facility Grants <sup>4</sup>	Changes Funding Source for Unmanned Aircraft System <sup>5</sup>	Reduces Funding for Tourism Large Infrastructure Grants <sup>6</sup>
Salaries and wages Operating expenses	(\$235,318)	(\$237,725)	(98,852)			
Capital assets Grants Discretionary funds Workforce enhancement fund Economic development initiatives				(5,000,000)		(825,000)
Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office Partner programs		(6,042)				
Federal fiscal stimulus funds North Dakota planning initiative		243,767				
Accrued leave payments		245,707				613277
Total all funds Less estimated income	(\$235,318) (54,566)	\$0 0	(\$98,852) 0	(\$5,000,000)		(\$825,000)
General fund	(\$180,752)	\$0	(\$98,852)	(\$5,000,000)	\$4,000,000	(\$825,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	Removes Funding for North Dakota Planning Initiative <sup>7</sup>	Removes Funding for UGPTI Transportation Study <sup>a</sup>	Reduces Funding for InnovateND Program <sup>9</sup>	Reduces Funding for Operation Intern <sup>10</sup>	Reduces Funding for Tourism Marketing <sup>11</sup>	Adds Funding for Flood Grants and Loans <sup>12</sup>
Salaries and wages Operating expenses		(350,000)	(50,000)	(500,000)	(500,000)	
Obergring expenses		(L		120-10-31		
			11 40			0 00011

Page No. 10

13.8168.02011

8/3

Capital assets
Grants
Discretionary funds
Workforce enhancement fund
Economic development
initiatives
Flood impact grants and loans
Ag Products Utilization
Commission
Research North Dakota
North Dakota Trade Office
Partner programs
Federal fiscal stimulus funds
North Dakota planning initiative

6,576,000

Accrued leave payments						
Total all funds Less estimated income	(\$1,000,000) 0	(\$350,000) 0	(\$50,000) 0	(\$500,000) 0	(\$500,000)	\$6,576,000 6,576,000
General fund	(\$1,000,000)	(\$350,000)	(\$50,000)	(\$500,000)	(\$500,000)	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Reduces Funding for Research North Dakota <sup>13</sup>	Total House Changes
Salaries and wages Operating expenses		(\$473,043) (1,498,852)
Capital assets Grants Discretionary funds		(5,825,000)
Workforce enhancement fund Economic development		
initiatives Flood impact grants and loans Ag Products Utilization		6,576,000 (6,042)
Commission Research North Dakota North Dakota Trade Office	(6,000,000)	(6,000,000)
Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments		(1,000,000) 243,767
Total all funds Less estimated income	(\$6,000,000) 0	(\$7,983,170) 2,521,434
General fund	(\$6,000,000)	(\$10,504,604)
FTE	0.00	0.00

(1,000,000)

<sup>&</sup>lt;sup>1</sup> This amendment adjusts the state employee compensation and benefits package as follows:

Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

Reduces the market component from 2 to 4 percent per year for employees below the midpoint
of their salary range up to 2 percent for employees in the first quartile of their salary range for the
first year of the biennium only.

Removes funding for additional retirement contribution increases.

<sup>&</sup>lt;sup>2</sup> A portion of salaries and wages funding from the general fund (\$187,753) and from other funds (\$56,014) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

<sup>&</sup>lt;sup>3</sup> This amendment reduces the funding for the State Data Center by \$98,852, from \$498,852 to \$400,000. The executive recommendation provided \$498,852.

<sup>&</sup>lt;sup>4</sup> This amendment removes funding of \$5 million from the general fund for child care facility grants. The

executive recommendation provided \$5 million.



- <sup>5</sup> The funding source for the \$4 million portion of the unmanned aircraft system grant is changed from the strategic investment and improvements fund to the general fund. The executive recommendation provided the strategic investment and improvements fund as the funding source.
- <sup>6</sup> This amendment reduces the funding for tourism large infrastructure grants by \$825,000 to provide a total of \$500,000. The executive recommendation provided \$1,325,000.
- <sup>7</sup> This amendment removes funding of \$1 million for the North Dakota planning initiative. The executive recommendation provided \$1 million.
- <sup>8</sup> Funding of \$350,000 from the general fund is removed for an Upper Great Plains Transportation Institute study of transportation infrastructure needs. The executive recommendation provided \$350,000.
- <sup>9</sup> This amendment reduces funding for the InnovateND program by \$50,000, from \$500,000 to \$450,000. The executive recommendation provided \$500,000.
- <sup>10</sup> Funding for the Operation Intern is reduced by \$500,000, from \$1.5 million to \$1 million. The executive recommendation provided \$1.5 million.
- <sup>11</sup> This amendment reduces funding for tourism-related marketing by \$500,000, from \$9,184,329 to \$8,684,329. The executive recommendation provided \$9,184,329.
- <sup>12</sup> Funding of \$6,576,000 of federal funds is added for flood impact grants and loans to provide a total of \$18,358,866. The executive recommendation provided \$11,782,866.
- <sup>13</sup> This amendment reduces funding from the general fund for Research North Dakota by \$6 million, from \$12 million to \$6 million. The executive recommendation provided \$12 million.

#### This amendment also:

- Removes a section added by the Senate to create a new loan guarantee program for child care facility loans.
- Removes the transfer of \$200,000 from Bank of North Dakota profits to a child care facility loan guarantee program added by the Senate.
- Adds three new sections to expand the beginning entrepreneur loan guarantee program to include child care facilities.
- Removes a section providing for a child care facility grant program.
- Removes a section added by the Senate to expand the Housing Finance Agency programs to include a child care facility finance program.
- Changes the requirements of the housing incentive fund to allow for financing of child care
  facilities, to provide grants for child care facilities, to provide grants to child care providers that
  provide services to children with disabilities, and to limit the fund balance to \$30 million. The
  Senate provided a maximum fund balance of \$50 million.
- Adds two new sections to provide housing incentive fund tax credits for two years and to limit total tax credits to \$15 million.
- Adds a new section to provide an effective date and an expiration date for housing incentive fund tax credits.
- Adds two new sections to establish an unmanned aircraft systems program administered by the
  Department of Commerce, to provide for semiannual reports to the Legislative Management, and
  to create a new continuing appropriation to the Department of Commerce of money in the
  unmanned aircraft systems program fund.
- Adds a new section to establish a Research North Dakota biotechnology grant program.
- Removes a section to create a Research North Dakota program.



- Removes a section added by the Senate to create a Research North Dakota venture grants program.
- Removes the requirement that up to \$2 million of the funds transferred to the Research North Dakota fund be used for Research North Dakota venture grants.
- Renames the Research North Dakota fund the Research North Dakota biotechnology fund.
- Removes a new continuing appropriation to the agricultural fuel tax fund.
- Removes a section providing a continuing appropriation to the energy conservation grant fund.
- Changes the exemption for the technology-based entrepreneurship grant program to designate that the Department of Commerce use up to \$300,000 for a grant to the Incubator for Developing Entrepreneurial Activity (IDEA) Center in Bismarck.
- Changes the exemption for base retention grants to designate that the Department of Commerce use up to \$100,000 for grants to promote the USS North Dakota.
- Reduces the amount transferred to the internship fund by \$500,000, from \$1.5 million to \$1 million.
- Removes a section providing for an Upper Great Plains Transportation Institute transportation study.
- Adds a new section for a Legislative Management study of intellectual property at research universities.
- Changes the emergency clause section to include the transfer to the housing incentive fund, the
  requirements for the housing incentive fund, and the continuing appropriation for the unmanned
  aircraft systems program.

	61-3	-12
Date: _	1-2	1)
Roll Ca	Il Vote #:	

House Education and Environment Division				_ Comr	nittee
Check here for Conference	Committe	ee			
Legislative Council Amendment Nu	ımber _	0.	2004		
Action Taken: Do Pass	] Do Not	Pass	☐ Amended ☒ Add	pt Amen	dmen
Rerefer to A	ppropria	tions	Reconsider		
Motion Made ByRep. Martins	on	Se	econded By Rep. Gran	de	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	X		Rep. Clark Williams	X	
Vice Chairman David Monson	X		Rep. Tracy Boe	X	
Rep. Bob Martinson	X				
Rep. Roscoe Streyle	X			1100	
Rep. Mark Dosch	X			1 Land	
Rep. Bette Grande	X				
Total (Yes)			lo		
Absent O					
	d = 61 t = =11.=		O. C.		
If the vote is on an amendment, be	rietly indic	ate inte	ent.		

Date:	4-3-	-13	
Roll Cal	Vote #:	2	

House Education and Environment Division				Comr	nittee
Check here for Conference (	Committe	е			
Legislative Council Amendment Nu	mber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Add	opt Amen	dmer
Rerefer to A	ppropriat	ions	Reconsider		21101
Motion Made By Rep. Strey	ile	Se	econded By Rep. Dose	ch	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	X		Rep. Clark Williams	X	
Vice Chairman David Monson	'X		Rep. Tracy Boe	X	
Rep. Bob Martinson	X				
Rep. Roscoe Streyle	X				
Rep. Mark Dosch	×				
Rep. Bette Grande	X				
Total (Yes)			No		
Floor Assignment  If the vote is on an amendment, but	riefly indic				

Date:		
Roll Call Vote #:	3	

House Education and Environment Division				_ Comr	nittee
☐ Check here for Conference	Committe	е			
Legislative Council Amendment Nu	ımber _				
Action Taken: Do Pass	] Do Not	Pass	☐ Amended ☒ Ado	pt Amen	dment
Rerefer to A	Appropriat	ions	Reconsider		-
Motion Made By Rep. M	on <i>so</i> n	Se	econded By Rep. G	rand	<u>'e</u>
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe	_	
Rep. Bob Martinson				-	
Rep. Roscoe Streyle				-	
Rep. Mark Dosch					
Rep. Bette Grande					
					-
		-			
Total (Yes)			lo		
Absent <u>Carrie</u>	d on	Voi	ce vote		_
Floor Assignment					
If the vote is on an amendment, b	riefly indic	ate inte	ent:		
Bank of Ni avnerdment	05				
amendment					

Date: 4-B-13
Roll Call Vote #: 4

### 2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2018

House Education and Environment Division				_ Comr	Committee	
☐ Check here for Conference C	ommitte	е				
Legislative Council Amendment Nur	mber _					
Action Taken: Do Pass D	Do Not	Pass	☐ Amended      Add	pt Amen	dmen	
Rerefer to A	opropria	tions	Reconsider			
Motion Made By	n	Se	econded By	<i>h</i>		
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarphol	1.00		Rep. Clark Williams			
Vice Chairman David Monson			Rep. Tracy Boe			
Rep. Bob Martinson						
Rep. Roscoe Streyle						
Rep. Mark Dosch					1	
Rep. Bette Grande					-	
				-		
	-				-	
	+	-			1	
	-	-				
Total (Yes)		N	lo			
Absent Voice	VOT	te	p96505			
Floor Assignment						

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

	41-18	-3	
Date:	7 1	/	
Roll Ca	all Vote #:	5	

House _Education and Environme	nt Divisio	n		Com	nittee
☐ Check here for Conference C	Committe	ee			
Legislative Council Amendment Nu	mber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☒ Add	pt Amen	dmen
Rerefer to A	ppropria	tions	Reconsider		
Motion Made By Gran	de	Se	econded ByMon	son	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					4
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande					
		-			
Total (Yes)		N	lo		
Absent					
Floor Assignment					
If the vote is on an amendment, br	iefly indic	ate inte	ent:		

3.4 committed with the

Date:	4-3-	13
	Vote #:	5

House _Education and Environm	ent Divisio	n		Com	mittee
☐ Check here for Conference	Committe	ee			
Legislative Council Amendment N	umber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Add	opt Amen	dment
Rerefer to	Appropria	tions	Reconsider		
Motion Made ByBo	2	Se	econded ByStr	eyle	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	X		Rep. Clark Williams	X	
Vice Chairman David Monson	X		Rep. Tracy Boe	X	
Rep. Bob Martinson	X				
Rep. Roscoe Streyle	X				
Rep. Mark Dosch	X	0			
Rep. Bette Grande	X				
				-	
				-	
			-		
			<u> </u>		
Total (Yes)			0		
Total (Yes)			lo		
Absent O					
Floor Assignment					
If the vote is on an amendment, be Substitute motion	n				
\$ 3 million We is 2 amen			ed with the		

Date:	4-	3-	13	
Roll Ca	II Vote	#:	6	

House Education and Environme	ent Division	1		Comn	nittee
Check here for Conference	Committe	е			
Legislative Council Amendment Nu	mber				
Action Taken: Do Pass	] Do Not	Pass	☐ Amended ☒ Ado	pt Amen	ament
Rerefer to A	Appropriat	ions	Reconsider		-
Motion Made By	50n	Se	econded By Gra	ande	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson				1	
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande					
		1			
					1
				-	
		-		-	
		-			
Total (Yes)			No		
Absent (Yes)	e vot	e po	15505		
Floor Assignment					
If the vote is on an amendment,					
	1	1.	1		
	40	10	36		
	See	turi	30		
	9				

	4 7-	13	
Date:	1-5	13	
Roll Ca	all Vote #: _	7	

House Education and Environme	ent Divisio	n		Comr	mittee
Check here for Conference (	Committe	ee			
Legislative Council Amendment Nu	mber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Ado	pt Amen	dment
Rerefer to A	ppropria	tions	Reconsider		
Motion Made By	le-	Se	econded By Marti	uson	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	1.00		Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					
Rep. Roscoe Streyle					
Rep. Mark Dosch			19		-
Rep. Bette Grande			75 76		
			Let's		
					-
					-
Total (Yes)		N	In		
1/ .					
Absent Voice	Vo	te	pgs565		
			10		
Floor Assignment					
If the vote is on an amendment, br	iefly indic	ate inte	ent:		
Remove 51					

	4-2-	-12	
Date:	1 )	10	
Roll Ca	II Vote #:	8	

House Education and Environm	ent Divisio	n		Com	mittee
☐ Check here for Conference	Committe	ee			
Legislative Council Amendment No	umber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☒ Add	opt Amen	dment
Rerefer to A	Appropria	tions	Reconsider		
Motion Made By	son	Se	econded By <u>Gra</u>	nde	_
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					
Rep. Roscoe Streyle					
Rep. Mark Dosch		-			
Rep. Bette Grande					
					1
Total (Yes)		N	0		
Absent					
Floor Assignment	oice	V	ote carried		
If the vote is on an amendment, be	riefly indica	ate inte	nt:		
Change 4	on s	gre	ensheet		
reflected	on g	ener	ral fund only	ava:	-11
if there	are	fea	leral funds	104/	96/6

Date:	4-3-	-13	
_	Il Vote #:	9	

House Education and Environme	ent Divisio	n		Comr	nittee
☐ Check here for Conference (	Committe	e			
Legislative Council Amendment Nu	mber _				
Action Taken: Do Pass	] Do Not	Pass	☐ Amended ☒ Ado	pt Amen	dment
Rerefer to A	ppropria	tions	Reconsider		
Motion Made By	yle	Se	econded By	tinso	<u>n</u>
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson				-	
Rep. Roscoe Streyle			-		
Rep. Mark Dosch					W. Tal
Rep. Bette Grande					
					-
				-	-
					-
Total (Yes)		N	lo		
Absent					
Floor Assignment					
If the vote is on an amendment, but	riefly indic	ate inte	ent:		
move the 1					
# 6 on page 2	onthe				
green sheet					

Date: 4-3-13
Roll Call Vote #: 9

House Education and Environment Division					Committee	
Check here for Conference	Committe	е				
Legislative Council Amendment Nu	ımber _					
Action Taken: Do Pass	] Do Not	Pass	☐ Amended ☒ Ado	pt Amen	dment	
Rerefer to A	ppropriat	tions	Reconsider	-		
Motion Made By	<u>h</u>	Se	econded ByBa	e		
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarphol			Rep. Clark Williams			
Vice Chairman David Monson			Rep. Tracy Boe			
Rep. Bob Martinson				1	1	
Rep. Roscoe Streyle						
Rep. Mark Dosch					12.5	
Rep. Bette Grande					· ·	
r (2/0)					(Lan)	
				11/2		
					1 1	
Total (Yes)		N	lo			
Absent Voic	e Vo	te	carries			
Floor Assignment						
If the vote is on an amendment, be $5ubstitute$	ma.	tinn				
90 1	075	00,				

	41-	. 3.	-13	
Date: _	1	1	1)	
Roll Ca	II Vote	e #:	10	

House Education and Environment Division				_ Comr	Committee	
☐ Check here for Conference (	Committe	e				
Legislative Council Amendment Nu	mber _					
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☒ Add	opt Amen	dment	
Rerefer to A	ppropria	tions	Reconsider			
Motion Made By 5trey	le	Se	econded By <u>Gra</u>	inde	_	
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarphol			Rep. Clark Williams			
Vice Chairman David Monson			Rep. Tracy Boe			
Rep. Bob Martinson	- News			1	1	
Rep. Roscoe Streyle						
Rep. Mark Dosch					1	
Rep. Bette Grande						
					)	
Total (Yes)	4		lo			
Floor Assignment			-			

\$300,600 Cap

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

D-4	4-3-1	3	
Date: _Roll Ca	all Vote #:	10	

House Education and Environment Division					Committee	
☐ Check here for Conference C	Committe	е				
Legislative Council Amendment Nur	mber _					
Action Taken: Do Pass D	Do Not	Pass	☐ Amended      Ado	pt Amen	dment	
Rerefer to A	ppropria	tions	Reconsider			
Motion Made By Strey	yle	Se	econded By Dose	ch	_	
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarphol	X		Rep. Clark Williams		X	
Vice Chairman David Monson		X	Rep. Tracy Boe		X	
Rep. Bob Martinson	X					
Rep. Roscoe Streyle	X				Y S	
Rep. Mark Dosch	X	VIE				
Rep. Bette Grande	X					
Total (Yes)5		^	10			
Floor Assignment						
If the vote is on an amendment, bring substitute note that the substitute of the sub	notion	n	ent:			

	(1- )	- 1	2	
Date:	7 >	/		
Roll Ca	all Vote 7	<b>#</b> :	11	

House Education and Environment Division				_ Comr	Committee	
Check here for Conference (	Committe	ee				
Legislative Council Amendment Nu	ımber _					
Action Taken: Do Pass	] Do Not	Pass	☐ Amended ☐ Add	pt Amen	dmen	
Rerefer to A	Appropria	tions	Reconsider			
Motion Made By	ch	Se	econded By Gran	de		
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarphol	1.00		Rep. Clark Williams			
Vice Chairman David Monson			Rep. Tracy Boe			
Rep. Bob Martinson						
Rep. Roscoe Streyle						
Rep. Mark Dosch						
Rep. Bette Grande						
Trop. Botto Granas						
		1				
		-				
Total (Yes)		N	lo			
1.		, 1				
Absent V01	ce V	0+	c carried			
Floor Assignment						
		-1-1-1				
If the vote is on an amendment, b	riefly indic	ate inte	ent:			
/						

492 State data center

Date:	4-	3-	13	3	
Roll Call	Vote	#:		12	

House Education and Environment Division				Committee	
☐ Check here for Conference	Committe	e			
Legislative Council Amendment N	umber _				
Action Taken: Do Pass	☐ Do Not	Pass	☐ Amended ☐ Adop	t Amen	dment
Rerefer to	Appropria	tions	Reconsider		_
Motion Made By	c h	Se	econded By Boe		_
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson		25			
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande					
Total (Yes)			lo		
Absent /Di	ce Vi	ote	Carries		
Floor Assignment					
If the vote is on an amendment, t					
InovateNDS	100,0	000	increase be chan	ged	to
	50,000				

600,000 to 100,000

Date:	4-3-	13
	Vote #: _	13

House Education and Environment Division				_ Comr	Committee	
Check here for Conference C	Committe	ee				
Legislative Council Amendment Nu	mber _					
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Ado	pt Amen	dmen	
Rerefer to A	ppropria	tions	Reconsider		-	
Motion Made By	ande	Se	econded ByStr	eyle		
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarphol			Rep. Clark Williams			
Vice Chairman David Monson			Rep. Tracy Boe			
Rep. Bob Martinson						
Rep. Roscoe Streyle						
Rep. Mark Dosch						
Rep. Bette Grande						
					1	
Total (Yes)			No			
Absent						
Floor Assignment	-					
If the vote is on an amendment, br						

Go down to 750,000

Date:	4/13-	13
	Il Vote #:	13

House Education and Environmen	t Divisio	n		Comr	nittee
☐ Check here for Conference Co	ommitte	ee			
Legislative Council Amendment Num	ber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Adop	ot Amen	dment
Rerefer to Ap	propria	tions	Reconsider		
Motion Made By	h	Se	conded By Gra	and e	_
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson				1	
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande				-	
				1	-
					-
				-	+
Total (Yes)		N	0		
1/pia	0 1/	nta	carries		
Absent U016	CV	Uje	Carries		
Floor Assignment					
If the vote is on an amendment, brie	fly indic	ate inte	ent:		
Substitute					
1,	000	, 00	70		

	41- 2	-13	
Date:	7-7	1)	
Roll Call	Vote #:	14	

House Education and Environme	ent Divisio	n		Com	mittee
☐ Check here for Conference (	Committe	ee			
Legislative Council Amendment Nu	ımber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Add	pt Amen	dment
Rerefer to A	ppropria	tions	Reconsider		
Motion Made ByStre	yle	Se	econded ByMar	tinsor	1
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	X		Rep. Clark Williams	X	
Vice Chairman David Monson	X		Rep. Tracy Boe		X
Rep. Bob Martinson	X				
Rep. Roscoe Streyle	X				
Rep. Mark Dosch	X				
Rep. Bette Grande	×				
Total (Yes)		N	lo/		
Absent					
Floor Assignment	-				
If the vote is on an amendment, br	riefly indic	ate inte	ent:		

Strike Section 12.

	4-3-13	
Date: _	1 9 10	
Roll Ca	II Vote #:	

use _Education and Environmen	t Division			Comm	ittee
Check here for Conference Co	Ollimition				
gislative Council Amendment Num	nber _				
tion Taken: Do Pass D	Do Not	Pass	☐ Amended ☐ Ado	pt Amend	lmer
Rerefer to Ar	propriat	ions	Reconsider		
otion Made ByMar +			conded By	'amas	No
Representatives	Yes	No	Representatives  Rep. Clark Williams	100	
Chairman Robert Skarphol		-	Rep. Tracy Boe		
Vice Chairman David Monson	-	-	Rep. Hacy Boo		
Rep. Bob Martinson					
Rep. Roscoe Streyle		-			1
Rep. Mark Dosch		-			
Rep. Bette Grande	-	-			
	-	-			
	-	-			
	-	1			
		-			
	-				
Total (Yes)	'		No		
Total (Tes)	arr.		- 6.00'.5		
Absent	ce l	1010	e carries		
Floor Assignment					
If the vote is on an amendment, t	oriofly ind	inate in	tent.		

Date:	4-3-1	3
	Il Vote #: _	2

ouse Education and Environmen	nt Division			Comm	ittee
Check here for Conference C	ommine	5			
gislative Council Amendment Nun	nber _				
		Pacc	☐ Amended ☒ Ado	ot Amend	dmer
ction Taken: Do Pass D	DO NOT	1 455			
Rerefer to A	ppropriat	ions	Reconsider		
Notion Made ByS†re	yle	Se	conded By		,
Representatives	Yes	No		Yes	No
Chairman Robert Skarphol			Rep. Clark Williams	+	-
Vice Chairman David Monson			Rep. Tracy Boe		-
Rep. Bob Martinson					
Rep. Roscoe Streyle		-			
Rep. Mark Dosch					
Rep. Bette Grande					
	-				
		1			-
				-	-
					+
				-	+
Total (Yes)			No		
Total (Yes)	75		1		
Abaant	ice	VO	te carries		
Absent					
Floor Assignment					
If the vote is on an amendment,					
· · · · · · · · · · · · · · · · · · ·	briefly ind	icate ir	ILETIC.		

Date:	1-3-13
Roll Call V	ote #:3

ouse Education and Environmer	nt Division			Comm	ittee
Check here for Conference C					
egislative Council Amendment Nur					_
		Pass		pt Amend	imen
Rerefer to A	ppropriat	ions	Reconsider		
λ/( ι.			Str.	evle	
Motion Made ByMarti	nson	Se	conded By	yı	
	Vos	No	Representatives	Yes	No
Representatives	Yes	NO	Rep. Clark Williams	X	
Chairman Robert Skarphol	Y		Rep. Tracy Boe	X	
Vice Chairman David Monson	- <del>\</del>				
Rep. Bob Martinson	X				-
Rep. Roscoe Streyle	×				-
Rep. Mark Dosch Rep. Bette Grande	X				-
Rep. Bette Grande					+
					-
		4			
		-			
		1			_
Total (Yes)			No 0		
Total (Yes)		-			
$\sim$					
Absent					
Floor Assignment					
If the vote is on an amendment,	briefly inc	licate ir	ntent:		
		0	1 1 50000 0000	WAVA	10
Tdeg Ce	nter	fun	ded from carr	yove	,
	2 00	OM	2		
money 4	300,	UUL			

Date:	4-3-13	
	all Vote #:4_	

use Education and Environme	nt Division			Commi	ttee
euse Education and Environme	III DIVIOIO				
Check here for Conference C	Committee	Э			
gislative Council Amendment Nu	mber _		NT A I	1 A a p. a	lmon
ction Taken: Do Pass	Do Not	Pass		pt Ameno	men
Rerefer to A	ppropriat	ions	Reconsider		
Notion Made By	ich_	Se	conded By		
n entotivos	Yes	No	Representatives	Yes	No
Representatives			Rep. Clark Williams		
Chairman Robert Skarphol Vice Chairman David Monson			Rep. Tracy Boe		-
Rep. Bob Martinson				_	-
Rep. Roscoe Streyle					+
Rep. Mark Dosch					+
Rep. Bette Grande				_	+
Nep. Bette Granas				_	1
		-			
		-			
		4			
		-			
Total (Yes)			No		
Absent	ice v	ote	carries		
Floor Assignment					
Floor Vasidimient					

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

Make a study

Date:	4-	4	-/5	5
Roll Call	Vote #:		1	

House _Education and Environme	ent Divisio	n		Comn	nittee
☐ Check here for Conference (	Committe	e			
Legislative Council Amendment Nu	mber _				
Action Taken: Do Pass		Pass	☐ Amended ☐ Adop	ot Amen	dment
Rerefer to A	ppropria	tions	Reconsider		
Motion Made By	tinso.	n Se	econded ByStr	eyle	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande				-	-
				+	-
		-			
		-			
Total (Yes)			10		
Absent Voice	voj	tec	arries		
Floor Assignment					
If the vote is on an amendment, b	riefly indic	cate inte	ent:		
Go back to	ナトて	ori	iginal brac		
reallocat					

	41-4	-13
Date:	7 1	17
Roll Ca	all Vote #:	2_

House _Education and Environme	nt Divisio	n		Comn	nittee
☐ Check here for Conference C	ommitte	e			
Legislative Council Amendment Nur	mber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☒ Adop	pt Amen	dment
Rerefer to A	ppropriat	tions	Reconsider		
Motion Made By Rep. 5+	reyle	Se	econded By Rep. Bo	pe	_
Penrocentatives	Yes	No	Representatives	Yes	No
Representatives Chairman Robert Skarphol	103	140	Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					
Rep. Roscoe Streyle					
Rep. Mark Dosch		1			
Rep. Bette Grande	1				
Rep. Bette Grande	1				
Total (Yes)			10		
Absent	rice	Vot	e carries		
Floor Assignment					_
If the vote is on an amendment, br	41		ent: Flood impac	+	
grants/loa	ns				

	4-4-1	3
Date:	1 1 1.	
Roll Call	Vote #:	3

House Education and Environme	ent Division	n		Comn	nittee
Check here for Conference 0	Committe	е			
Legislative Council Amendment Nu	mber				
			□ Assembled ▼ Adop	at Amen	dment
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Adop	of Amen	umem
Rerefer to A	ppropriat	tions	Reconsider		
Motion Made By Rep. Do	sch	Se	conded By Rep. Bo	ne	
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande					-
				-	
				-	-
				-	-
				-	
					-
Total (Yes)		^	No		_
Absent					
Floor Assignment	Voi	ce	Vote Carries	5	
If the vote is on an amendment, b	oriefly indic	cate inte	ent:		
Attach	men	12	with repo	rtine	7
requiren	nent5	50	miannelly.		

	4-	4-13
Date: _	1	1 10
Roll Cal	Vote #:	4

House Education and Environme	ent Divisio	n		Comn	nittee
Check here for Conference (	Committe	ee			
Legislative Council Amendment Nu	ımber _				
Action Taken: Do Pass	] Do Not	Pass	☐ Amended ☐ Ado	pt Amen	dmen
Rerefer to A			Reconsider		
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande					
Trop. Botto Granae					
				1	
		1			
Total (Yes)			No		
Absent	Voic	ie l	lote carries		
Floor Assignment					
If the vote is on an amendment, b	riefly indic	cate int	ent:		
1 /					
Takt	0 0	cut	- continuing		
10(11)		011	Commission		
appro	printin	n			
Ci p 100	9710110	/		10	/
		4	11. mation -	this u	as
due to no sec reconsidered	ond.	DO	the Irrian		
Citte to 1.			+1	b# 20	947
4.4.	and	va	bes on again -		
ruconsederes			2	1/5/13	3

Date:	4-4	-13
Roll Cal	Vote #: _	5

House Education and Environme	nt Divisio	n		Comr	nittee
Check here for Conference C	Committe	e			
egislative Council Amendment Nu	mber _				
action Taken: 🔀 Do Pass 🗌	Do Not	Pass	☐ Amended ☐ Add	pt Amen	dmer
Rerefer to A	ppropria	tions	Reconsider		
Motion Made By	rtinson	<u>n</u> Se	econded By	reyle	Do.
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	X		Rep. Clark Williams	X	
Vice Chairman David Monson			Rep. Tracy Boe	X	-
Rep. Bob Martinson	X				
Rep. Roscoe Streyle	X				-
Rep. Mark Dosch	X			_	1
Rep. Bette Grande	X				
Total (Yes)					
Absent					
Floor Assignment					
If the vote is on an amendment, but	riefly indic	ate inte	ent:		

Date: 4- 4-13
Roll Call Vote #: \_\_\_\_

#### 2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2018

JOB# 20947 4/1/3

House Education and Environme	ent Divisio	n		Comr	nittee
Check here for Conference C	Committe	e			
egislative Council Amendment Nu	mber _				
Action Taken: Do Pass	Do Not	Pass	Amended Add	opt Amen	dmer
Rerefer to A	ppropria	tions	Reconsider		
Motion Made By	tinso	n Se	econded By Grana		
Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		-
Rep. Bob Martinson					-
Rep. Roscoe Streyle					-
Rep. Mark Dosch					-
Rep. Bette Grande					
Total (Yes)			No		
Absent					
Floor Assignment					
If the vote is on an amendment, b	riefly indic	cate inte	ent:		

Rocondisader

Date:		
Roll Call Vote #:	2	_

nt Divisio	n		Comr	nittee
ommitte	e			
mber _				
Do Not	Pass	☐ Amended ☐ Ado	pt Amen	dmer
opropria	tions	Reconsider		
rtinsor	Se	econded By Gra		
Yes	No		Yes	No
		Rep. Tracy Boe		
				-
	N	No		
rice	Vo	te passes		
		,		
	Do Not opropriate Yes	Do Not Pass opropriations  Yes No  Yes No	Do Not Pass	Do Not Pass Amended Adopt Amenopropriations Reconsider  Yes No Representatives Yes Rep. Clark Williams Rep. Tracy Boe  No No Pass Amended Adopt Amenopropriations Rep. Tracy Boe

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

Date:	4-5-	13	
Roll Ca	Il Vote #: _	3	

House Education and Environment Division				Comr	Committee	
☐ Check here for Conference Co	ommitte	е				
Legislative Council Amendment Num	nber _					
Action Taken: Do Pass	Do Not	Pass	☐ Amended 💆 Adop	ot Amen	dment	
Rerefer to Ap	propriat	ions	Reconsider			
Motion Made By//	tinso	n Se	econded By Gran	nde		
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarphol	X		Rep. Clark Williams		1	
Vice Chairman David Monson	X		Rep. Tracy Boe			
Rep. Bob Martinson	X					
Rep. Roscoe Streyle	X					
Rep. Mark Dosch	- 57	X		-		
Rep. Bette Grande	X					
Total (Yes)5		N	lo/			
Absent Z						
Floor Assignment						
If the vote is on an amendment, bri		ate inte	TR Center			

APUC

Date:	4	-5	-1	3	
Roll Ca	all Vo	te #:			

House Education and Environment Division					Committee	
Check here for Confe	rence Committe	ee				
Legislative Council Amendn	nent Number _					
				pt Amen	dmen	
Rere	fer to Appropria	tions	Reconsider			
Motion Made By	Monson	Se	econded By <u>Mar</u>	tins8	'n	
Representatives	Yes	No	Representatives	Yes	No	
Chairman Robert Skarpho	X		Rep. Clark Williams			
Vice Chairman David Mon	son X		Rep. Tracy Boe			
Rep. Bob Martinson	X					
Rep. Roscoe Streyle	×					
Rep. Mark Dosch		X			-	
Rep. Bette Grande	X					
Total (Yes)	5	N	No			
Absent2						
Floor Assignment						

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

Date:	4	111	113	
Roll Call Vote	#:			

House Appropriations				Com	Committee	
Check here for Conference	e Committe	ee				
Legislative Council Amendment Number 0 20(0						
Action Taken: Do Pass	☐ Do Not	Pass	☐ Amended ☐ Adopt /	Amendme	nt	
Rerefer to	o Appropriati	ons	Reconsider			
Motion Made By Rep. Sk	arphol	Se	econded By Rep. Mov	Nov		
Representatives	Yes	No	Representatives	Yes	No	
Chairman Delzer			Rep. Streyle			
Vice Chairman Kempenich			Rep. Thoreson			
Rep. Bellew			Rep. Wieland			
Rep. Brandenburg						
Rep. Dosch						
Rep. Grande			Rep. Boe			
Rep. Hawken			Rep. Glassheim			
Rep. Kreidt			Rep. Guggisberg			
Rep. Martinson			Rep. Holman			
Rep. Monson			Rep. Williams			
Rep. Nelson					-	
Rep. Pollert					-	
Rep. Sanford						
Rep. Skarphol						
Total Yes		N	lo			
Absent						
Floor Assignment						
If the vote is on an amendment	briefly indic	ate inte	ent:			

voice vote carries

Date:	41	111	13	
Roll Call Vote	#:	1		

# 2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2018

House Appropriations				Com	mittee
☐ Check here for Conference	e Committe	ee			
Legislative Council Amendment N	Number _				
Action Taken: Do Pass [	☐ Do Not	Pass	☐ Amended ☐ Adopt A	Amendme	nt
☐ Rerefer to	Appropriati	ons	Reconsider		
Motion Made By Reg. Nelso	η	Se	econded By Rep. Kem	yeni ch	
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					
Total Yes		N	0		
Absent					
Floor Assignment					
If the vote is on an amendment, b	briefly indica	ate inte	ent:		
change 20:1. 1	back to	4	or. on ethanol incen	productive R	tion

voice vote carrier

Date:	4	11	13	
Roll Ca	II Vote	e #	: 3	

# 2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2015

House Appropriations				_ Comr	nittee
Check here for Conference	Committe	ee			
egislative Council Amendment Nu	mber _				
Action Taken: Do Pass	Do Not	Pass		Amendme	nt
Rerefer to A	ppropriati	ons	Reconsider		
Motion Made By Ry. Skarph	701	Se	econded By Ref. Monson	1	
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle	X	
Vice Chairman Kempenich	1	- ( )	Rep. Thoreson	X	
Rep. Bellew	×		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				-
Rep. Skarphol	X				
Total Yes 2		N	lo		
Floor Assignment Rep.  If the vote is on an amendment, b.	Skarp riefly indic		ent:		

Module ID: h\_stcomrep\_66\_003 Carrier: Skarphol

Insert LC: 13.8168.02011 Title: 03000

#### REPORT OF STANDING COMMITTEE

- SB 2018, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (21 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2018 was placed on the Sixth order on the calendar.
- Page 1, line 2, after the semicolon insert "to provide an appropriation to Dickinson state university;"
- Page 1, line 2, replace "chapter to title 6" with "section to chapter 6-09.15, a new subsection to section 6-09.15-01"
- Page 1, line 3, replace "section 54-45.5-10, and three" with "two new sections to chapter 54-60, two"
- Page 1, line 3, after "54-65" insert ", and a new subsection to section 57-35.3-05"
- Page 1, line 4, replace "program" with "for child care facilities, an unmanned aircraft systems program"
- Page 1, line 4, remove "the energy"
- Page 1, line 5 remove "conservation fund, and"
- Page 1, line 5, after "program" insert ", the research North Dakota biotechnology program, and housing incentive fund tax credits"
- Page 1, line 6, after the second comma insert "and"
- Page 1, line 6, after the third comma insert "subsection 1 of section 6-09.15-01, and sections"
- Page 1, line 6, remove "54-17-07.3,"
- Page 1, line 6, after the seventh comma insert "57-38-01.32,"
- Page 1, line 8, after the first comma insert "the beginning entrepreneur loan guarantee program, the"
- Page 1, line 9, replace "finance programs" with "incentive fund tax credits"
- Page 1, line 10, replace "for an upper great plains" with "a statement of legislative intent"
- Page 1, line 11, remove "transportation institute study"
- Page 1, line 11, after the second semicolon insert "to provide an effective date; to provide an expiration date;"
- Page 1, remove lines 22 through 24
- Page 2, replace lines 1 through 14 with:

"Salaries and wages	\$10,858,251	\$1,327,174	\$12,185,425
Accrued leave payments	0	243,767	243,767
Operating expenses	13,876,650	1,059,099	14,935,749
Capital assets	70,018	(60,018)	10,000
Grants	59,977,994	(4, 155, 044)	55,822,950
Discretionary funds	928,082	Ó	928,082
Workforce enhancement fund	0	2,000,000	2,000,000
Economic development initiatives	186,846	0	186,846
Flood impact grants/loans	0	18,358,866	18,358,866

Agricultural products utilization commission2,739,767 Research North Dakota 0 North Dakota trade office 2,613,400 Partner programs 2,022,044 Federal fiscal stimulus funds 0 Total all funds \$93,273,052 Less estimated income 69,666,470 Total general fund \$23,606,582	500,727 6,000,000 0 0 <u>796,770</u> \$26,071,341 <u>3,656,143</u> \$22,415,198	3,240,494 6,000,000 2,613,400 2,022,044 796,770 \$119,344,393 73,322,613 \$46,021,780"
Page 2, replace line 25 with:		
"Flood impact grants/loans	235,000,000	18,358,866"
Page 2, replace line 27 with:		
"Research North Dakota	0	6,000,000"
Page 2, remove lines 30 and 31		
Page 3, replace lines 1 and 2 with:		
"Tourism large infrastructure grants	0	500,000"
Page 3, replace lines 5 through 7 with:		
"Total all funds Less estimated income Total general fund	\$272,121,750 <u>259,496,750</u> \$12,625,000	\$36,655,636 21,655,636 \$15,000,000"

Page 3, after line 11, insert:

"SECTION 3. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$15,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the period beginning with the effective date of this Act and ending June 30, 2015. The funding provided in this section is considered one-time funding.

SECTION 4. APPROPRIATION - DICKINSON STATE UNIVERSITY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, and from special funds from private gifts and donations, the sum of \$3,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of constructing a Theodore Roosevelt center, for the biennium beginning July 1, 2013, and ending June 30, 2015. The funding provided in this section is considered a one-time funding item. Dickinson state university may not spend any of the funds appropriated from the general fund under this section until it has raised \$3,000,000 from nonstate sources for the project."

- Page 3, line 14 remove "- Continuing"
- Page 3, line 15 remove "appropriation"
- Page 3, line 18 remove the overstrike over "The fund must be used to"
- Page 3, line 19 remove the overstrike over "defray"
- Page 3, line 19 remove "All moneys in the fund are appropriated to the department of commerce on a continuing"

Module ID: h\_stcomrep\_66\_003 Carrier: Skarphol

Insert LC: 13.8168.02011 Title: 03000

Page 3, line 20, remove "basis for the purpose of defraying"

Page 4, remove lines 22 through 30

Page 5, replace lines 1 through 30 with:

"SECTION 8. AMENDMENT. Subsection 1 of section 6-09.15-01 of the North Dakota Century Code is amended and reenacted as follows:

- 1. "Beginning entrepreneur" means a resident of this state who:
  - Has graduated from high school or has received a general equivalency certificate.
  - Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
  - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than two hundred thousand dellarsan amount determined by the Bank of North Dakota.

**SECTION 9.** A new subsection to section 6-09.15-01 of the North Dakota Century Code is created and enacted as follows:

"Child care provider" means a child care home, group, or center licensed by the department of human services.

**SECTION 10.** A new section to chapter 6-09.15 of the North Dakota Century Code is created and enacted as follows:

#### Loan guarantee for child care facility.

A beginning entrepreneur who receives a loan for a child care facility must be a child care provider."

Page 6, remove lines 25 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 5

Page 8, line 10, replace "fifty" with "thirty"

Page 8, line 13, after the period insert "The housing finance agency shall disburse from the fund:

- a. Two million six hundred thousand dollars for grants to child care providers for new construction, rehabilitation, or acquisition of child care facilities. The housing finance agency shall establish guidelines to qualify for a grant under this section which must include a matching requirement of one dollar of matching funds for every three dollars of grant funds and a maximum grant amount of one hundred eighty-seven thousand five hundred dollars.
- <u>b.</u> Four hundred thousand dollars for grants to licensed early childhood services providers that provide care for children with disabilities or developmental delays pursuant to section 5-11.1-18. The grants may be used for equipment, renovation of facilities used to provide the services, and staff."

Page 8, line 16, overstrike "with a population of not more than ten"

Page 8, line 17, overstrike "thousand individuals"

Page 8, line 18, overstrike "At least fifty percent" and insert immediately thereafter "A portion"

Page 8, line 18, after "fund" insert "as determined by the housing finance agency in the annual allocation plan"

Page 8, line 18, overstrike "households with"

Page 8, line 19, overstrike "incomes at not more than fifty percent of the area median" and insert immediately thereafter "individuals and families of low income or moderate"

Page 8, line 20, after "fund" insert ", project developers, applicants, or grant recipients"

Page 8, line 22, after "housing" insert "or child care facility"

Page 8, line 24, after "project" insert "or a child care facility"

Page 9, line 2, after the third semicolon insert "nonprofit organizations and for-profit child care providers;"

Page 9, replace lines 15 through 21 with:

"SECTION 15. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

#### Unmanned aircraft systems program - Report to legislative management.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties appointed by the governor in the administration of the test site. The department may charge fees sufficient to operate the test site. The department shall, to the extent possible, use competitive bidding in the establishment and administration of the test site. The commissioner may charter a public corporation to operate the test site. The corporation must possess all of the powers of a business corporation consistent with this chapter. The department shall report to the legislative management semiannually on the status of the program.

**SECTION 16.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

#### Unmanned aircraft systems program fund - Continuing appropriation.

There is created in the state treasury a special fund known as the unmanned aircraft systems fund, which must be used to defray the expenses of the operations of an unmanned aircraft systems test site officially designated by the federal aviation administration. The fund consists of fees collected for the administration of the test site. All moneys in the fund are appropriated to the department of commerce on a continuing basis for the purpose of defraying the expenses of the unmanned aircraft systems program. Interest earned on moneys in the fund must be credited to the fund."

Page 9, remove lines 22 through 31

Page 10, replace lines 1 through 12 with:

"SECTION 17. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

Module ID: h\_stcomrep\_66\_003 Carrier: Skarphol

Insert LC: 13.8168.02011 Title: 03000

#### Research North Dakota biotechnology grants.

The department shall establish and administer a research North Dakota biotechnology grant program to provide grants to eligible tax-exempt nonprofit organizations or foundations with principal offices in North Dakota that shall award grants to eligible private companies with research facilities and principal operations located within the state to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases. To be eligible for a grant under this section, a tax-exempt nonprofit organization or foundation:

- Must be an independent grantmaking organization that has previous experience administering grants within the state for health-related purposes, including projects designed to improve health and access to health care;
- 2. Shall provide the department with detailed documentation:
  - a. Of private sector participation, including the private company's:
    - (1) Establishment of a partnership with a research university or a related research university organization to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases; and
    - (2) Establishment of research facilities and principal operations within the state: and
  - Of the availability of one dollar of matching funds from private or other public sources for each dollar of state funds to be distributed. Matching funds must be in the form of cash and may not include in-kind assets;
- 3. May not retain more than five percent of the grant award for administrative costs; and
- 4. May not provide indirect cost reimbursement to a research university or a related research university organization of more than five percent of the amount of the grant award relating to the research university's involvement or the related research university organization's involvement."
- Page 10, line 15, after "Dakota" insert "biotechnology"
- Page 10, line 16, after "Dakota" insert "biotechnology"
- Page 10, line 17, after "Dakota" insert "biotechnology"
- Page 10, line 18, replace "this chapter" with "a research North Dakota biotechnology grant program"
- Page 10, after line 19, insert:

"SECTION 19. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 54-17-40. For the purposes of the credit

allowed in this subsection, subsections 2 through 9 of section 57-38-01.32 apply.

**SECTION 20. AMENDMENT.** Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

# 57-38-01.32. (Effective for the first two taxable years beginning after December 31, <del>2010</del>2012) Housing incentive fund tax credit.

- A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
- North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
- The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
- If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
- The aggregate amount of tax credits allowed to all eligible contributors is limited to fifteen million dollars-per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
- 6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
  - The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
  - b. The dollar amount paid for the contribution by the taxpayer.
  - The date the payment was received by the fund.
- 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
- 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.
- 9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount

of 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."

- Page 12, line 7, replace "The amount" with "Of the \$1,000,000"
- Page 12, line 9, after "Laws" insert ", \$700,000"
- Page 12, line 10, after the period insert "The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall use up to \$300,000 for a grant to a not-for-profit organization assisting individuals with business ideas. The department of commerce shall use any remaining amount for the technology-based entrepreneurship grant program."
- Page 12, line 18, replace "for" with "during the biennium beginning July 1, 2013, and ending June 30, 2015. The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall award a grant of up to \$100,000 for promotion and marketing of the USS North Dakota. The department of commerce shall award"
- Page 12, line 19, replace "and" with ". The department of commerce shall award a direct grant and not a cost reimbursement grant"
- Page 12, line 22, remove "during the biennium beginning July 1, 2013, and ending June 30, 2015"
- Page 12, line 29, replace "\$1,500,000" with "\$1,000,000"
- Page 13, line 1, after "DAKOTA" insert "BIOTECHNOLOGY"
- Page 13, line 3, after "Dakota" insert "biotechnology"
- Page 13, line 4, after "Dakota" insert "biotechnology grant"
- Page 13, line 5, remove "The department of commerce may use up to"
- Page 13, remove lines 6 through 10
- Page 13, line 24, after the period insert "The grant program must award direct grants and not cost reimbursement grants."
- Page 13, remove lines 26 through 30
- Page 14, remove lines 1 and 2
- Page 14, line 3, remove "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"
- Page 14, line 7, remove "strategic investment and"
- Page 14, line 8, replace "improvements" with "general"
- Page 14, remove lines 29 through 31
- Page 15, remove lines 1 through 8
- Page 15, after line 15, insert:

"SECTION 40. LEGISLATIVE MANAGEMENT STUDY - INTELLECTUAL PROPERTY AT RESEARCH UNIVERSITIES. During the 2013-14 interim, the legislative management shall consider studying the intellectual property policies and procedures at research universities within the state. The study must include

consideration of the current and potential income generated through the commercialization of intellectual property. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Page 15, after line 20, insert:

"SECTION 42. EFFECTIVE DATE - EXPIRATION DATE. Sections 19 and 20 of this Act are effective for the first two taxable years beginning after December 31, 2012, and are thereafter ineffective."

Page 15, line 21, replace "\$1,500,000" with "\$1,000,000"

Page 15, line 24, replace "26" with "3, 13, 15, 16, 31,"

Page 15, line 24, replace "32" with "35"

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

## Senate Bill No. 2018 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Dickinson State University	\$0	\$0	\$9,000,000	\$9,000,000
Total all funds	0	0	3,000,000	3,000,000
Less estimated income General fund	\$0	\$0	\$6,000,000	\$6,000,000
Housing Finance Agency		\$0	\$15,000,000	\$15,000,000
Total all funds	\$0 0	0	\$15,000,000	\$15,000,000
Less estimated income General fund	\$0	\$0	\$15,000,000	\$15,000,000
Department of Commerce			Acres Add	
Total all funds	\$124,566,065	\$127,327,563	(\$7,983,170)	\$119,344,393
Less estimated income	68,241,034	70,801,179	2,521,434	73,322,613
General fund	\$56,325,031	\$56,526,384	(\$10,504,604)	\$46,021,780
Bill total			2000000	
Total all funds	\$124,566,065	\$127,327,563	\$16,016,830	\$143,344,393
Less estimated income	68,241,034	70,801,179	5,521,434	76,322,613
General fund	\$56,325,031	\$56,526,384	\$10,495,396	\$67,021,780

#### Senate Bill No. 2018 - Dickinson State University - House Action

Contractor of	Executive Budget	Senate Version	House Changes \$9,000,000	House Version \$9,000,000
Theodore Roosevelt center		_	\$5,000,000	ψ5,000,000
Total all funds Less estimated income	\$0 0	\$0 0	\$9,000,000 3,000,000	\$9,000,000 3,000,000
General fund	\$0	\$0	\$6,000,000	\$6,000,000
FTE	0.00	0.00	0.00	0.00

## Department No. 239 - Dickinson State University - Detail of House Changes

	Adds Funding for Theodore Roosevelt Center <sup>1</sup>	Total House Changes
Theodore Roosevelt center	\$9,000,000	\$9,000,000
Total all funds	\$9,000,000	\$9,000,000
Less estimated income	3,000,000	3,000,000
	\$6,000,000	\$6,000,000

Module ID: h\_stcomrep\_66\_003 Carrier: Skarphol Insert LC: 13.8168.02011 Title: 03000

General fund		
FTE	0.00	0.00

## Senate Bill No. 2018 - Housing Finance Agency - House Action

Housing incentive fund	Executive Budget	Senate Version	House Changes \$15,000,000	House Version \$15,000,000
Total all funds Less estimated income	\$0 0	\$0 0	\$15,000,000 0	\$15,000,000 0
General fund	\$0	\$0	\$15,000,000	\$15,000,000
FTE	0.00	0.00	0.00	0.00

## Department No. 473 - Housing Finance Agency - Detail of House Changes

	Provides a Transfer to Housing Incentive Fund <sup>1</sup>	Total House Changes
Housing incentive fund	\$15,000,000	\$15,000,000
Total all funds Less estimated income	\$15,000,000 0	\$15,000,000 0
General fund	\$15,000,000	\$15,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment provides a transfer of \$15 million from the general fund to the housing incentive fund.

## Senate Bill No. 2018 - Department of Commerce - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$12,396,970	\$12,658,468	(\$473,043)	\$12,185,425
Operating expenses	16,434,601	16,434,601	(1,498,852)	14,935,749
Capital assets	10,000	10,000		10,000
Grants	59.147,950	61,647,950	(5,825,000)	55.822,950
Discretionary funds	928,082	928.082	(0,000,000)	928,082
Workforce enhancement fund	2,000,000	2,000,000		2,000,000
	186,846	186.846		186.846
Economic development initiatives	100,040		65774	
Flood impact grants and loans	11,782,866	11,782,866	6,576,000	18,358,866
Ag Products Utilization Commission	3,246,536	3,246,536	(6,042)	3,240,494
Research North Dakota	12,000,000	12,000,000	(6,000,000)	6,000,000
North Dakota Trade Office	2,613,400	2,613,400		2,613,400
Partner programs	2,022,044	2,022,044		2,022,044
Federal fiscal stimulus funds	796,770	796,770		796,770
North Dakota planning initiative	1,000,000	1,000,000	(1,000,000)	
Accrued leave payments	1,000,000		243,767	243,767
Accided leave payments				
Total all funds	\$124,566,065	\$127,327,563	(\$7,983,170)	\$119,344,393
Less estimated income	68,241,034	70,801,179	2,521,434	73,322,613
Loop communed mooning	\$56,325,031	\$56,526,384	(\$10,504,604)	\$46,021,780

This amendment adds funding of \$6 million from the general fund and \$3 million from special funds to Dickinson State University for construction of a Theodore Roosevelt Center. The \$6 million of funding from the general fund may not be spent until Dickinson State University raises \$3 million from nonstate sources for the project.

Module ID: h\_stcomrep\_66\_003 Carrier: Skarphol Insert LC: 13.8168.02011 Title: 03000

General fund				
FTE	69.25	69.25	0.00	69.25

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

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments <sup>2</sup>	Reduces Funding for the State Data Center <sup>3</sup>	Removes Funding for Child Care Facility Grants <sup>4</sup>	Changes Funding Source for Unmanned Aircraft System <sup>5</sup>	Reduces Funding for Tourism Large Infrastructure Grants <sup>6</sup>
Salaries and wages	(\$235,318)	(\$237,725)	(98,852)			
Operating expenses Capital assets			(00,002)	/E 000 000\		(825,000)
Grants Discretionary funds Workforce enhancement fund Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission		(6,042)		(5,000,000)		(023,000)
Research North Dakota North Dakota Trade Office Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments		243,767				
Total all funds	(\$235,318)	\$0	(\$98,852)	(\$5,000,000)	\$0	(\$825,000)
Less estimated income	(54,566)	0	(\$98,852)	(\$5,000,000)	(4,000,000) \$4,000,000	(\$825,000)
General fund	(\$180,752)		0.00	0.00	0.00	0.00
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	Removes Funding for North Dakota Planning Initiative <sup>7</sup>	Removes Funding for UGPTI Transportation Study <sup>8</sup>	Reduces Funding for InnovateND Program <sup>e</sup>	Reduces Funding for Operation Intern <sup>10</sup>	Reduces Funding for Tourism Marketing <sup>11</sup>	Adds Funding for Flood Grants and Loans <sup>12</sup>
Salaries and wages Operating expenses Capital assets Grants Discretionary funds Workforce enhancement fund Economic development initiative: Flood impact grants and loans Ag Products Utilization Commission	s	(350,000)	(50,000)	(500,000)	(500,000)	6,576,000
Research North Dakota North Dakota Trade Office Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments	(1,000,000)					
Total all funds Less estimated income	(\$1,000,000) 0			(\$500,000)		\$6,576,000 6,576,000
General fund	(\$1,000,000)	(\$350,000	(\$50,000)	(\$500,000)	(\$500,000)	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	Reduces Funding for Research North Dakota <sup>13</sup>	Total House Changes				
Salaries and wages Operating expenses Capital assets Grants Discretionary funds		(\$473,043) (1,498,852) (5,825,000)				
Workforce enhancement fund Economic development	-					

Module ID: h\_stcomrep\_66\_003 Carrier: Skarphol Insert LC: 13.8168.02011 Title: 03000

Ag Products Utilization		(6,042)
Commission Research North Dakota	(6,000,000)	(6,000,000)
North Dakota Trade Office Partner programs		
Federal fiscal stimulus funds North Dakota planning initiative		(1,000,000) 243,767
Accrued leave payments		243,707
Total all funds Less estimated income	(\$6,000,000) 0	(\$7,983,170) 2,521,434
General fund	(\$6,000,000)	(\$10,504,604)
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment adjusts the state employee compensation and benefits package as follows:

 Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

Reduces the market component from 2 to 4 percent per year for employees below
the midpoint of their salary range up to 2 percent for employees in the first quartile of
their salary range for the first year of the biennium only.

Removes funding for additional retirement contribution increases.

<sup>2</sup> A portion of salaries and wages funding from the general fund (\$187,753) and from other funds (\$56,014) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

- <sup>3</sup> This amendment reduces the funding for the State Data Center by \$98,852, from \$498,852 to \$400,000. The executive recommendation provided \$498,852.
- <sup>4</sup> This amendment removes funding of \$5 million from the general fund for child care facility grants. The executive recommendation provided \$5 million.
- <sup>5</sup> The funding source for the \$4 million portion of the unmanned aircraft system grant is changed from the strategic investment and improvements fund to the general fund. The executive recommendation provided the strategic investment and improvements fund as the funding source.
- <sup>6</sup> This amendment reduces the funding for tourism large infrastructure grants by \$825,000 to provide a total of \$500,000. The executive recommendation provided \$1,325,000.
- <sup>7</sup> This amendment removes funding of \$1 million for the North Dakota planning initiative. The executive recommendation provided \$1 million.
- <sup>8</sup> Funding of \$350,000 from the general fund is removed for an Upper Great Plains Transportation Institute study of transportation infrastructure needs. The executive recommendation provided \$350,000.
- <sup>9</sup> This amendment reduces funding for the InnovateND program by \$50,000, from \$500,000 to \$450,000. The executive recommendation provided \$500,000.
- <sup>10</sup> Funding for the Operation Intern is reduced by \$500,000, from \$1.5 million to \$1 million. The executive recommendation provided \$1.5 million.
- <sup>11</sup> This amendment reduces funding for tourism-related marketing by \$500,000, from \$9,184,329 to \$8,684,329. The executive recommendation provided \$9,184,329.

<sup>12</sup> Funding of \$6,576,000 of federal funds is added for flood impact grants and loans to provide a total of \$18,358,866. The executive recommendation provided \$11,782,866.

<sup>13</sup> This amendment reduces funding from the general fund for Research North Dakota by \$6 million, from \$12 million to \$6 million. The executive recommendation provided \$12 million.

#### This amendment also:

- Removes a section added by the Senate to create a new loan guarantee program for child care facility loans.
- Removes the transfer of \$200,000 from Bank of North Dakota profits to a child care facility loan guarantee program added by the Senate.
- Adds three new sections to expand the beginning entrepreneur loan guarantee program to include child care facilities.
- Removes a section providing for a child care facility grant program.
- Removes a section added by the Senate to expand the Housing Finance Agency programs to include a child care facility finance program.
- Changes the requirements of the housing incentive fund to allow for financing of child care facilities, to provide grants for child care facilities, to provide grants to child care providers that provide services to children with disabilities, and to limit the fund balance to \$30 million. The Senate provided a maximum fund balance of \$50 million.
- Adds two new sections to provide housing incentive fund tax credits for two years and to limit total tax credits to \$15 million.
- Adds a new section to provide an effective date and an expiration date for housing incentive fund tax credits.
- Adds two new sections to establish an unmanned aircraft systems program
  administered by the Department of Commerce, to provide for semiannual reports to
  the Legislative Management, and to create a new continuing appropriation to the
  Department of Commerce of money in the unmanned aircraft systems program fund.
- Adds a new section to establish a Research North Dakota biotechnology grant program.
- Removes a section to create a Research North Dakota program.
- Removes a section added by the Senate to create a Research North Dakota venture grants program.
- Removes the requirement that up to \$2 million of the funds transferred to the Research North Dakota fund be used for Research North Dakota venture grants.
- Renames the Research North Dakota fund the Research North Dakota biotechnology fund.
- Removes a new continuing appropriation to the agricultural fuel tax fund.
- Removes a section providing a continuing appropriation to the energy conservation grant fund.
- Changes the exemption for the technology-based entrepreneurship grant program to designate that the Department of Commerce use up to \$300,000 for a grant to the Incubator for Developing Entrepreneurial Activity (IDEA) Center in Bismarck.
- Changes the exemption for base retention grants to designate that the Department of Commerce use up to \$100,000 for grants to promote the USS North Dakota.
- Reduces the amount transferred to the internship fund by \$500,000, from \$1.5 million to \$1 million.
- Removes a section providing for an Upper Great Plains Transportation Institute

Module ID: h\_stcomrep\_66\_003 Carrier: Skarphol Insert LC: 13.8168.02011 Title: 03000

transportation study.

- Adds a new section for a Legislative Management study of intellectual property at research universities.
- Changes the emergency clause section to include the transfer to the housing incentive fund, the requirements for the housing incentive fund, and the continuing appropriation for the unmanned aircraft systems program.

**2013 CONFERENCE COMMITTEE** 

SB 2018

# 2013 SENATE STANDING COMMITTEE MINUTES

# Senate Appropriations Committee

Harvest Room, State Capitol

SB 2018 conference committee April 19, 2013 Job # 21351

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of commerce;

Minutes:

Testimony attached # 1 - 2

Legislative Council - Adam Mathiak OMB - Tammy Dolan

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

**Senator Grindberg** said there are many miscellaneous items in their packet and the four biggest items as far as budget and monetary impact would be housing, childcare, Research ND and Theodore Roosevelt position of the House and along with many smaller items. He asked if the House wanted to walk through the changes.

Rep. Martinson: You pretty much summed it up.

Senator Grindberg: We can take this in parcels and get our arms around housing and asked Adam to give a summary on housing on this or any other bill in the legislature.

**Adam Mathiak, Legislative Council**: As far as the childcare grants, the governor provided \$5M in the Commerce budget. That was removed on House side although \$2.6M of the Housing Incentive Fund has been designated as a grant for childcare facility construction. As far as tax credits go, HB 1029 also provides for tax credits to the Housing Incentive Fund. I think it provided up to \$20M in credits. SB 2014 did have the transfer to the Housing Incentive Fund, but the House removed that transfer and was placed here in SB2018. That's why you see the \$15M transfer which was also a reduction.

Spoke from 13.9678.01000 Engrossed SB 2018 - Section comparison (attachment #1) Also handed out Engrossed SB 2018 - Summary of Funding Changes (attachment #2)

Senator Grindberg: So what would be the maximum credits available for the next biennium?

Adam Mathiak: At this point, there are two bills out there that need to be resolved. If you take the greatest fiscal, that would be in HB1029 which has \$20M credits allowed, but SB2018 is only allowing for \$15M. (Senator Grindberg asked about the governor's recommendation.) The executive recommendation was \$20M and a transfer of \$30M. That transfer was reduced \$20M in SB 2014 and it was taken out of there and reduced further to \$15M. At least from the standpoint of SB2018, there is \$30M in the Housing Incentive Fund - \$15M credit, \$15M general fund transfer.

**Rep. Skarphol**: I talked to Senator Cook and some people in a meeting talking about HB1029 and they expressed some interest in going back to the \$50M with some caveats applied, so there's an ongoing discussion and hopefully the two bills will be reconciled.

Senator Grindberg: Asked Mike about the childcare portion and wanted him to give an overview - with facilities, subsidy, helping with utilities, etc.

Mike Anderson, ND Housing & Finance Agency: Talked with Kara from the governor's office about a pilot program that was authorized last session. It was his intent that this program be structured similar to that in terms of providing 3-1 match grant with a ceiling on it for group facility development. We're prepared to take the \$2.6M and develop a program accordingly if that's the direction here. The \$2.6M out of a \$30M program really leaves a lot of need that will go unmet because of the size of the fund. That's been part of the appeal to try to raise the total program funding level so that we're not taking away from affordable housing needs across the state.

Rep. Martinson: A frustrating point is that it seems that there are several programs that have money in different bills and different budgets. It's hard to get a handle on them because some are in the Senate, some in the House.

Senator Grindberg: Please clarify - The \$2.6M is now with Housing and not with Commerce for facilities?

**Rep. Martinson:** That is correct. We take it out of one and somebody puts it into another and unless you really follow it the last few days..... Many times we keep putting things off and then we get to the crunch time and see what we agree on and what we don't. There's no reason why we can't move this along.

**Senator Grindberg**: I share the same frustration because we can't get your hands around what we're doing. I'd like to spend another meeting on this topic to get more information from Council so we can pull all this together. I don't really care what budget it's in. It started with Commerce a few years ago but where it ends up.... We just want to understand what we're trying to accomplish.

Rep. Skarphol: In west, we hear that Williston is going to have 5000 housing units come on line this spring. In my community, we're going to have 400 apartment units now that weren't available two years ago. Are we at that stage where some of the things we're

proposing to do are probably not going to be as necessary for the ordinary housing needs as they are for the unique situations? Maybe we can establish a trigger of some kind to put more money into the Housing Incentive Fund in the event that there is more demand but in the event that the demand isn't there moving forward, why would we want to appropriate extra dollars? In childcare, the House wasn't willing to deal with paying the wages of childcare but we're willing to work with the aspect of trying to make them cash flow by providing opportunities for the facilities to be the least costly.

**Senator Holmberg:** We had that discussion when we had childcare bills. I would agree that the Senate is of the same mind of staying away from underwriting the salaries because once you start down that path, it only goes downhill.

**Senator Robinson:** Our discussion a week ago centered on providing some grant funds for utilities to bring down the overall operational cost so some of these facilities can cash flow. We're not getting into salaries, but it's a grant to address the issue of utilities. We have situations where the facility has been provided but they still haven't been able to make it go because of the competitive nature of salaries or lack of competitiveness. Would like to have further discussion.

Senator Grindberg: We'll have a report at the meeting next week. Talk about Teddy Roosevelt?

**Rep. Martinson:** We weren't totally supportive of a library for Dickinson a few years ago and that was about a \$29M project. We thought we would help them out Dickinson could use a Theodore Roosevelt Center - it would be a scholarly library. We'd like another \$6M in there. That would give us \$12M and we have people who are interested in raising another \$3M and we could maybe take the \$3M limit off in case there were more funds available.

Senator Grindberg: Do you have any information that would provide an overview?

**Rep. Martinson:** No, but what I'd like to see us do is take \$150,000 to \$200,000 out of their money that's in the Higher Ed bill for their TR Center to continue digitizing and give that for planning money. We could allow Dickinson State some money out of the Higher Ed bill for planning and then maybe come back for budget section approval.

Senator Grindberg: Where would the \$6M go - to the Foundation or the University?

Rep. Martinson: It would go to the University and then the TR Center.

Senator Grindberg: A private non-profit? And Rep. Martinson said no it's not.

**Senator Holmberg**: asked about the Beginning Entrepreneur Loan Program - could they provide some discussion on adding the definition for childcare provider in that program. I've heard that the program has been very successful. Any points that you could help those of us who authored the program years ago what this is all about?

**Rep. Skarphol:** In the discussion with the Housing Finance folks and the Bank of North Dakota about putting the childcare facilities in the Housing Finance, this was a contribution of the BND to that proposal. They would be the loaning entity that would provide the loan to the qualifying childcare entity that would take advantage of that Housing Finance option for a 3-1 grant and loan.

**Senator Holmberg**: The first entity to get a loan was in Stanley. They would still fall under the regular rubrics that we've already written in the there regarding they have to have a local bank participation, etc.

Adam Mathiak: The BND came in and talked about it and said it would be better for their programs if we did not create a new loan guarantee program. They preferred that it would just expand the Beginning Entrepreneur Loan guarantee program that's already in existence. This would allow the childcare providers to qualify for a loan under this. They did remove the limit those who are applying for the loan guarantee and don't have a net worth over \$200,000. That limit has been removed so they'll determine a new limit, but have found that they've been reaching that limit too often and people have been disqualified for a loan guarantee because they're exceeding the \$200,000 net worth, so they felt it was appropriate to remove that and allow more individuals to apply for the loan guarantees.

Senator Grindberg: In the Senate version, we directed a new loan program? And you cleaned it up. (Answer - yes.)

Senator Grindberg: We'll close and if we could get an overview of the childcare.

# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

SB 2018 conference committee April 20, 2013 Job # 21365

□ Conference Committee

Committee Clerk Signature	Rose Saning
Explanation or reason for intr	oduction of bill/resolution:
A BILL for an Act to provide an of commerce;	appropriation for defraying the expenses of the department
Minutes:	
Legislative Council - Adam Mat OMB - Tammy Dolan	hiak

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

Senator Grindberg said Adam Mathiak had some information on Housing and he asked him to explain.

Adam Mathiak to explain the tax credits for the Housing Incentive Fund. The only bills that address the tax credits is HB1029 and SB2018. HB1029 had \$20M in credit and SB2018 has \$15M in credits. Almost all of the sections of HB1029 were moved into SB2018.

(He explained the bill using attachment #1 which was handed out 4-19-13.)

**Rep. Skarphol** asked him to comment on the two sections in HB1029 that are not related to what is in this bill because there is some conversation about folding everything into this one and getting rid of that one.

**Adam Mathiak**: Section 1 of HB1029 was not included and section 3 called for a report but I believe there is already language that calls for a report. Section 3 just changes the date from 2013 to 2015. That would be it because we pulled over the emergency clause and pulled over the effective date and then section 4,5,& 2 from HB1029 were moved over.

Rep. Skarphol: Senator Cook had a meeting to find a way to get public entities out of the housing business. He was particularly concerned about schools, for example K-12 schools in western ND owning housing and he'd like to see that get transferred to the housing authorities in those communities or to private investors. He's trying to figure out a

mechanism to do that. It complicates things when we have things in two different places. Just a suggestion.

Senator Grindberg asked Adam to start a list of potential amendments and include transfer from HB1029 into this bill or vice versa.

Rep. Skarphol: I would suggest we have that conversation with Senator Cook and then make a decision of which way to go.

Rep. Martinson: I think it's a good idea to start making a list so they can start working on amendments that we pretty much agree to.

Senator Grindberg: So we will accept from HB 1029 or transfer out of here to HB1029, but we'll have a conversation with Senator Cook.

Adam Mathiak: I have that noted as a potential amendment. As far as the Housing Incentive Fund, that is the information that I was prepared to give to you. I'm working on the childcare related funding but it's not completed yet.

(Continued with House changes on attachment #1 - 13.9678.01000)

**Senator Grindberg:** We'll check these off. We understood there was a significant drop in the funding going into APUC. The projected grant awards for the 2013-15 biennium and any other smaller amounts going unfunded have about \$1.8M or \$2M projected fund balance at the end of the 13-15 biennium, so without the continuing appropriation, you're saying you can only spend what's in their forecast?

**Rep. Skarphol:** Our intent is that they can spend what the formula delivers, but not more than what the formula delivers or what's in their fund. We want to be able to re-evaluate that appropriation on a biennial basis than just a continuing appropriation.

Adam Mathiak explained that APUC is funded through a transfer of 5% of the State Mill & Elevator profits. That changed last session. A general fund is appropriated to it, so those are its two main sources. The portion of the fuel tax that is withheld from the refund is a declining revenue source and that only accounted for about \$100,000 in the revenue so that has been removed now in the governor's proposal and the House kept that in and so did the Senate. If the new continuing appropriation went through, it would mean that the special fund appropriation part would drop out of the bill and so they'd have the money, but it wouldn't show up in their budget. The general fund portion would still show up in the budget, so on the House side, they felt that in order to keep track of what's still going into there in a more efficient way, it would still have to be appropriated through the budget portion in the top part of the bill in section one.

Senator Grindberg: We'll wait to check the box? Neither Senators Holmberg nor Robinson had a problem with checking the box.

Rep. Skarphol: It was not our intent to reduce the amount of money they have, but just that we get a full picture every biennia.

Senator Grindberg said they'll put a check mark there.

Adam Mathiak explained the rest of the bill.

Rep. Skarphol: (Speaking of financing childcare facilities) this would be the section that HB 1029 would work and a term that Senator Cook likes to use is "essential government employees" - in other words, school teachers, highway patrolmen. If we're going to talk about this in conjunction with that, that we find out whether some of those entities out there that are currently financed by the schools or whomever, that are governmental entities, whether or not they've utilized the housing finance aspect to do their work, or how they financed what they've done so what we're trying to put together in the end.

Adam Mathiak: Section 15 was added by the House and at the recommendation of the Dept. of Commerce. In anticipation of receiving the test site for the unmanned aircraft system, they've asked for the establishment of a new program and a new fund. The new fund would have the continuing appropriation- Section 15 & 16 go together and it would be for operating their test site if approved by the FAA.

**Senator Grindberg**: These changes the House adopted were requested by Commerce? (Answer - Yes, they brought them as proposed amendments). So we're shifting some of the responsibility for the ultimate designation from UND to the Dept. of Commerce?

**Adam Mathiak:** If you look at the 2<sup>nd</sup> bullet point under #15, you'll see that it requires collaboration with UND, ND Aeronautics, the Adjutant General and private entities. There will be collaboration. There is quite a bit of flexibility. On the House, there was initial concern about adding these sections, but they came to the conclusion they would allow the flexibility in the program and next biennium, if they received approval, they could look at it again and determine if it needed to be reined in at all.

Senator Grindberg: Does this strengthen our application?

**Senator Holmberg**: I think there were discussions that UND has been intimately involved in all of these things. They should be, but not necessarily be the lead dog because they're also involved. If it goes through commerce, there's a little buffer between the cash and an entity like UND. I have no problem with it at this stage.

Adam Mathiak: (continuing reading starting with section 13 & 14 of the Senate version.) Section 17 establishes a program where grant money would go to a non-profit and that non-profit would then in turn grant to a private entity. The private entity would be working with the university but the funding would not flow through the university as has been the Centers of Excellence and the Centers of Research Excellence. In this case, the funding would flow through a non-profit that would be a grant making organization. There are stipulations that both the grant making organization and the private entity that's doing the research have to be in ND and have their principal operations in ND.

Senator Robinson: I'd like more information on that.

Rep. Martinson: Are you drafting the amendments for Rep. Carlson?

**Adam Mathiak:** Yes, but I don't have them with me. The only change is expanding it beyond virally infectious diseases to include bacterial and fungal, as well. Right now, it's restricted specifically to the viral.

Rep. Martinson asked if Adam can email them to the committee when he gets them done.

Rep. Skarphol asked if they could go over which boxes were checked.

Senator Grindberg: Section 5 - on the House version; 6,7,8,9,10.

Rep. Skarphol said sections 3 & 4 were the only ones they haven't checked on the first page.

**Senator Grindberg:** Section 11 gets into the Senate version and I'm still not clear where the funding for the venture program fits in with the research program so I'd prefer to keep that one open at this point.

Rep. Skarphol: Is section 11 the same language as the Senate version section 7?

**Adam Mathiak:** Yes, that Research ND Venture Investment program was related to the \$1M in the development fund, so since this is development fund and not general fund - and separate from the \$12M, this is a carryover.

Senator Grindberg: We'll give it a 1/2 check.

Rep. Skarphol: 12?

Senator Grindberg: We'll continue to look at that. Check 15 & 16 and next week we'll have an hour meeting. Meeting adjourned.

# 2013 SENATE STANDING COMMITTEE MINUTES

# Senate Appropriations Committee

Harvest Room, State Capitol

SB 2018 conference committee April 23, 2013 Job # 21458

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of commerce;

Minutes:

Testimony attached #1-2

nena

Legislative Council - Adam Mathiak OMB - Tammy Dolan

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

**Senator Grindberg** started off with the discussion on the House amendments with the biotech research, and he asked Al Anderson to give the differences between the House and Senate versions of the bill.

Al Anderson, Commissioner, Dept. of Commerce: He thanked everyone for their work on SB 2018 particularly in regards to Research ND.

Gave a recap of the Exec. Budget views, Senate changes and House changes on the bill.

Commerce has concerns about 3 areas

1. The competition for funding

2. Lack of supporting requirements - in the past they have never had state funds or taxpayer funds going directly to private companies. The accountability standpoint is difficult. How do you monitor?

Rep. Martinson: We don't say in there that it goes directly to companies. They go to a foundation.

**Al Anderson**: They go through a non-profit foundation that goes directly to the companies. There's no language in there that would tell me what percentage goes to a university. The University has to partner but it's not a 50-50 so some of those funds or 95% of those funds could go to a private company.

Rep. Martinson: We still are not giving money directly to a company. Maybe it's a technicality.

Al Anderson: Currently, all the dollars at this time go to the universities through Commerce. The way it would be different under the amendment, it would then go through a non-profit, but those taxpayer dollars could actually go private companies. The way Research ND is set up - all of those dollars go through the University and the companies benefit from the research, but it's all done at the university

Rep. Skarphol said some expressed to him that the universities are retaining too much of the money that was intended to go to the projects.

Al Anderson said maybe one way to improve on that would be to do contract writing up front. We may need some language that would make it more of a 3-way right out of the blocks where the company is clearly lined out before signing. We could improve that contract. The only other thing that would concern me is the long term benefits remaining in the state. When we get too closely tied to just companies, they tend to be sold. They sometimes move and close their door. The whole idea of research ND is that we're trying to build the state's institutional capabilities on research that all of the companies can benefit from. The other benefit is that it stays with the state and can't leave the state.

(They continued discussing the Research Centers of Excellence, grant writing and helping smaller companies with start-up dollars - modeling after the Georgia Research Group.)

Senator Robinson suggested that Al put together some amendments of what he sees missing in the bill and then the committee could review them.

**Al Anderson** had questions about keeping Commerce involved. They could do that and still have bio-tech focus with certain dollar numbers. Would like some guidance, but could eliminate major concerns by having accountability and sustainability. Then they'd break out the competition side to see how it would work for everyone.

Rep. Martinson: The House is fairly firm on its position on this amendment. Maybe some minor changes, but we're fairly solid.

**Senator Grindberg**: We need to visit with the author of the amendments because this is a major policy change that says taxpayer money is going to go to private companies, two in this case. We're picking haves and have-nots.

Rep. Martinson: We've wasted millions of dollars on Centers of Excellence programs that didn't work. I can't speak for the other two members of this conference committee but I think there is some sentiment that maybe it's time to give something else a chance. When Centers of Excellence were created, the first thing that the Board did was made sure that every campus got a project. Right then they lost me because it was same old, same old. You look at the list and some of them it's a real stretch to say they created a single job.

Adam Mathiak handed out 13.9690.01000 - Proposed Child Care Related Funding - 2013-15 Biennium (attached # 1)

Adam Mathiak went over the attachment.

Senator Grindberg: Do we have \$15M in tax credits in the Housing?

Adam Mathiak: There would be \$15M in tax credits for the Housing Incentive Fund. I don't know if you consider that a direct - I suppose a child care facility could contribute to the Housing Incentive Fund and take advantage of the credits.

**Mike Anderson, Executive Director, Housing & Finance**: The \$2.6M that is designated for childcare facilities, we would assume, like housing projects, be allocated whatever funding they would get and a portion of that funding would be part of the appropriation for the program and the other portion would probably be a tax credit.

Rep. Martinson asked who administers the grants - Commerce or Housing Finance.

Adam Mathiak: The Housing & Finance agency that would provide the money, but the reference in the code that's linked to this does involve the Dept. of Commerce.

**Tammy Dolan, OMB**: The grants would be administered through the Housing Finance Agency, not Commerce. There's also connection with the \$400,000 in Human Services with those early childhood service providers. I believe there is some relationship with DHS in those as well.

Senator Grindberg: We'll check the box with childcare

Tourism Large Infrastructure & Tourism Operations ----

**Senator Grindberg**: Senate had \$1.325M for infrastructure; House has \$500,000. We had \$9.1M for operations & marketing and the House went \$8.6M

**Rep. Skarphol**: With regard to the Tourism Marketing grants, we reduced it by \$500,000 but it's still up by a million. We felt that \$1M increase was enough. The large Tourism grants, we reduced the funding by \$825,000 and left it at \$500,000. There was nothing in this biennium for that purpose.

Senator Grindberg (handed out worksheet - attached #2) the governor's rec was \$1.3M

**Tammy Dolan** asked to clarify one thing on the Tourism Large Infrastructure grants - There was no money in the base budget for this biennium, but there was carryover allowed of about \$750,000 for large tourism infrastructure grants in the current biennium. There was nothing in the current budget for those grants. There was \$750,000.

ND Planning Initiative - The governor recommended and the Senate sustained \$1M; the House removed it.

Al Anderson: The million dollars was to establish the ND Planning Initiative that would provide statewide technical assistance to communities for enhancing their main streets and overall growth planning. We've been going through seven decades of declining population so a lot of communities have lost all of the skill sets for growth. They don't even know what their constraints are. Some communities are a lot farther along than others. This was initially set up to provide some assistance to the state and local governments to ensure that they have the information they needed to make good decisions. Of that million, it was broken out into three areas. The first was onetime dollars for grants - \$500,000 with considering a cap of \$25,000-30,000 per piece, not the \$100,000 like was done in Tioga. These will focus more on the smaller communities that don't have the skill sets that some of the larger ones do.

There were two other parts: Visual ND - \$250,000 for GIS for enhanced mapping for the communities and the other \$250,000 is preparation for some templates for communities since it's been so long since some of them have been growing. There's not as much understanding for the different types of planning that a community should go under, whether it's planning and zoning, whether its land use maps. It's provided a little simpler for smaller communities to help in their local leadership.

Rep. Skarphol asked about the \$100,000 plan for the City of Tioga.

Senator Grindberg went over the worksheet and checked off items that they agree on.

Senator Grindberg adjourned the hearing.

# 2013 SENATE STANDING COMMITTEE MINUTES

# Senate Appropriations Committee

Harvest Room, State Capitol

SB 2018 conference committee April 25, 2013 Job # 21512

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of commerce:

Minutes:

Testimony attached # 1 - 3 & attachment #2 from 4-23-13

Legislative Council - Adam Mathiak OMB - Tammy Dolan

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

Senator Grindberg shared information that he was in a meeting this morning with Senator Carlisle in relationship to SB 2014. Senator Carlisle and Senator Cook interests are to move the housing incentive fund language from 2018 to 1014. The Senate feels it is important to have all the housing financial related legislation in one bill. Last time we met, we checked the box but he asked the House to check to see if that is possible. If that is alright we will remove it from the bill and it will be in 2014.

Scott Davis, Executive Director, Indian Affairs Commission: There is a mistake on SB 2018 that is related to the unemployment rate on each reservation. I respectfully request that you consider adding an amendment to the commerce bill. Attachment #1

**Senator Robinson**: I'd like to bring up a few items on our checklist. **Operation Intern**: The Senate funded it at \$1.5M and the House at \$1M. He spoke of the success of the program and recommended we go back to \$1.5M.

Senator Martinson asked Adam to explain that.

Adam Mathiak, Legislative Council: The reasoning of the House was they wanted a 10% increase. The Executive Budget had a \$600,000 increase. It was funded at \$900,000 last biennium.

**Senator Robinson**: The program is very popular and there are folks that want to access the program but because of the limitations on funds, they haven't been able to do this. That is the rational for the budget increase.

Tourism and Marketing: We know we've lagged behind and we know the department has tried to do their best.

Rep. Martinson: I would like to settle some of the bigger issues first. I could move the amendment brought forth earlier.

Senator Grindberg: My preference would be to have an amendment meeting.

There was some discussion on procedure.

Senator Robinson: The number one item on the list that we haven't check off is Research North Dakota. The Senate and the House are significantly different.

**Senator Grindberg**: We can discuss that further but part of that discussion is the author of the amendments is House Majority Leader, and he has been having discussion with the commerce commissioner.

Rep. Martinson: I talked to him this morning and he didn't have any suggestions other than what he has proposed.

**Senator Holmberg**: When you say "what he has proposed" is that what is in the bill right now or is there more?

Rep. Martinson: I gave amendments to the chairman.

Senator Grindberg: I'd like to wait until they have their further discussion. He handed out an amendment for a legislative study on the energy quarter from Rep. Porter 13.8168.02014. Second, is an amendment that would give vendor preference to North Dakota firms. Attachments # 2 and # 3

Senator Grindberg asked Adam Mathiak to do some research on that.

**Senator Robinson**: One other item we haven't talked about is the last item on the worksheet. **Homeless shelters:** House put in \$2M and the Senate has not included any funding.

Jason Dever, Department of Commerce: That item is included in SB 2014. It is \$2M for Homeless Shelter grants.

Senator Grindberg closed the hearing.

# 2013 SENATE STANDING COMMITTEE MINUTES

#### Senate Appropriations Committee Harvest Room, State Capitol

SB 2018 conference committee April 26, 2013

□ Conference Committee

Job # 21538

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Testimony attached #1-3.

Legislative Council - Adam Mathiak OMB - Tammy Dolan

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

**Senator Grindberg** would like to run through a final discussion on acceptable amendments to SB2018. We'll have some discussion this morning and meet later again this afternoon to go over the amendments. If everyone is comfortable then we'll order the amendments and act on them Monday.

Senator Grindberg has language from Rep. Carlson (attachment # 1) that has been amended through his discussion with Al Anderson from Commerce Dept. It would tie Research North Dakota and RND Venture Grants. In essence it would provide an application for bio - must be submitted and accompanied by a partnership agreement between the private sector and a research university. The agreement must include scope of work, budget, and location of work to be completed as well as how intellectual property will be handled. It's still a dollar for dollar match. The Dept. of Commerce shall use \$4M of the \$12M for funds transferred to the Research ND program to conduct research and develop commercialized vaccines, antibodies for the prevention and treatment and cure of cancer, virtually infectious diseases or other pathogens including bacteria, micro-bacteria, fungi and parasites.

The dollar figure for the first box (Research ND) would be \$6M and the additional box under the Research ND would be the \$4M for bio-cancer research. And then \$2M for Research Venture Grants.

The Childcare Facility Grants had already been checked.

There is ongoing work with the Housing Finance Fund in credits and dollars. If we are comfortable, we will remove that language from this bill and it will be contained in SB 2014.

Rep. Skarphol: We'll have to discuss that. Any anticipated changes of any kind in that move?

**Senator Grindberg** said any changes will be dealt with in the Industrial Commission conference committee, not here. We're just framing it up so that all the housing finance funding is in one bill.

Rep. Martinson: Does the \$400,000 stay in 2018? (Answer - yes.)

Rep. Skarphol: Originally it was a \$400,000 general fund appropriation.

Senator Grindberg: I'm open to suggestions. If we want to leave that here.... We'll tentatively agree to move to Industrial commission.

Discussion -

Senator Grindberg: OK, we'll keep it here.

**Rep. Skarphol**: It was suggested to me to keep all of the provisions of this in this bill, so I need to talk to someone about the entire \$30M.

Senator Grindberg: So everything is on the table until we hear back.

## UND/NDSU IP STUDY -

**Senator Grindberg**: I would propose that we add additional language. We've had no discussion on that. The House added - it's in section 40 of the House version - the legislative management study on IP at research universities.

**Rep. Skarphol**: The reason for it being in was because of the wide variation in how it's handled at the two research institutions. We thought it appropriate to have a discussion about that.

**Senator Grindberg**: I'd totally support that but I would like to add a little more meat on the bone. I'd like to also include approaches to commercialization, IP, and Best Practices around the country. Also include the phrasing of a congressional measure that says what universities can and cannot do with federal funds for research. It would also be important to include an overview and understanding of the new patent law reform that congress passed last year and how it impacts IP and research commercialization.

Rep. Martinson: Could we wait on that and check off the ones that are acceptable?

Tourism large Infrastructure -

Rep. Martinson: Maybe move that to \$750,000? (All agreed.)

Tourism Operations & Marketing ----

Rep. Martinson: I could go for total amount - which would be adding back another \$500,000.

ND Planning Initiative -

Senator Grindberg: I would offer that we put \$250,000 back in for Visual ND.

**Rep. Martinson**: We have zero there now and you're suggesting we put \$250,000 in? I don't have a problem with that.

Innovate ND -

Rep. Martinson: I think it's fine where it is

Adam Mathiak, Legislative Council: at \$450,000? Yes

IDEA Center Earmark -

**Senator Grindberg:** There has been an effort by congress to continue to strategically align the entrepreneur centers in the state, and it has been completed or its soon to be completed, a report to provide overview and additional tools required to have successful entrepreneurial development. (Asked Al Anderson to come to podium and address that.)

Al Anderson: Want to ask Justin Dever, Director, Office of Innovation Entrepreneurship and said he had language that conceptually he'd try to help tie that together because they are trying to go to the next stage from the entrepreneurship centers around the state.

Justin Dever, ND Dept. of Commerce: Based on the discussion in the strategic planning that we're doing for Innovate ND and how we're trying to have a more cohesive entrepreneurial center within the state, we were considering keeping it within the \$300,000 for the IDEA Center as a part of the carryover, and add an additional \$300,000 for two other centers. That's the UND Center for Innovation and the NDSU technology incubator at the research farm. This would be part of the bigger plan on how we interact with entrepreneurs within the state.

Senator Holmberg: It would be an additional \$150,000 to each of those centers.

**Justin Dever**: It would be \$150,000 for Center Innovation UND, \$150,000 for NDSU, and keep the \$300,000 at the IDEA Center that was passed by the House.

Rep. Skarphol: You're talking \$150,000 increase, so what is it in total?

Rep. Skarphol: You're talking \$150,000 increase, so what is it in total?

**Justin Dever**: It would be \$150,000. They do receive some funds, not a set amount, through Innovate ND for the technical assistance they provide to the participants at Innovate ND and they also have the ability to apply for technology based entrepreneurship grants as do all three centers; the IDEA Center, Strom Center in Dickinson, Minot State Severson Entrepreneurship Academy. They can all apply for funds under the technology based entrepreneurship grant program.

#### Operation Intern -

Senator Robinson said he thought they agreed to going to \$1.5M?

Rep. Skarphol: We just spent \$14M. There is an upper limit at some point in time.

Senator Grindberg: Should we take Theodore Roosevelt back down by \$500,000?

Energy Conservation Grant Fund - addressed in SB 2014.

Al Anderson said it's being discussed in 2014. The current level is \$1.25M, but they haven't resolved where they are at yet. They are meeting at 11:30 again.

Flood Impact Grants and Loans --

Rep. Skarphol: That's federal money that's just being passed through to Minot.

Al Anderson: That was additional dollars that was provided in between when the executive budget was set up. We're just looking for authority on that.

Senator Grindberg asked if there were any additional requests.

**Senator Grindberg** handed out 13.8168.02015 attached # 2 which was Legislative Management Study and also a Housing Incentive Fund Legislation/Appropriations - attached # 3.

**Senator Grindberg** suggested this afternoon go through them and have a bundled deal with the amendments. He adjourned the meeting.

## 2013 SENATE STANDING COMMITTEE MINUTES

## **Senate Appropriations Committee**

Harvest Room, State Capitol

SB 2018 conference committee (2)

April 26, 2013

Job # 21552

□ Conference Committee

Committee Clerk Signature	Kose	Janing
---------------------------	------	--------

#### Explanation or reason for introduction of bill/resolution:

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

Minutes:	Attachments

Legislative Council - Adam Mathiak OMB - Tammy Dolan

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

Senator Grindberg said they'd like to go over the things they talked about this morning.

Adam Mathiak, Legislative Council handed out 13.9696.01000 - Engrossed SB 2018 Proposed Amendments - attachment # 1.

Discussion followed after Mr. Mathiak walked through the proposed amendments.

Rep. Skarphol said they wanted the additional for the Theodore Roosevelt Center as a separate amendment.

**Senator Robinson** hoped they would leave the operation intern at \$1.5M. He asked Adam to walk thru the transfers from here to 2014.

Adam Mathiak explained that anything that amended the Housing Incentive Fund or Housing Finance Agency was moved over to 2014. An effective date and expiration date section added by the House corresponding to the tax credits would go to 2014 and the two sections added for providing tax credits would go to 2014.

Discussion took place on the entrepreneurship program.

The total dollar amount change with the separate amendment taken out would be approximately \$7M increase.

Rep. Martinson moved to accept everything on the list except the Theodore Roosevelt Library.

Rep. Skarphol seconded.

A roll call vote was taken. Yea: 6 Nay: 0 Absent: 0

#### 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee

Harvest Room, State Capitol

SB 2018 conference committee April 29, 2013 Job # 21598

□ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

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

Minutes:

Amendment 13.8168.02018 & Amendment 13.8168.02017

Legislative Council - Adam Mathiak OMB - Tammy Dolan

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

Senator Grindberg wants to approve amendments and talk about TR Center.

Adam Mathiak, Legislative Council went over amendment 13.8168.02018. (:31-

**Rep. Skarphol** wanted to look at Section 42. With regard to the Department of Human Services, the language that was in the that we took out of, that all went to the Department of Human Services as well with the description of how that money was going to be utilized?

Adam Mathiak It was originally in SB 2244 that was the basis for this \$400,000 grant and we created section in Housing Incentive Fund - when that was transferred to 2014, we kept the language in this bill. IT's a separate appropriation to the Human Services from the General Fund in this bill.

Representative Skarphol But the direction as to how the money is going to be utilized by the Department of Human Services is in accompanying the money I am going to assume?

Adam Mathiak Bottom of pg 2 of the amendments, the language there in Section 2, the Department of Human Services is pursuant to Section 50-11-21:18.

Representative Skarphol The housing finance transfer, you transfer the general funds, there is no need to indicate the transfer of the incentive tax credit - no need to reflect that there?

Senate Appropriations Committee SB 2018 conference committee April 29, 2013 Page 2

Adam Mathiak The amounts are credited to appropriations. No reflection on dollar amounts in here.

Representative Martinson Just at the end when you were talking about the TR center you said something about the \$3M still required right?

Adam Mathiak Going back to page two of the amendments relates to page 42 of DSU. The grant would go to organization and they would construct a TR library.

Representative Martinson: Rather than "an" organization, to also include the TR center. There is a TR center right now at Dickinson State.

Adam Mathiak Is the TR center its own organization? That's why we said "an organization" In SB 2003, it talks about the TR Center. There might be an issue. There may be an issue with naming specific entities.

Representative Martinson That is the point. We don't want it to go to any organization we want it to go to the TR Center. Adam Mathiak I checked with the Legislative Council upstairs and this is how the way it needed to be worded.

Representative Skarphol Can we have someone come down to discuss that. (Called Allen H. Knudson)

Adam Mathiak Continuing to explain the amendment.

Allen H. Knudson, Legislative Council, entered room to answer a question of TR being able to solely receive the money from DSU

Representative Martinson On page 2 of the amendment - we don't want organizations to compete for the money. I would like Dickinson State to give the money to TR center, but not just any organization.

Allen H. Knudson As long as they're associated with DSU, then we can tighten up the language more on that.

Representative Skarphol We need it done both in that section also on the amendment so the amendment passes and makes it consistent.

Senator Grindberg That will be the planned motion then for that and the other.

Adam Mathiak He continued reading through the amendment.

**Senator Robinson** Bullet #2 on page 11-housing finance issue. Did we complement in 2014 with \$20M tax credit? **Adam Mathiak** replied yes. **Senator Robinson** We transferred in 2014 and also the infrastructure grants, the daycare.

Adam Mathiak The \$400,000 stayed in this bill and the language for the \$2.6M language went over to 2014 - general fund grant.

Senate Appropriations Committee SB 2018 conference committee April 29, 2013 Page 3

Representative Sharphol Do you believe they changed to a general fund grant? Adam Mathiak replied the \$2.6 M. I think that was the intention, but I could be wrong. It still may be part of the Housing Incentive Fund.

Senator Grindberg asked Karlene Fine asked if she knew the status of 2014?

Karlene Fine, Industrial Commission The \$2.6 M for child care is not coming out of the Housing Incentive Fund, but is a direct of the General Fund. Senator Grindberg Which is the way I believe we intended it.

**Senator Robinson** We touched on daycare. The Governor's budget proposed was \$5 M, in infrastructure. Where are we with that right now in total dollars? What bill is that in?

Adam Mathiak If you're looking at \$5M it would probably be \$2.6, but there was the expansion of the beginning entrepreneur loan guarantee program and there would be Flex Pace from the Band of North Dakota. That would be available for funding. It's hard to say exactly how much is available at this point because it's not sure how many facilities might utilize the loan guarantee or the flex pace but 5 would be corresponding to the \$2.6 now.

Representative Skarphol Which version of the bill do the amendments apply to? I am looking at the top of page 4, where it says page 9, line 30, and in the 1000 version of the bill, there is no line 30 on pg. 9; and in the 2000 version it doesn't really follow. I am trying to figure how it reads.

Adam Mathiak This applies to the 2000 version. It was the version that was passed by the Senate. We amended the version passed by the House.

**Representative Skarphol**: I have the 2000 version in my hand, when I look at page 9 - line 30, whether or not have changed the format for the bio-technology grant amendment that we put on, by the language changes references made here. Have we taken out amendment that we passed with regard to bio-technology? Is amendment referencing the House version still whole within the bill as this amendment would be configured?

Adam Mathiak This version did not have the same new section that was added by the House. The House added that new section that defined all the criteria for the research to Dakota Bio-Technology grants. Here was my understanding from the amendment that was handed out after Representative Carlson, and talked with the Department of Commerce that they would change the language here. Maybe I misunderstood what the intent was but.

**Senator Grindberg** The language from Rep. Carlson's provided, that we talked the last meeting, is the language that should be added into the bill.

Adam Mathiak There was a new section added by the Senate.

Senator Grindberg This would be amending the Senate Version, but it clearly articulated what Representative Carlson's approval or support for that language change.

Senate Appropriations Committee SB 2018 conference committee April 29, 2013 Page 4

Representative Skarphol I am really uncomfortable that we approve this without knowing for certain, can we get a marked up bill that would include these amendments that are being proposed here?

Senator Grindberg We'll get a marked up version sometime today.

Representative Skarphol Do you want to act on these amendments?

Senator Grindberg These amendments have been acted on and stand.

Rep. Skarphol moved amendment 13.8168.02017 to SB 2018 for Theodore Roosevelt Library (24:14). Senator Grindberg Would that include....

Representative Skarphol The changes as referenced with Allan Knutson.

Representative Martinson seconded

**Representative Skarphol** Just, so the audience understands what we're doing, this would be a contingent appropriation to go to the Dickinson State University Theodore Roosevelt presidential Library at the midpoint of the next biennia, if the General Fund revenues exceed projections by 5%. That is excluding transfers, the \$6 M would be transferred to this project as well for a total of \$12 M dollars. Is that correct Adam?

Adam Mathiak That is correct.

The House receded from House amendments and further amends.

Roll call vote

Senator Grindberg Yea Senator Holmberg Yea Senator Robinson Yea Representative Martinson Yea Representative Sharphol Yea Representative Williams Yea

## 2013 SENATE STANDING COMMITTEE MINUTES

#### Senate Appropriations Committee Harvest Room, State Capitol

SB 2018 conference committee (2) April 29, 2013 Job # 21603

□ Conference Committee

Committee Clerk Signature	Rose Laning
Explanation or reason for int	roduction of bill/resolution:
A BILL for an Act to provide an of commerce.	appropriation for defraying the expenses of the department
Minutes:	

Legislative Council - Adam Mathiak OMB - Tammy Dolan

Senator Grindberg opened the conference committee hearing on SB 2018. Senators Holmberg and Robinson were also present as well as Representatives Martinson, Skarphol and Williams.

**Senator Grindberg** wants to have Adam Mathiak read through amendment .02019 which is about the language that will be in the bill; the language that was passed this morning and Allen H. Knudson's interpretation of the "organization" definition and how it will be worded.

Adam Mathiak thought Legislative Council had sent the amendments down, but they aren't ready yet and will be coming shortly.

Adam Mathiak said the only change for the Theodore Roosevelt Center was, instead of "an organization", it was changed to be to the Theodore Roosevelt Center or the Theodore Roosevelt Presidential Library. That was in place of the word "an organization" and it also incorporated the contingent appropriation so the change was made in both the contingent appropriation and the appropriation that was already in the bill.

Senator Grindberg: Thank you. We're adjourned.

13.8168.02019 Title.04000 Fiscal No. 4 Prepared by the Legislative Council staff for Conference Committee

April 29, 2013

4.29.13

## PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1505-1516 of the Senate Journal and pages 1617-1628 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

- Page 1, line 2, after the semicolon insert "to provide an appropriation to the department of human services for early childhood service provider grants; to provide an appropriation to Dickinson state university;"
- Page 1, line 2, remove "a new chapter to title 6,"
- Page 1, line 3, replace "section 54-45.5-10" with "two new sections to chapter 54-60"
- Page 1, line 4, remove "a loan guarantee program,"
- Page 1, line 4, remove "the energy"
- Page 1, line 5, replace "conservation fund" with "an unmanned aircraft systems program"
- Page 1, line 6, replace "54-17-07.3, 54-17-40," with "and"
- Page 1, line 6, after the seventh comma insert "subdivision d of subsection 5 of section 54-44.7-03, and sections"
- Page 1, line 7, after "Code" insert "and section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly"
- Page 1, line 8, after the first comma insert "the"
- Page 1, line 9, replace "housing finance programs, and the housing incentive fund" with "and workforce development grants to tribally controlled community colleges"
- Page 1, line 10, remove "a"
- Page 1, line 10, replace "appropriation" with "appropriations"
- Page 1, line 10, remove "for an upper great plains"
- Page 1, line 11, replace "transportation institute study" with "statements of legislative intent"
- Page 1, remove lines 22 through 24
- Page 2, replace lines 1 through 14 with:

"Calarias and wages	\$10,858,251	\$1,502,863	\$12,361,114
"Salaries and wages	0	243,767	243,767
Accrued leave payments	13,876,650	2,059,099	15,935,749
Operating expenses Capital assets	70,018	(60,018)	10,000
Grants	59,977,994	(3,605,044)	56,372,950
Discretionary funds	928,082	0	928,082
Workforce enhancement fund	0	2,000,000	2,000,000
Economic development initiatives	186,846	0	186,846
Flood impact grants/loans	0	18,358,866	18,358,866
Agricultural products utilization comm	ission 2,739,767	500,727	3,240,494

Research North Dakota	0	12,000,000	12,000,000
North Dakota trade office	2,613,400	0	2,613,400
Partner programs	2,022,044	0	2,022,044
Federal fiscal stimulus funds	0	796,770	796,770
Visual North Dakota	<u>0</u>	<u>250,000</u>	250,000
Total all funds	\$93,273,052	\$34,047,030	\$127,320,082
Less estimated income	69,666,470	3,696,552	73,363,022
Total general fund	\$23,606,582	\$30,350,478	\$53,957,060"
Page 2, replace line 25 with:			
"Flood impact grants/loans		235,000,000	18,358,866"
Page 2, remove lines 30 and 31			
Page 3, replace lines 1 and 2 with:			
The second secon			750,000
"Tourism large infrastructure grants		0	750,000
Visual North Dakota		0	250,000 300,000"
Innovation grants		0	300,000
Page 3, replace lines 5 through 7 with:			
"Total all funds		\$272,121,750	\$43,455,636
Less estimated income		259,496,750	21,655,636
Total general fund		\$12,625,000	\$21,800,000"

Page 3, after line 11, insert:

"SECTION 3. APPROPRIATION - DEPARTMENT OF HUMAN SERVICES - EARLY CHILDHOOD SERVICE PROVIDER GRANTS. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$400,000, or so much of the sum as may be necessary, to the department of human services for the purpose of providing grants to licensed early childhood services providers that provide care for children with disabilities or developmental delays pursuant to section 50-11.1-18, for the biennium beginning July 1, 2013, and ending June 30, 2015. The grants may be used for equipment, renovation of facilities used to provide the services, and staff. The funding provided in this section is considered a one-time funding item.

SECTION 4. APPROPRIATION - DICKINSON STATE UNIVERSITY - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of awarding a grant to the Theodore Roosevelt center or the Theodore Roosevelt presidential library for the construction of a Theodore Roosevelt presidential library, for the biennium beginning July 1, 2013, and ending June 30, 2015. Dickinson state university may not use any of the funds appropriated in this section for administrative costs and may not award any of the funds until the grant recipient has raised at least \$3,000,000 from nonstate sources for the project. A grant awarded under this section may be used only for construction costs of the Theodore Roosevelt presidential library. The facility constructed may be used only to house the Theodore Roosevelt presidential library. The funding provided in this section is considered a one-time funding item.

30f12

SECTION 5. CONTINGENT APPROPRIATION - DICKINSON STATE UNIVERSITY - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of awarding a grant to the Theodore Roosevelt center or the Theodore Roosevelt presidential library for the construction of a Theodore Roosevelt presidential library, for the biennium beginning July 1, 2013, and ending June 30, 2015. The funding provided under this section is available to Dickinson state university only if actual general fund revenues, excluding transfers into the general fund from the strategic investment and improvements fund, the mill and elevator, the lottery, and the gas tax administration, for the period July 1, 2013, through June 30, 2014, exceed estimated general fund revenues, excluding transfers into the general fund from the strategic investment and improvements fund, the mill and elevator, the lottery, and the gas tax administration, for that period by at least five percent, as determined by the office of management and budget, based on the legislative estimates made at the close of the 2013 regular legislative session. Dickinson state university may not use any of the funds appropriated in this section for administrative costs and may not award any of the funds until the grant recipient has raised at least \$3,000,000 from nonstate sources for the project. A grant awarded under this section may be used only for construction costs of the Theodore Roosevelt presidential library. The facility constructed may be used only to house the Theodore Roosevelt presidential library. The funding provided in this section is considered a onetime funding item."

Page 3, line 14, remove "- Continuing"

Page 3, line 15, remove "appropriation"

Page 3, line 18, remove the overstrike over "The fund must be used to"

Page 3, line 19, remove the overstrike over "defray"

Page 3, line 19, remove "All moneys in the fund are appropriated to the department of commerce on a continuing"

Page 3, line 20, remove "basis for the purpose of defraying"

Page 4, remove lines 22 through 30

Page 5, remove lines 1 through 30

Page 6, remove lines 25 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 30

Page 9, remove lines 1 through 8

Page 9, replace lines 15 through 21 with:

"SECTION 12. AMENDMENT. Subdivision d of subsection 5 of section 54-44.7-03 of the North Dakota Century Code is amended and reenacted as follows:

d. Location, with higher priority given to firms headquartered in North Dakota.

4 of 12

SECTION 13. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

## Unmanned aircraft systems program - Report to legislative management.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties appointed by the governor in the administration of the test site. The department may charge fees sufficient to operate the test site. The department shall, to the extent possible, use competitive bidding in the establishment and administration of the test site. The commissioner may charter a public corporation to operate the test site. The corporation must possess all of the powers of a business corporation consistent with this chapter. The department shall report to the legislative management semiannually on the status of the program.

SECTION 14. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

## Unmanned aircraft systems program fund - Continuing appropriation.

There is created in the state treasury a special fund known as the unmanned aircraft systems fund, which must be used to defray the expenses of the operations of an unmanned aircraft systems test site officially designated by the federal aviation administration. The fund consists of fees collected for the administration of the test site. All moneys in the fund are appropriated to the department of commerce on a continuing basis for the purpose of defraying the expenses of the unmanned aircraft systems program. Interest earned on moneys in the fund must be credited to the fund."

- Page 9, line 30, after "section" insert ", including the requirement that an application must be accompanied by a partnership agreement between the private sector partner and a research university. The agreement must include details regarding the scope of the work, the budget, the location of the work to be completed, the intellectual property ownership rights, and the intellectual property income distribution. The commission may approve changes to the scope of the work or the budget only to the extent that the changes are agreed upon by the private sector partner and the research university"
- Page 10, line 18, replace "this chapter" with "the research North Dakota grant program and the research North Dakota venture grant program"

Page 11, after line 29, insert:

"SECTION 22. AMENDMENT. Section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly, is amended and reenacted as follows:

Establishment of workforce development grant for tribally controlled community colleges.

There is established within the division of workforce development of the department of commerce a program to provide workforce development grants to tribally controlled community colleges in North Dakota. A tribally controlled community college in this state may apply to the department of commerce for a job training grant in such manner as the department of commerce prescribes. In order to qualify for a grant under this section, an applicant must be a tribally controlled community college not

5 of 12

located on an Indian reservation or a tribally controlled community college located on an Indian reservation with an unemployment rate of greater than thirty percent. The department of commerce shall consult with the executive director of the Indian affairs commission to determine eligible tribally controlled community colleges."

- Page 12, line 7, replace "The amount" with "Of the \$1,000,000"
- Page 12, line 9, after "Laws" insert ", \$700,000"
- Page 12, line 10, after the period insert "The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall use up to \$300,000 for a grant to a nonprofit organization assisting individuals with business ideas. The department of commerce shall use any remaining amount for the technology-based entrepreneurship grant program."
- Page 12, line 18, replace "for" with "during the biennium beginning July 1, 2013, and ending June 30, 2015. The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall award a grant of up to \$100,000 for promotion and marketing of the USS North Dakota. The department of commerce shall award"
- Page 12, line 19, replace "and" with ". The department of commerce shall award a direct grant and not a cost reimbursement grant"
- Page 12, line 22, remove "during the biennium beginning July 1, 2013, and ending June 30, 2015"
- Page 13, line 4, after "Dakota" insert "grant"
- Page 13, line 4, after "program" insert "and the research North Dakota venture grant program"
- Page 13, line 6, after the period insert "The department of commerce shall use \$4,000,000 of the funds transferred to the research North Dakota fund for research North Dakota grants to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites."
- Page 13, remove lines 7 through 10
- Page 13, line 24, after the period insert "The grant program must award direct grants and not cost reimbursement grants."
- Page 13, remove lines 26 through 30
- Page 14, remove lines 1 and 2
- Page 14, line 3, remove "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"
- Page 14, line 7, remove "strategic investment and"
- Page 14, line 8, replace "improvements" with "general"
- Page 14, after line 9, insert:
  - "SECTION 34. INNOVATION GRANT PROGRAM. The grants line item in section 1 of this Act includes the sum of \$300,000 from the general fund for grants to entrepreneurial centers associated with a research university. The department shall develop guidelines to qualify for a grant under this section, including the requirements that an entrepreneurial center submit a detailed proposal on how the grant funds will be

60512

used to further innovation and entrepreneurship in the state and that an entrepreneurial center provide a detailed report of the results. Grants awarded under this section must be divided equally among eligible entrepreneurial centers."

Page 14, remove lines 29 through 31

Page 15, remove lines 1 through 8

Page 15, after line 15, insert:

PROPERTY AT RESEARCH UNIVERSITIES. During the 2013-14 interim, the legislative management shall consider studying the intellectual property policies and procedures at research universities within the state. The study must include consideration of the current and potential income generated through the commercialization of intellectual property. The study must include consideration of the best practices related to intellectual property, the federal Bayh-Dole Act, and the federal Patent Reform Act of 2011. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

SCIENCE CENTER. During the 2013-14 interim, the legislative management shall consider studying the development of a children's science center in the city where the state capitol is located. The study must include consideration of the feasibility and desirability of providing state assistance to develop a children's science center. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

During the 2013-14 interim, the legislative management shall consider studying the feasibility and desirability of the establishment of an energy corridor in the western portion of the state, including an examination of rights of way and state highway and county road easements necessary for the further development of energy resources in the state, and including the existing and necessary easements required to make United States highway 85 a four-lane highway corridor to complement the development of energy transportation resources. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Page 15, after line 20, insert:

"SECTION 43. LEGISLATIVE INTENT - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. It is the intent of the sixty-third legislative assembly that the Theodore Roosevelt center become an independent nonprofit organization and be renamed the Theodore Roosevelt presidential library."

Page 15, line 24, replace "26 and 32" with "13, 14, 29, and 33"

Page 15, line 24, after "emergency" insert "measure"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

## Senate Bill No. 2018 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Dickinson State University	\$0	\$0	\$6,000,000	\$6,000,000	\$9,000,000	(\$3,000,000)
Total all funds	0	0	0	0	3,000,000	(3,000,000)
Less estimated income General fund	\$0	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$0
Department of Human Services		***	\$400,000	\$400,000	\$0	\$400,000
Total all funds	\$0	\$0	\$400,000	φ400,000	0	0
Less estimated income	0	<u>0</u> \$0	-	\$400,000	\$0	\$400,000
General fund	\$0	\$0	\$400,000	\$400,000	ΨΟ	4100,000
Housing Finance Agency		en.	\$0	\$0	\$15,000,000	(\$15,000,000)
Total all funds	\$0	\$0	90	0	0	0
Less estimated income	0	0	\$0	\$0	\$15,000,000	(\$15,000,000)
General fund	\$0	\$0	\$0	40	φ15,000,000	(410,000,000)
Department of Commerce	*****	4407 007 500	(67.404)	\$127,320,082	\$119,344,393	\$7,975,689
Total all funds	\$124,566,065	\$127,327,563	(\$7,481)	73,363,022	73,322,613	40,409
Less estimated income	68,241,034	70,801,179	2,561,843		\$46,021,780	\$7,935,280
General fund	\$56,325,031	\$56,526,384	(\$2,569,324)	\$53,957,060	\$40,021,700	ψ1,500,200
Bill total		10.000.00	44.000.000	*400 700 000	0442 244 202	(\$9,624,311)
Total all funds	\$124,566,065	\$127,327,563	\$6,392,519	\$133,720,082	\$143,344,393	(2,959,591)
Less estimated income	68,241,034	70,801,179	2,561,843	73,363,022	76,322,613	(\$6,664,720)
General fund	\$56,325,031	\$56,526,384	\$3,830,676	\$60,357,060	\$67,021,780	(\$0,004,720)

## Senate Bill No. 2018 - Dickinson State University - Conference Committee Action

Theodore Roosevelt center	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version \$9,000,000	Comparison to House (\$9,000,000)
Total all funds Less estimated income	\$0 0	\$0 0	\$0 0	\$0 0	\$9,000,000 3,000,000	(\$9,000,000) (3,000,000)
General fund	\$0	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

## Department No. 239 - Dickinson State University - Detail of Conference Committee Changes

	Adds Funding for a Theodore Roosevelt Presidential Library <sup>1</sup>	Total Conference Committee Changes
Theodore Roosevelt center		-30-1
Total all funds Less estimated income	\$6,000,000 0	\$6,000,000 0
General fund	\$6,000,000	\$6,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment adds a new section to provide funding of \$6 million from the general fund to Dickinson State University to award a grant to the Theodore Roosevelt Presidential Library and to require the Theodore Roosevelt Presidential Library to raise at least \$3 million from nonstate sources. The House added a section to provide \$6 million from the general fund and \$3 million from special funds from private gifts and donations for the construction of a Theodore Roosevelt Center.

This amendment also adds two new sections to:

 Provide a transfer of \$6 million from the general fund to the Theodore Roosevelt Presidential Library, contingent upon actual general fund revenues exceeding estimates, excluding transfers, for state fiscal year 2014 by at least 5 percent.

 Provide legislative intent that the Theodore Roosevelt Center become an independent nonprofit organization and that the Theodore Roosevelt Center be renamed the Theodore Roosevelt

Presidential Library.

## Senate Bill No. 2018 - Department of Human Services - Conference Committee Action

Early childhood service provider grants	Executive Budget	Senate Version	Conference Committee Changes \$400,000	Conference Committee Version \$400,000	House Version	Comparison to House \$400,000
Total all funds Less estimated income	\$0 0	\$0 0	\$400,000 0	\$400,000 0	\$0 0	\$400,000 0
General fund	\$0	\$0	\$400,000	\$400,000	\$0	\$400,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

## Department No. 325 - Department of Human Services - Detail of Conference Committee Changes

	Adds Funding for Early Childhood Service Provider Grants <sup>1</sup>	Total Conference Committee Changes
Early childhood service provider grants	\$400,000	\$400,000
Total all funds Less estimated income	\$400,000 0	\$400,000 0
General fund	\$400,000	\$400,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment adds funding of \$400,000 from the general fund to the Department of Human Services for grants to early childhood service providers that serve children with disabilities or developmental delays. The House provided \$400,000 of funding from the housing incentive fund.

## Senate Bill No. 2018 - Housing Finance Agency - Conference Committee Action

The House added a section to provide a transfer of \$15 million from the general fund to the housing incentive fund which is not included in the conference committee version.

## Senate Bill No. 2018 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages Operating expenses	\$12,396,970 16,434,601 10,000	\$12,658,468 16,434,601 10,000	(\$297,354) (498,852)	\$12,361,114 15,935,749 10,000	\$12,185,425 14,935,749 10,000	\$175,689 1,000,000
Capital assets Grants Discretionary funds	59,147,950 928,082	61,647,950 928,082	(5,275,000)	56,372,950 928,082	55,822,950 928,082	550,000

Workforce enhancement fund	2,000,000 186,846	2,000,000		2,000,000 186,846	2,000,000 186,846	
Economic development initiatives Flood impact grants and loans Ag Products Utilization	11,782,866 3,246,536	11,782,866 3,246,536	6,576,000 (6,042)	18,358,866 3,240,494	18,358,866 3,240,494	
Commission Research North Dakota North Dakota Trade Office	12,000,000 2,613,400 2,022,044	12,000,000 2,613,400 2,022,044		12,000,000 2,613,400 2,022,044	6,000,000 2,613,400 2,022,044	6,000,000
Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments	796,770 1,000,000	796,770 1,000,000	(1,000,000) 243,767 250,000	796,770 243,767 250,000	796,770 243,767	250,000
Visual North Dakota  Total all funds Less estimated income	\$124,566,065 68,241,034	\$127,327,563 70,801,179	(\$7,481) 2,561,843	\$127,320,082 73,363,022	\$119,344,393 73,322,613	\$7,975,689 40,409
General fund	\$56,325,031	\$56,526,384	(\$2,569,324)	\$53,957,060	\$46,021,780	\$7,935,280
FTE	69.25	69.25	0.00	69.25	69.25	0.00

## Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package <sup>1</sup>	Provides Separate Line Item for Accrued Leave Payments <sup>2</sup>	Reduces Funding for the State Data Center <sup>3</sup>	Removes Funding for UGPTI Transportation Study <sup>4</sup>	Reduces Funding for InnovateND Program <sup>5</sup>	Removes Funding for Child Care Facility Grants <sup>6</sup>
Salaries and wages	(\$59,629)	(\$237,725)		10.411	(50,000)	
Operating expenses Capital assets Grants Discretionary funds Workforce enhancement fund Economic development initiatives			(98,852)	(350,000)	(50,000)	(5,000,000)
Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office Partner programs Federal fiscal stimulus funds North Dakota planning initiative		(6,042)				
Accrued leave payments Visual North Dakota		243,767				
Total all finds	(\$59,629)	\$0	(\$98,852)	(\$350,000)	(\$50,000)	(\$5,000,000)
Total all funds Less estimated income	(14,157)	0	0	0	Ó	0
General fund	(\$45,472)	\$0	(\$98,852)	(\$350,000)	(\$50,000)	(\$5,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	Reduces Funding for Tourism Large Infrastructure Grants <sup>7</sup>	Adds Funding for Innovation Grants <sup>8</sup>	Changes Funding Source for Unmanned Aircraft System <sup>9</sup>	Adds Funding for Flood Grants and Loans <sup>10</sup>	Removes Funding for North Dakota Planning Initiative <sup>11</sup>	Adds Funding for Visual North Dakota <sup>12</sup>
Salaries and wages Operating expenses Capital assets	(575 000)	300,000				
Grants Discretionary funds Workforce enhancement fund Economic development initiatives	(575,000)	300,000				
Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office				6,576,000		

Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments Visual North Dakota					(1,000,000)	250,000
Total all funds Less estimated income	(\$575,000) 0	\$300,000 0	\$0 (4,000,000)	\$6,576,000 6,576,000	(\$1,000,000) 0	\$250,000 0
General fund	(\$575,000)	\$300,000	\$4,000,000	\$0	(\$1,000,000)	\$250,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total Conference Committee
A V V V V V V V V V V V V V V V V V V V	Changes (\$297,354)
Salaries and wages	(498,852)
Operating expenses	(430,032)
Capital assets	(5,275,000)
Grants Dispersional funds	(3,273,000)
Discretionary funds Workforce enhancement fund	
Economic development	
initiatives	A commenced
Flood impact grants and loans	6,576,000
Ag Products Utilization Commission	(6,042)
Research North Dakota	
North Dakota Trade Office	
Partner programs	
Federal fiscal stimulus funds	
North Dakota planning initiative	(1,000,000)
Accrued leave payments	243,767
Visual North Dakota	250,000
Total all funds	(\$7,481)
Less estimated income	2,561,843
General fund	(\$2,569,324)
FTE	0.00

<sup>1</sup> This amendment adjusts the state employee compensation and benefits package as follows:

 Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.

 Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.

 Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

<sup>2</sup> A portion of salaries and wages funding from the general fund (\$187,753) and from other funds (\$56,014) for permanent employees compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

<sup>3</sup> This amendment reduces the funding for the State Data Center by \$98,852, from \$498,852 to \$400,000. The executive recommendation and the Senate provided \$498,852, and the House provided \$400,000.

<sup>4</sup> Funding of \$350,000 from the general fund is removed for an Upper Great Plains Transportation Institute study of transportation infrastructure needs. The executive recommendation and the Senate provided \$350,000, and the House removed the funding.

<sup>5</sup> This amendment reduces funding for the InnovateND program by \$50,000, from \$500,000 to \$450,000. The executive recommendation and the Senate provided \$500,000, and the House provided \$450,000.

110+12

- <sup>6</sup> This amendment removes funding of \$5 million from the general fund for child care facility grants. The executive recommendation and the Senate provided \$5 million, and the House removed this funding.
- <sup>7</sup> This amendment reduces the funding for tourism large infrastructure grants by \$575,000 to provide a total of \$750,000. The executive recommendation and the Senate provided \$1,325,000. The House reduced the funding by \$825,000 to provide a total of \$500,000.
- <sup>8</sup> Funding of \$300,000 from the general fund for Innovation grants to entrepreneurial centers associated with a research university is added.
- <sup>9</sup> The funding source for the \$4 million portion of the unmanned aircraft system grant is changed from the strategic investment and improvements fund to the general fund, which is the same as the House version. The executive recommendation and the Senate provided the strategic investment and improvements fund as the funding source.
- <sup>10</sup> Funding of \$6,576,000 of federal funds is added for flood impact grants and loans to provide a total of \$18,358,866, which is the same as the House version. The executive recommendation and the Senate provided \$11,782,866.
- <sup>11</sup> Funding of \$1 million for the North Dakota planning initiative is removed, which is the same as the House version. The executive recommendation and the Senate provided \$1 million.
- <sup>12</sup> This amendment adds funding of \$250,000 from the general fund for Visual North Dakota for mapping projects.

#### This amendment also:

- Removes a section added by the Senate to create a new loan guarantee program for child care facility loans, which the House also removed.
- Removes the transfer of \$200,000 from Bank of North Dakota profits to a child care facility loan guarantee program added by the Senate, consistent with House action.
- Removes a section providing for a child care facility grant program. The Senate version included this section, but the House removed it.
- Removes a section added by the Senate to expand the Housing Finance Agency programs to include a child care facility finance program, which the House also removed.
- Removes a section amended by the House to provide requirements that the housing incentive
  fund allow for financing of child care facilities, to provide grants for child care facilities, to provide
  grants to child care providers that provide services to children with disabilities, and to limit the
  fund balance to \$30 million. The Senate version provided for a maximum fund balance of
  \$50 million.
- Adds two new sections to establish an unmanned aircraft systems program administered by the
  Department of Commerce, to provide for semiannual reports to the Legislative Management, and
  to create a new continuing appropriation to the Department of Commerce of money in the
  unmanned aircraft systems program fund, which is the same as the House version.
- Designates \$4 million of Research North Dakota grants for biotechnology. The House added a new section to create a Research North Dakota Biotechnology program.
- Designates up to \$2 million of the funds transferred to the Research North Dakota fund be used for Research North Dakota venture grants.
- Removes a new continuing appropriation to the agricultural fuel tax fund, which is the same as
  the House version. The executive recommendation and the Senate provided for a new
  continuing appropriation.
- Removes a section providing a continuing appropriation to the energy conservation grant fund, consistent with House action.

120412

- Adds a new section to amend the agency selection process for contracting with firms that
  provide architectural and engineering services to give higher priority to North Dakota firms.
- Adds a new section to amend Senate Bill No. 2218 as approved by the 63rd Legislative Assembly to remove requirements that an eligible tribally controlled community college be located on a reservation with an unemployment rate greater than 30 percent.
- Adds a new section to provide requirements for the innovation grant program.
- Changes the exemption for the technology-based entrepreneurship grant program to designate that the Department of Commerce use up to \$300,000 for a grant to the Incubator for Developing Entrepreneurial Activity (IDEA) Center in Bismarck, the same as the House version.
- Changes the exemption for base retention grants to designate that the Department of Commerce
  use up to \$100,000 for grants to promote the USS North Dakota, the same as the House
  version.
- Removes a section providing for an Upper Great Plains Transportation Institute transportation study, consistent with House action.
- Adds a new section for a Legislative Management study of intellectual property at research universities, the same as the House version.
- Adds two new sections for Legislative Management studies of an energy corridor and of the development of a children's science center in Bismarck.
- Adds a statement of legislative intent to provide that the Theodore Roosevelt Center become a nonprofit organization and be renamed the Theodore Roosevelt Presidential Library.
- Changes the emergency clause section to include the continuing appropriation for the unmanned aircraft systems program.

Date	4-26-13
Roll Call Vo	te #/

# 2013 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BIL	_L/RESOLUTI	ON NO. <u>20</u>	as (re) engro	ossed		
Senate	6	ppropria	tions	Comm	nittee	
Action Taken	SENATE	accede to House	e Amendments			
1000011	☐ SENATE	accede to House	e Amendments and furth	er amends	;	
	_	recede from Hou				
			se amendments and am	ends as fol	lows	
	☐ HOUSE	recede from the				
	□ Unable f	o agree, recomn	nends that the committee	be discha	rged ar	nd
	a new co	mmittee be appo	inted	verythis	ig ex	de
A vote or	amends	ment 13.96	,96.01000-	The	bolone	Koo
Motion Made by:	Mart	inson	seconded by: Seconded by:	phol		
Senators		Yes No	Representatives		Yes	No
	lberg	V	Rep. Martinso	n l		-
Holon	berg	-	Skarphot	0	V	
Robi	uson		Willean			
			N-4-		3	
Total Senate Vo	ote	3	Total Rep. Vote			
-		/	🛧	Absent: _	0	
Vote Count	Yes:	6	No:	Absent		
Senate Carrier			House Carrier	1		
LC Number				of an	nendme	nt
				of en	grossm	ent
LC Number					J	

Date	4-29-13
Roll Call V	ote #/

## 2013 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

				grossed	
enate	6	Epprop	riations	Com	mittee
Action Taken	SENATE	accede to Hou	se Amendments		
			se Amendments and fur	ther amend	ds
140			use amendments		allows
	HOUSE r	ecede from Ho	use amendments and a	mends as t	Ollows
	□ Hashle t	o agree recom	mends that the committ	ee be disch	narged and
	a new co	mmittee be app	pointed	d. 020	17
		*		.000	
Motion Made by:	Skar	phol	Seconded by:	ertinse	n
Senator	111	Yes No	Representatives	.//	Yes
1	Trindberg V		Rep. Martinson	1 4	
H	luberg v		Skarphol William	1	
0	1				
Ro	biason				
Fotal Senate Vo	biason biason bite	3	Total Rep. Vote		3
Total Senate Vo	biason bite	3	19881	Absent	3
Total Senate Vo	ote  Yes:	6	Total Rep. Vote  No:	Absent:	3
Vote Count	Yes:	berg	19881	Absent:	3
	Yes:	berg	No:	Nartin	3 amendmen

Insert LC: 13.8168.02019

REPORT OF CONFERENCE COMMITTEE

SB 2018, as engrossed: Your conference committee (Sens. Grindberg, Holmberg, Robinson and Reps. Martinson, Skarphol, Williams) recommends that the HOUSE RECEDE from the House amendments as printed on SJ pages 1505-1516, adopt amendments as follows, and place SB 2018 on the Seventh order:

That the House recede from its amendments as printed on pages 1505-1516 of the Senate Journal and pages 1617-1628 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 2, after the semicolon insert "to provide an appropriation to the department of human services for early childhood service provider grants; to provide an appropriation to Dickinson state university;"

Page 1, line 2, remove "a new chapter to title 6,"

Page 1, line 3, replace "section 54-45.5-10" with "two new sections to chapter 54-60"

Page 1, line 4, remove "a loan guarantee program,"

Page 1, line 4, remove "the energy"

Page 1, line 5, replace "conservation fund" with "an unmanned aircraft systems program"

Page 1, line 6, replace "54-17-07.3, 54-17-40," with "and"

Page 1, line 6, after the seventh comma insert "subdivision d of subsection 5 of section 54-44.7-03, and sections"

Page 1, line 7, after "Code" insert "and section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly"

Page 1, line 8, after the first comma insert "the"

Page 1, line 9, replace "housing finance programs, and the housing incentive fund" with "and workforce development grants to tribally controlled community colleges"

Page 1, line 10, remove "a"

Page 1, line 10, replace "appropriation" with "appropriations"

Page 1, line 10, remove "for an upper great plains"

Page 1, line 11, replace "transportation institute study" with "statements of legislative intent"

Page 1, remove lines 22 through 24

Page 2, replace lines 1 through 14 with:

"Salaries and wages	\$10,858,251	\$1,502,863	\$12,361,114
Accrued leave payments	0	243,767	243,767
Operating expenses	13,876,650	2,059,099	15,935,749
Capital assets	70.018	(60,018)	10,000
Grants	59,977,994	(3,605,044)	56,372,950
Discretionary funds	928.082	0	928,082
Workforce enhancement fund	0	2,000,000	2,000,000
	186,846	0	186,846
Economic development initiatives	100,040	18,358,866	18,358,866
Flood impact grants/loans	mission2 720 767	500,727	3,240,494
Agricultural products utilization comm	1115510112,739,707	12,000,000	12,000,000
Research North Dakota	0 010 100	12,000,000	2,613,400
North Dakota trade office	2,613,400	Ü	2,013,400

Insert LC: 13.8168.02019

2,022,044 0 0 \$93,273,052 69,666,470 \$23,606,582	796,770 250,000 \$34,047,030 3,696,552 \$30,350,478	2,022,044 796,770 250,000 \$127,320,082 73,363,022 \$53,957,060"
	235,000,000	18,358,866"
	0 0 0	750,000 250,000 300,000"
h:		
	\$272,121,750 <u>259,496,750</u> \$12,625,000	\$43,455,636 <u>21,655,636</u> \$21,800,000"
	\$93,273,052 69,666,470 \$23,606,582	0 796,770 250,000 \$93,273,052 \$34,047,030 69,666,470 3,696,552 \$23,606,582 \$30,350,478 235,000,000 0 0 0 0 0 h:

Page 3, after line 11, insert:

"SECTION 3. APPROPRIATION - DEPARTMENT OF HUMAN SERVICES - EARLY CHILDHOOD SERVICE PROVIDER GRANTS. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$400,000, or so much of the sum as may be necessary, to the department of human services for the purpose of providing grants to licensed early childhood services providers that provide care for children with disabilities or developmental delays pursuant to section 50-11.1-18, for the biennium beginning July 1, 2013, and ending June 30, 2015. The grants may be used for equipment, renovation of facilities used to provide the services, and staff. The funding provided in this section is considered a one-time funding item.

SECTION 4. APPROPRIATION - DICKINSON STATE UNIVERSITY - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of awarding a grant to the Theodore Roosevelt center or the Theodore Roosevelt presidential library for the construction of a Theodore Roosevelt presidential library, for the biennium beginning July 1, 2013, and ending June 30, 2015. Dickinson state university may not use any of the funds appropriated in this section for administrative costs and may not award any of the funds until the grant recipient has raised at least \$3,000,000 from nonstate sources for the project. A grant awarded under this section may be used only for construction costs of the Theodore Roosevelt presidential library. The facility constructed may be used only to house the Theodore Roosevelt presidential library. The funding provided in this section is considered a one-time funding item.

SECTION 5. CONTINGENT APPROPRIATION - DICKINSON STATE UNIVERSITY - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of awarding a grant to the Theodore Roosevelt center or the Theodore Roosevelt presidential library for the construction of a Theodore Roosevelt presidential library, for the biennium beginning July 1, 2013, and ending June 30, 2015. The funding provided under this section is

Insert LC: 13.8168.02019

available to Dickinson state university only if actual general fund revenues, excluding transfers into the general fund from the strategic investment and improvements fund, the mill and elevator, the lottery, and the gas tax administration, for the period July 1, 2013, through June 30, 2014, exceed estimated general fund revenues, excluding transfers into the general fund from the strategic investment and improvements fund, the mill and elevator, the lottery, and the gas tax administration, for that period by at least five percent, as determined by the office of management and budget, based on the legislative estimates made at the close of the 2013 regular legislative session. Dickinson state university may not use any of the funds appropriated in this section for administrative costs and may not award any of the funds until the grant recipient has raised at least \$3,000,000 from nonstate sources for the project. A grant awarded under this section may be used only for construction costs of the Theodore Roosevelt presidential library. The facility constructed may be used only to house the Theodore Roosevelt presidential library. The funding provided in this section is considered a one-time funding item."

Page 3, line 14, remove "- Continuing"

Page 3, line 15, remove "appropriation"

Page 3, line 18, remove the overstrike over "The fund must be used to"

Page 3, line 19, remove the overstrike over "defray"

Page 3, line 19, remove "All moneys in the fund are appropriated to the department of commerce on a continuing"

Page 3, line 20, remove "basis for the purpose of defraying"

Page 4, remove lines 22 through 30

Page 5, remove lines 1 through 30

Page 6, remove lines 25 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 30

Page 9, remove lines 1 through 8

Page 9, replace lines 15 through 21 with:

"SECTION 12. AMENDMENT. Subdivision d of subsection 5 of section 54-44.7-03 of the North Dakota Century Code is amended and reenacted as follows:

d. Location, with higher priority given to firms headquartered in North Dakota.

**SECTION 13.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

#### Unmanned aircraft systems program - Report to legislative management.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties appointed by the governor in the administration of the test site. The department may charge fees sufficient to operate the test site. The department shall, to the extent possible, use competitive bidding in the establishment and administration of the test

Insert LC: 13.8168.02019

site. The commissioner may charter a public corporation to operate the test site. The corporation must possess all of the powers of a business corporation consistent with this chapter. The department shall report to the legislative management semiannually on the status of the program.

**SECTION 14.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

### Unmanned aircraft systems program fund - Continuing appropriation.

There is created in the state treasury a special fund known as the unmanned aircraft systems fund, which must be used to defray the expenses of the operations of an unmanned aircraft systems test site officially designated by the federal aviation administration. The fund consists of fees collected for the administration of the test site. All moneys in the fund are appropriated to the department of commerce on a continuing basis for the purpose of defraying the expenses of the unmanned aircraft systems program. Interest earned on moneys in the fund must be credited to the fund."

- Page 9, line 30, after "section" insert ", including the requirement that an application must be accompanied by a partnership agreement between the private sector partner and a research university. The agreement must include details regarding the scope of the work, the budget, the location of the work to be completed, the intellectual property ownership rights, and the intellectual property income distribution. The commission may approve changes to the scope of the work or the budget only to the extent that the changes are agreed upon by the private sector partner and the research university"
- Page 10, line 18, replace "this chapter" with "the research North Dakota grant program and the research North Dakota venture grant program"

Page 11, after line 29, insert:

"SECTION 22. AMENDMENT. Section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly, is amended and reenacted as follows:

Establishment of workforce development grant for tribally controlled community colleges.

There is established within the division of workforce development of the department of commerce a program to provide workforce development grants to tribally controlled community colleges in North Dakota. A tribally controlled community college in this state may apply to the department of commerce for a job training grant in such manner as the department of commerce prescribes. In order to qualify for a grant under this section, an applicant must be a tribally controlled community college not located on an Indian reservation or a tribally controlled community college located on an Indian reservation with an unemployment rate of greater than thirty percent. The department of commerce shall consult with the executive director of the Indian affairs commission to determine eligible tribally controlled community colleges."

- Page 12, line 7, replace "The amount" with "Of the \$1,000,000"
- Page 12, line 9, after "Laws" insert ", \$700,000"
- Page 12, line 10, after the period insert "The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall use up to \$300,000 for a grant to a nonprofit organization assisting individuals with business ideas. The department of commerce shall use any remaining amount for the technology-based entrepreneurship grant program."

Insert LC: 13.8168.02019

- Page 12, line 18, replace "for" with "during the biennium beginning July 1, 2013, and ending June 30, 2015. The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall award a grant of up to \$100,000 for promotion and marketing of the USS North Dakota. The department of commerce shall award"
- Page 12, line 19, replace "and" with ". The department of commerce shall award a direct grant and not a cost reimbursement grant"
- Page 12, line 22, remove "during the biennium beginning July 1, 2013, and ending June 30, 2015"
- Page 13, line 4, after "Dakota" insert "grant"
- Page 13, line 4, after "program" insert "and the research North Dakota venture grant program"
- Page 13, line 6, after the period insert "The department of commerce shall use \$4,000,000 of the funds transferred to the research North Dakota fund for research North Dakota grants to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites."
- Page 13, remove lines 7 through 10
- Page 13, line 24, after the period insert "The grant program must award direct grants and not cost reimbursement grants."
- Page 13, remove lines 26 through 30
- Page 14, remove lines 1 and 2
- Page 14, line 3, remove "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"
- Page 14, line 7, remove "strategic investment and"
- Page 14, line 8, replace "improvements" with "general"
- Page 14, after line 9, insert:
  - "SECTION 34. INNOVATION GRANT PROGRAM. The grants line item in section 1 of this Act includes the sum of \$300,000 from the general fund for grants to entrepreneurial centers associated with a research university. The department shall develop guidelines to qualify for a grant under this section, including the requirements that an entrepreneurial center submit a detailed proposal on how the grant funds will be used to further innovation and entrepreneurship in the state and that an entrepreneurial center provide a detailed report of the results. Grants awarded under this section must be divided equally among eligible entrepreneurial centers."
- Page 14, remove lines 29 through 31
- Page 15, remove lines 1 through 8
- Page 15, after line 15, insert:

"SECTION 39. LEGISLATIVE MANAGEMENT STUDY - INTELLECTUAL PROPERTY AT RESEARCH UNIVERSITIES. During the 2013-14 interim, the legislative management shall consider studying the intellectual property policies and procedures at research universities within the state. The study must include

Insert LC: 13.8168.02019

consideration of the current and potential income generated through the commercialization of intellectual property. The study must include consideration of the best practices related to intellectual property, the federal Bayh-Dole Act, and the federal Patent Reform Act of 2011. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

SECTION 40. LEGISLATIVE MANAGEMENT STUDY - CHILDREN'S SCIENCE CENTER. During the 2013-14 interim, the legislative management shall consider studying the development of a children's science center in the city where the state capitol is located. The study must include consideration of the feasibility and desirability of providing state assistance to develop a children's science center. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

SECTION 41. LEGISLATIVE MANAGEMENT STUDY - ENERGY CORRIDOR. During the 2013-14 interim, the legislative management shall consider studying the feasibility and desirability of the establishment of an energy corridor in the western portion of the state, including an examination of rights of way and state highway and county road easements necessary for the further development of energy resources in the state, and including the existing and necessary easements required to make United States highway 85 a four-lane highway corridor to complement the development of energy transportation resources. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative

Page 15, after line 20, insert:

assembly."

"SECTION 43. LEGISLATIVE INTENT - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. It is the intent of the sixty-third legislative assembly that the Theodore Roosevelt center become an independent nonprofit organization and be renamed the Theodore Roosevelt presidential library."

Page 15, line 24, replace "26 and 32" with "13, 14, 29, and 33"

Page 15, line 24, after "emergency" insert "measure"

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

#### Senate Bill No. 2018 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Dickinson State University					0.0100	1.00702-010
Total all funds	\$0	\$0	\$6,000,000	\$6,000,000	\$9,000,000	(\$3,000,000)
Less estimated income	0	0	0	0	3,000,000	(3,000,000)
General fund	\$0	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$0
Department of Human Services						
Total all funds	\$0	\$0	\$400,000	\$400,000	\$0	\$400,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$400,000	\$400,000	\$0	\$400,000
Housing Finance Agency						
Total all funds	\$0	\$0	\$0	\$0	\$15,000,000	(\$15,000,000)
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$0	\$0	\$15,000,000	(\$15,000,000)
Department of Commerce						es Cherry
Total all funds	\$124,566,065	\$127,327,563	(\$7,481)	\$127,320,082	\$119,344,393	\$7,975,689

Insert LC: 13.8168.02019

Less estimated income	68,241,034	70,801,179	2,561,843	73,363,022	73,322,613	40,409
General fund	\$56,325,031	\$56,526,384	(\$2,569,324)	\$53,957,060	\$46,021,780	\$7,935,280
Bill total Total all funds Less estimated income General fund	\$124,566,065	\$127,327,563	\$6,392,519	\$133,720,082	\$143,344,393	(\$9,624,311)
	68,241,034	70,801,179	2,561,843	73,363,022	76,322,613	(2,959,591)
	\$56,325,031	\$56,526,384	\$3,830,676	\$60,357,060	\$67,021,780	(\$6,664,720)

## Senate Bill No. 2018 - Dickinson State University - Conference Committee Action

Theodore Roosevelt center	Executive Budget	Senate Version	Conference Committee Changes 6,000,000	Conference Committee Version 6,000,000	House Version \$9,000,000	Comparison to House (\$3,000,000)
Total all funds Less estimated income	\$0 0	\$0 0	\$0 0	\$0 0	\$9,000,000 3,000,000	(\$3,000,000) (3,000,000)
General fund	\$0	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

# Department No. 239 - Dickinson State University - Detail of Conference Committee Changes

Theodore Roosevelt center	Adds Funding for a Theodore Roosevelt Presidential Library' 6,000,000	Total Conference Committee Changes 6,000,000
Total all funds Less estimated income	\$6,000,000 0	\$6,000,000 0
General fund	\$6,000,000	\$6,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment adds a new section to provide funding of \$6 million from the general fund to Dickinson State University to award a grant to the Theodore Roosevelt Presidential Library and to require the Theodore Roosevelt Presidential Library to raise at least \$3 million from nonstate sources. The House added a section to provide \$6 million from the general fund and \$3 million from special funds from private gifts and donations for the construction of a Theodore Roosevelt Center.

This amendment also adds two new sections to:

- Provide a transfer of \$6 million from the general fund to the Theodore Roosevelt Presidential Library, contingent upon actual general fund revenues exceeding estimates, excluding transfers, for state fiscal year 2014 by at least 5 percent.
- Provide legislative intent that the Theodore Roosevelt Center become an independent nonprofit organization and that the Theodore Roosevelt Center be renamed the Theodore Roosevelt Presidential Library.

## Senate Bill No. 2018 - Department of Human Services - Conference Committee Action

Feet abilithe and coming provider	Executive Budget	Senate Version	Conference Committee Changes \$400,000	Conference Committee Version \$400,000	House Version	Comparison to House \$400,000
Early childhood service provider grants			<b>\$100,000</b>			
Total all funds	\$0	\$0	\$400,000	\$400,000	\$0	\$400,000

Insert LC: 13.8168.02019

Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$400,000	\$400,000	\$0	\$400,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

## Department No. 325 - Department of Human Services - Detail of Conference Committee Changes

	Adds Funding for Early Childhood Service Provider Grants <sup>1</sup>	Total Conference Committee Changes
Early childhood service provider grants	\$400,000	\$400,000
Total all funds Less estimated income	\$400,000 0	\$400,000 0
General fund	\$400,000	\$400,000
FTE	0.00	0.00

This amendment adds funding of \$400,000 from the general fund to the Department of Human Services for grants to early childhood service providers that serve children with disabilities or developmental delays. The House provided \$400,000 of funding from the housing incentive fund.

#### Senate Bill No. 2018 - Housing Finance Agency - Conference Committee Action

The House added a section to provide a transfer of \$15 million from the general fund to the housing incentive fund which is not included in the conference committee version.

#### Senate Bill No. 2018 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$12,396,970	\$12,658,468	(\$297,354)	\$12,361,114	\$12,185,425	\$175,689
Operating expenses	16,434,601	16,434,601	(498,852)	15,935,749	14,935,749	1,000,000
Capital assets	10,000	10,000	1.55	10,000	10,000	
Grants	59,147,950	61,647,950	(5,275,000)	56,372,950	55,822,950	550,000
Discretionary funds	928,082	928.082	/ere. ere.	928,082	928,082	
Workforce enhancement fund	2.000.000	2.000,000		2,000,000	2,000,000	
Economic development initiatives	186,846	186,846		186,846	186,846	
Flood impact grants and loans	11.782.866	11,782,866	6.576.000	18,358,866	18,358,866	
Ag Products Utilization	3,246,536	3,246,536	(6,042)	3,240,494	3,240,494	
Research North Dakota	12,000,000	12,000,000		12,000,000	6,000,000	6,000,000
North Dakota Trade Office	2,613,400	2,613,400		2,613,400	2,613,400	
Partner programs	2,022,044	2,022,044		2,022,044	2,022,044	
Federal fiscal stimulus funds	796,770	796,770	1 4 4	796,770	796,770	
North Dakota planning initiative	1,000,000	1,000,000	(1,000,000)			
Accrued leave payments	.,,,,	1000	243,767	243,767	243,767	
Visual North Dakota			250,000	250,000		250,000
Total all funds	\$124,566,065	\$127,327,563	(\$7,481)	\$127,320,082	\$119,344,393	\$7,975,689
Less estimated income	68,241,034	70,801,179	2,561,843	73,363,022	73,322,613	40,409
General fund	\$56,325,031	\$56,526,384	(\$2,569,324)	\$53,957,060	\$46,021,780	\$7,935,280
FTE	69.25	69.25	0.00	69.25	69.25	0.00

# Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

Insert LC: 13.8168.02019

	Adjusts State Employee Compensation and Benefits Package <sup>1</sup>	Provides Separate Line Item for Accrued Leave Payments <sup>2</sup>	Reduces Funding for the State Data Center <sup>3</sup>	Removes Funding for UGPTI Transportation Study <sup>4</sup>	Reduces Funding for InnovateND Program <sup>5</sup>	Removes Funding for Child Care Facility Grants <sup>6</sup>
Salaries and wages Operating expenses	(\$59,629)	(\$237,725)	(98,852)	(350,000)	(50,000)	
Capital assets Grants Discretionary funds Workforce enhancement fund Economic development initiatives Flood impact grants and loans		(0.040)				(5,000,000)
Ag Products Utilization Commission Research North Dakota North Dakota Trade Office Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments		(6,042) 243,767				
Visual North Dakota	3.00		4.55.4		****	(85 000 000)
Total all funds Less estimated income	(\$59,629) (14,157)	\$0 0	(\$98,852) 0	(\$350,000)	(\$50,000)	(\$5,000,000)
General fund	(\$45,472)	\$0	(\$98,852)	(\$350,000)	(\$50,000)	(\$5,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	Reduces Funding for Tourism Large Infrastructure Grants <sup>7</sup>	Adds Funding for Innovation Grants <sup>8</sup>	Changes Funding Source for Unmanned Aircraft System <sup>9</sup>	Adds Funding for Flood Grants and Loans <sup>10</sup>	Removes Funding for North Dakota Planning Initiative <sup>11</sup>	Adds Funding for Visual North Dakota <sup>12</sup>
Salaries and wages Operating expenses						
Capital assets Grants Discretionary funds Workforce enhancement fund	(575,000)	300,000				
Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office Partner programs				6,576,000		
Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments Visual North Dakota					(1,000,000)	250,000
Total all funds Less estimated income	(\$575,000) 0	\$300,000	\$0 (4,000,000)	\$6,576,000 6,576,000	(\$1,000,000)	\$250,000 0
General fund	(\$575,000)	\$300,000	\$4,000,000	\$0	(\$1,000,000)	\$250,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Salaries and wages Operating expenses Capital assets	Total Conference Committee Changes (\$297,354) (498,852)					
Grants Discretionary funds Workforce enhancement fund Economic development initiatives	(5,275,000)					
Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office Partner programs	6,576,000 (6,042)					
Federal fiscal stimulus funds						

#### Com Conference Committee Report April 30, 2013 7:19am

Module ID: s\_cfcomrep\_77\_001 Insert LC: 13.8168.02019

Accrued leave payments Visual North Dakota 250,000

Total all funds (\$7,481)
Less estimated income 2,561,843

General fund (\$2,569,324)

FTE 0.00

<sup>1</sup> This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.
- <sup>2</sup> A portion of salaries and wages funding from the general fund (\$187,753) and from other funds (\$56,014) for permanent employees compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.
- <sup>3</sup> This amendment reduces the funding for the State Data Center by \$98,852, from \$498,852 to \$400,000. The executive recommendation and the Senate provided \$498,852, and the House provided \$400,000.
- <sup>4</sup> Funding of \$350,000 from the general fund is removed for an Upper Great Plains Transportation Institute study of transportation infrastructure needs. The executive recommendation and the Senate provided \$350,000, and the House removed the funding.
- <sup>5</sup> This amendment reduces funding for the InnovateND program by \$50,000, from \$500,000 to \$450,000. The executive recommendation and the Senate provided \$500,000, and the House provided \$450,000.
- <sup>6</sup> This amendment removes funding of \$5 million from the general fund for child care facility grants. The executive recommendation and the Senate provided \$5 million, and the House removed this funding.
- <sup>7</sup> This amendment reduces the funding for tourism large infrastructure grants by \$575,000 to provide a total of \$750,000. The executive recommendation and the Senate provided \$1,325,000. The House reduced the funding by \$825,000 to provide a total of \$500,000.
- <sup>8</sup> Funding of \$300,000 from the general fund for Innovation grants to entrepreneurial centers associated with a research university is added.
- <sup>9</sup> The funding source for the \$4 million portion of the unmanned aircraft system grant is changed from the strategic investment and improvements fund to the general fund, which is the same as the House version. The executive recommendation and the Senate provided the strategic investment and improvements fund as the funding source.
- <sup>10</sup> Funding of \$6,576,000 of federal funds is added for flood impact grants and loans to provide a total of \$18,358,866, which is the same as the House version. The executive recommendation and the Senate provided \$11,782,866.
- <sup>11</sup> Funding of \$1 million for the North Dakota planning initiative is removed, which is the same

Insert LC: 13.8168.02019

as the House version. The executive recommendation and the Senate provided \$1 million.

<sup>12</sup> This amendment adds funding of \$250,000 from the general fund for Visual North Dakota for mapping projects.

#### This amendment also:

- Removes a section added by the Senate to create a new loan guarantee program for child care facility loans, which the House also removed.
- Removes the transfer of \$200,000 from Bank of North Dakota profits to a child care facility loan guarantee program added by the Senate, consistent with House action.
- Removes a section providing for a child care facility grant program. The Senate version included this section, but the House removed it.
- Removes a section added by the Senate to expand the Housing Finance Agency programs to include a child care facility finance program, which the House also removed.
- Removes a section amended by the House to provide requirements that the housing
  incentive fund allow for financing of child care facilities, to provide grants for child
  care facilities, to provide grants to child care providers that provide services to
  children with disabilities, and to limit the fund balance to \$30 million. The Senate
  version provided for a maximum fund balance of \$50 million.
- Adds two new sections to establish an unmanned aircraft systems program
  administered by the Department of Commerce, to provide for semiannual reports to
  the Legislative Management, and to create a new continuing appropriation to the
  Department of Commerce of money in the unmanned aircraft systems program fund,
  which is the same as the House version.
- Designates \$4 million of Research North Dakota grants for biotechnology. The House added a new section to create a Research North Dakota Biotechnology program.
- Designates up to \$2 million of the funds transferred to the Research North Dakota fund be used for Research North Dakota venture grants.
- Removes a new continuing appropriation to the agricultural fuel tax fund, which is
  the same as the House version. The executive recommendation and the Senate
  provided for a new continuing appropriation.
- Removes a section providing a continuing appropriation to the energy conservation grant fund, consistent with House action.
- Adds a new section to amend the agency selection process for contracting with firms that provide architectural and engineering services to give higher priority to North Dakota firms.
- Adds a new section to amend Senate Bill No. 2218 as approved by the 63rd Legislative Assembly to remove requirements that an eligible tribally controlled community college be located on a reservation with an unemployment rate greater than 30 percent.
- Adds a new section to provide requirements for the innovation grant program.
- Changes the exemption for the technology-based entrepreneurship grant program to designate that the Department of Commerce use up to \$300,000 for a grant to the Incubator for Developing Entrepreneurial Activity (IDEA) Center in Bismarck, the same as the House version.
- Changes the exemption for base retention grants to designate that the Department

Insert LC: 13.8168.02019

of Commerce use up to \$100,000 for grants to promote the USS North Dakota, the same as the House version.

- Removes a section providing for an Upper Great Plains Transportation Institute transportation study, consistent with House action.
- Adds a new section for a Legislative Management study of intellectual property at research universities, the same as the House version.
- Adds two new sections for Legislative Management studies of an energy corridor and of the development of a children's science center in Bismarck.
- Adds a statement of legislative intent to provide that the Theodore Roosevelt Center become a nonprofit organization and be renamed the Theodore Roosevelt Presidential Library.
- Changes the emergency clause section to include the continuing appropriation for the unmanned aircraft systems program.

Engrossed SB 2018 was placed on the Seventh order of business on the calendar.

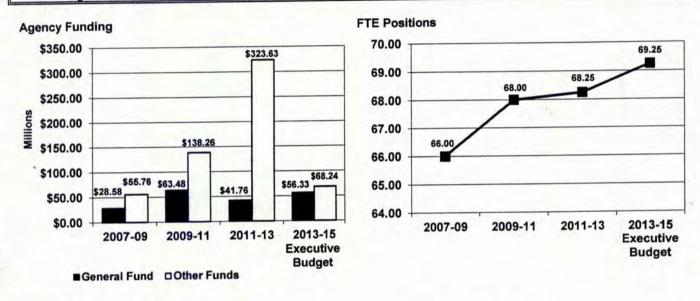
**2013 TESTIMONY** 

SB 2018

# Department 601 - Department of Commerce Senate Bill No. 2018

	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget 2011-13 Legislative Appropriations	69.25 68.25	\$56,325,031 41,759,865	\$68,241,034 323,634,937	\$124,566,065 365,394,802
Increase (Decrease)	1.00	\$14,565,166	(\$255,393,903)	(\$240,828,737)

<sup>1</sup>The 2011-13 appropriation amounts include \$235 million of additional special funds authority for flood impact grants and loans during the 2011-13 biennium.



Ongoing and One-Time General Fund Appropriations

Origonity a	and One-Time Ocherar Fai	id /tppiopilations	
	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2013-15 Executive Budget 2011-13 Legislative Appropriations	\$32,150,031 29,134,865	\$24,175,000 12,625,000	\$56,325,031 41,759,865
crease (Decrease)	\$3,015,166	\$11,550,000	\$14,565,166

	Executive Budget Hi	ghlights		
		General Fund	Other Funds	Total
1	Provides funding for the State Data Center, which includes 1 FTE demographer position	\$498,852	\$0	\$498,852
2	Provides one-time funding from the general fund for a child care facility grant program for the purpose of providing grants of up to \$187,500 to political subdivisions for new and expanded licensed child care facilities and essential equipment for the facilities	\$5,000,000	. \$0	\$5,000,000
3	Provides one-time funding from the general fund for a research North Dakota grant program	\$12,000,000	\$0	\$12,000,000
4	Provides one-time funding of \$5 million, of which \$1 million is from the general fund and \$4 million is from the strategic investment and improvements fund for the unmanned aerial system grant program	\$1,000,000	\$4,000,000	\$5,000,000
5	Provides a one-time transfer from the general fund to the workforce enhancement fund for two-year colleges to create or enhance training programs	\$2,000,000	\$0	\$2,000,000
6	Provides one-time funding from the general fund for tourism large infrastructure grants to attract, retain, and entertain North Dakota citizens and visitors	\$1,325,000	\$0	\$1,325,000

7.	Provides one-time funding from the general fund for the North Dakota planning initiative program to provide technical assistance and grants for communities to use in planning for growth	\$1,000,000	\$0	\$1,000,000
8.	Provides one-time funding for base retention grants	\$1,500,000	\$0	\$1,500,000
9.	Provides one-time funding for a study with the Upper Great Plains Transportation Institute for updating and maintaining reports for the transportation infrastructure needs of the state	\$350,000	\$0	\$350,000
10	Increases funding from the general fund for the InnovateND program from \$400,000 to \$500,000	\$100,000	\$0	\$100,000
11	Increases funding from the general fund for Operation Intern from \$900,000 to \$1.5 million	\$600,000	\$0	\$600,000
12	Adds funding for increasing tourism-related marketing and research from \$7,684,329 to \$9,184,329	\$1,500,000	\$0	\$1,500,000
13	Provides funding for state employee salary increases of which \$353,441 relates to performance increases and \$0 is for market equity adjustments	\$272,149	\$81,292	\$353,441
14	Removes one-time funding for flood impact loans and grants	\$0	(\$235,000,000)	(\$235,000,000)

#### Other Sections in Bill

Sections 3-5, 7, 11, 13, and 14 - Renames the agricultural fuel tax fund the agricultural products utilization fund, designates that interest earned on the money in the fund be retained in the fund, and provides a continuing appropriation of money in the fund to the Department of Commerce

Section 6 - Removes certain revenues from being deposited in the ethanol production incentive fund

Section 8 - Creates an energy conservation grant fund and provides a continuing appropriation to the Department of Commerce for providing grants to political subdivisions for energy conservation projects

Sections 9 and 10 - Creates a Research North Dakota grant program, creates a special fund, and provides a continuing appropriation to the department of commerce for providing grants to research universities for research, development, and commercialization activities related to a private sector partner

Section 12 - Removes a portion of fuel tax refund withholding from being deposited into the agricultural fuel tax fund and the ethanol production incentive fund

Section 15 - Allows unexpended 2011-13 agricultural products utilization commission grants appropriations to continue and be spent during the 2013-15 biennium

Section 16 - Allows unexpended 2011-13 discretionary funds appropriations to continue and be spent during the 2013-15 biennium

Section 17 - Allows unexpended 2011-13 technology-based entrepreneurship grants appropriations to continue and be spent during the 2013-15 biennium

Section 18 - Allows the unexpended 2009-11 funds for promotion and marketing of the USS North Dakota to continue and be spent during the 2013-15 biennium

Section 19 - Allows the unexpended 2009-11 funds for the Mickelson antiballistic missile site and the Minot air force base to continue and be spent during the 2013-15 biennium

Section 20 - Transfers the amount appropriated for the workforce enhancement fund line item to the workforce enhancement fund

Section 21 - Transfers \$1.5 million of the operating expenses line item to the internship fund

Section 22 - Transfers the amount appropriated for the Research North Dakota line item to the Research North Dakota fund

Section 23 - Requires the Trade Office to raise dollar-for-dollar matching funds before the Department of Commerce may spend the final thirty percent of the \$2,613,400 appropriated in the Trade Office line item

Section 24 - Limits base retention grant program funding to communities with air force bases and requires that communities secure dollar-for-dollar matching funds

Section 25 - Requires the Department of Commerce to develop qualification guidelines for the child care facility gram program, requires one dollar of matching funds for every three dollars of grant funds, and limits grant amounts to \$187,500

Section 26 - Makes the \$4 million from the strategic investment and improvements fund provided for the unmanned aircraft systems program contingent upon receiving Federal Aviation Administration approval as a national test site

Section 27 - Declares \$1.5 million in the operating expense line item for the operation intern program 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.

**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.

Centers of excellence fund - Section 15-69-06 - This continuing appropriation allows for implementing and administering the centers of excellence program.

Centers of excellence research fund - Section 54-65-05 - This continuing appropriation allows for implementing and administrating the centers of research excellence program.

**Significant Audit Findings** 

The statewide single audit for the fiscal years ended June 30, 2009 and 2010, includes findings relating to the Department of Commerce involving proper documentation for compliance with earmarking requirements.

**Major Related Legislation** 

House Bill No. 1113 - Removes the reporting requirement for the ethanol production incentives and allows the development fund to continue to provide financing to early childhood facilities

House Bill No. 1174 - Creates a corporate headquarters relocation program to be administered by the Department of Commerce with an appropriation of \$15 million from the general fund

House Bill No. 1211 - Appropriates \$600,000 from the general fund to the Department of Commerce for matching fund grants to organizations that recruit and supply personnel providing health services in rural areas

Senate Bill No. 2027- Requires conducting a study to evaluate value-added market opportunities related to renewable energy resources during the 2013-14 interim and report to the Legislative Management before September 1, 2014

Senate Bill No. 2029 - Requires conducting a study to evaluate value-added market opportunities related to oil and gas during the 2013-14 interim and report to the Legislative Management before September 1, 2014



North Dakota 

DEPARTMENT OF COMMERCE

2012 Report to the Joint Industry, Business & Labor Committee

# BUSINESS DEVELOPMENT BY THE NUMBERS

17

New businesses or expansions completed since January 2011

> 2,318

Total employment (direct/indirect) projected through 2017

> \$600 million

Personal income projected through 2017

> \$2.5 billion

Economic output projected through 2017

> \$127 million

State tax revenue projected through 2017

84

New projects actively considering North Dakota or who have an interest level in the state since January 2011

30

Company site visits to consider North Dakota as a business location since January 2011









6 Of all the areas where we've expanded, North Dakota has really been one of the best places.

**Eric Bartsch United Pulse Trading** 

## **United Pulse Trading**

Although the growing oil industry has been getting a lot of attention in North Dakota lately, agriculture is still king as the state's largest industry. For United Pulse Trading, North Dakota is a prime location to capitalize on the growing market for dried peas, beans and other products known as pulse crops. "We are the number one producer of dried peas and lentils," says Eric Bartsch, general manager for United Pulse Trading, a value-added pulse crop processer. "In 2000 we had less than 100,000 acres in North Dakota. Now we are close to 700-800,000 acres of dried peas, lentils and chickpeas."

In 2007, the company opened its processing facility in Williston, ND, close to the source of the crop fields. The pulse crops are processed, cleaned and color sorted, making them ready for the table. The company packages and ships the products to over 100 countries, including India and countries in North Africa and the Middle East.

Bartsch sees North Dakota as one of their key factors of success. "We have facilities located in six countries around the world. We have a pretty far reach. Of all the areas where we've expanded, North Dakota has really been one of the best places."

United Pulse Trading received assistance from the state of North Dakota to get the Williston facility built and operating. "We used the North Dakota Development Fund from the North Dakota Department of Commerce, and the PACE loan program through the Bank of North Dakota. It's really programs like these that have made North Dakota a perfect environment for expanding business."

United Pulse itself is growing and looking to expand. The company currently employs 35 people in Williston with additional staff in Bismarck. A new United Pulse processing facility in Minot is expected to be in operation by first quarter 2013, milling another 100,000 metric tons of area producers' split peas and chickpeas while adding approximately 40 new jobs. The North Dakota Department of Commerce worked closely with United Pulse and the Minot Area **Development Corporation to assist United** Pulse with several finance and tax incentives available to the company. "The programs and the environment in the state are pro-business." Bartsch says. "It really gives a company an advantage to expand here."

# TOURISM – BY THE NUMBERS

# \$4.8 billion

Contributed by tourism to the state's economy in 2011

# \$119

Returned in visitor spending for every \$1 invested in advertising the state

## #1

In the nation for tourism expenditure growth at 14.9% compared to national average of 6.8%

# 10 million

Persons reached by Tourism's online presence

20%

Increase in the hotel sector since 2010

3,667

Additional rooms available to travelers at 43 new properties throughout the state









**66** We knew that if Regent were to become a destination, we had to have a motel. If it wasn't for the help of the North Dakota Department of Commerce, we wouldn't have had a start.

**Gary Greff** Enchanted Castle, Regent, ND

## **Enchanted Highway and Enchanted Castle**

When the highway to the rural town of Regent, North Dakota was upgraded from gravel to pavement, Gary Greff wondered how he could encourage travelers on the nearby interstate to make a detour and stop at the community's local businesses. When Greff noticed people stopping their vehicle to take pictures next to a welded statue of a man holding a hay bale created by a local farmer, an idea was born.

"I'd never laid a bead of weld in my life before I started this project," Greff said. "But you can do anything you want if you set your mind to it. I'm living proof of that."

The first sculpture, The Tin Family, was erected in 1991, and others soon followed. Currently, the Enchanted Highway boasts seven sculptures, including "Geese in Flight," which is listed in the Guinness Book of World Records as the world's largest scrap metal sculpture.

Since the sculptures have been erected, a recent vehicle count shows traffic on the highway has dramatically increased.

The Enchanted Highway Gift Shop sign-in book records visitors from all 50 states and many different countries. "Regent hasn't gotten any bigger, so we know the Enchanted Highway had its influence," said Greff, who now heads the Enchanted Highway Foundation. "I've had more than one person say they would not be in Regent if it wasn't for the Enchanted Highway."

With support from the North Dakota Department of Commerce's Tourism Division, the Enchanted Highway Foundation is developing a hotel, bringing additional economic activity to the area. The Enchanted Castle opened in 2012 and is drawing tourists, hunters and workers from the region.

The Enchanted Highway is located off Interstate 94, exit 72 east of Dickinson, and extends for 32 miles south to Regent. There is no cost to view the sculptures, but visitors are encouraged to visit the Enchanted Highway Gift Shop and make a donation. For more information, visit www.enchantedhighway.net

# COMMUNITY DEVELOPMENT – BY THE NUMBERS

24,000

People impacted by Community Development and Community Services Block Grants

632

Families and individuals in the Relocation program who notified us of their move to North Dakota

70

Families with disabilities assisted with Shelter Plus Care housing assistance grants

82

Homes rehabilitated with Community
Development Block Grants and HOME Program

144

New affordable housing and rental units with Community Development Block Grants and HOME Program

244

Proposed jobs from Community Development Block Grants projects









There is a lot of monetary commitment when you purchase a business. I think all the (assistance) programs are absolutely amazing and we couldn't have done any of it without their help.

Dave and Tana Smolnikar Dale's Clothing, Bowman, ND

## **Dale's Clothing**

Dale's Clothing has been a landmark in downtown Bowman, North Dakota for 38 years. When the original owners, Dale and Martha, were ready to retire, the community worried that it would lose one of the few clothing shops in the region.

"Bowman has a thriving, diverse economy, but losing Dale's Clothing would've been a big loss to the community," explains Ashley Alderson, Bowman County Development's executive director. "We used the Renaissance Zone and other development incentives to help another local family purchase this successful business."

Dave and Tana Smolnikar of Bowman owned a trucking business, but after Dave was involved in a life-threatening accident, they decided it was time for a change and saw opportunity in Dale's Clothing store. "In 12 weeks, we went from owning a trucking company to owning a clothing store and embroidery shop," explains Tana, recounting the event. "I believe there was an upper hand in the whole situation."

To help with the initial investment, the Smolnikars utilized business investment programs from the state, including the Renaissance Zone program from the North Dakota Department of Commerce. which provides tax incentives to help revitalize North Dakota's downtown areas and keep them vibrant.

"I don't think (buying the business) would've been possible without it," says Tana of the Renaissance Zone program. "There is a lot of monetary commitment when you purchase a business. I think all the (assistance) programs are absolutely amazing and we couldn't have done any of it without their help."

When asked about the name of the store, the Smolnikars insist they have no plans to change the name from Dale's Clothing. "It's been Dale's Clothing for 38 years," says Tana. "We didn't change the name; it's an icon down here in southwestern North Dakota."

# WORKFORCE DEVELOPMENT BY THE NUMBERS

8,000

Out-of-state job seekers connected to the Experience ND Relocation Program

632

Families and individuals assisted since July 2008 in relocating to North Dakota

109

Businesses participating in Operation Intern

348

Internships with funding assistance from Operation Intern

210,000

Views on Career Conversations podcast videos

5,500

Students and parents reached with Youth Forward's information on North Dakota education and job opportunities









NDSU and UND are worldclass educational institutions. Being able to hook into those sources of talent is really a key point of differentiation. It allows us to do some things here that we really couldn't do elsewhere.

**Dean Atchison** Spectrum Aeromed

## **Spectrum Aeromed**

Transporting medical patients by airplane or helicopter presents unique challenges. Medical equipment needs to be accessible, yet secure. Compact equipment design is important due to the tight spaces of smaller aircraft.

Spectrum Aeromed, based in North Dakota and recently recognized as one of Inc. Magazine's 500 fastest-growing companies, provides smart solutions for air ambulance equipment. From stretchers to oxygen storage, the company equips aircraft from around the world with life flight systems.

Eighty percent of Spectrum Aeromed's business comes from international sales, with many clients based in South America, the Middle East, Europe and Russia. All of Spectrum Aeromed's operations are in Fargo near Hector International Airport with the exception of two small customer service operations in Washington state and Germany.

The company's customers appreciate the ease of international travel and transactions out of Fargo. "So much of our business is international that if we bring in an aircraft from Brazil, Mexico or even

Canada, they can do customs right here," says Spectrum Aeromed CEO and President Dean Atchison.

Atchison cites the business-friendly climate of North Dakota as one of the factors contributing to the company's success. "North Dakota gets it, from the governor on down," Atchison says. "We don't need to show entrepreneurs how to do things. We need to set up programs and then let them be successful. I think that's what really happens in North Dakota."

Spectrum Aeromed has been able to employ five interns thanks to the North Dakota Department of Commerce's Operation Intern, a cost-sharing program that encourages businesses to employ and train interns. The company has also developed relationships with local universities for workforce recruitment. "North Dakota State University and University of North Dakota are world-class educational institutions," states Atchison. "Being able to hook into those sources of talent is really a key point of differentiation. It allows us to do some things here that we really couldn't do elsewhere."

#### **BUSINESS & INDUSTRY DEVELOPMENT**

APUC — The Agricultural Products Utilization Commission (APUC) administers grants for the development of new and expanded uses for North Dakota agricultural products.

Total sponsored projects from July 2011 – December 2012: 41

► Total funding provided: \$1.6 million

CENTERS OF EXCELLENCE & RESEARCH EXCELLENCE — These hubs of research and development at North Dakota colleges and universities partner with private companies to commercialize new products and services. Detail reflects total impacts through June 30, 2012.

Total state dollars invested: \$44.1 million Total private dollars spent: \$95.3 million

▶ 1,082 new direct jobs More than \$4 raised for every \$1 awarded

Total economic impact: \$634.6 million

**DEVELOPMENT FUND** — Providing important gap financing for companies starting or expanding in North Dakota, the Development Fund coordinates efforts between all financial sources, business and community.

Invested \$7.8 million through 33 loans in 15 cities since January 1, 2011

Total jobs at time of funding: 693 24 month job creation: 890

► Total dollars leveraged for each \$1 funded: \$14.03 Total childcare loans accessed since July 2009: 19

Total childcare dollars loaned since July 2009: \$1.011 million

EMPOWER NORTH DAKOTA — The EmPower Commission's 2012 Policy Updates and Recommendations report was recently completed in preparation for the 2013 Legislative session.

► EmPowerND.com

**ENERGY EFFICIENCY & RENEWABLE ENERGY** — Commerce is involved in many activities to promote energy efficiency in the public and private sectors and to facilitate the development and use of renewable energy sources within the state.

Total energy grants: 323

Total funding provided: \$59.1 million

Number of public buildings retrofitted: 197

Number of housing units weatherized: 1,654

Blender pumps installed: 210

Increase in gallons of fuel blended with ethanol sold: 15.5%

INNOVATE ND — Innovate ND provides education and support to help people turn business ideas into reality in North Dakota.

Total new businesses in operation or development in state: 135

RENAISSANCE ZONES — By providing incentives to investors to find new uses for existing buildings, Renaissance Zones are helping to attract new businesses and housing to downtown areas across the state. Detail reflects activity from July 2011 through December 2012.

Total cities participating: 55

Total approved/completed projects: 1,172/923

SMALL BUSINESS DEVELOPMENT CENTER (SBDC) — The Small Business Development Center provides business assistance in the form of counseling, training and research that results in job creation/retention and economic wealth. Detail reflects activity from July 2011 through December 2012.

Businesses served: 2,927 Hours of consultation: 18,985

Businesses started: 262

Jobs created: 1,440 Jobs retained: 1,021

Total capital infused into small businesses in 2011-12: \$208.8 million

TOURISM — The efforts of our statewide hospitality industry, business partners and the Tourism Division make tourism the thirdlargest industry in North Dakota.

For every \$1 invested in advertising the state, \$119 was returned in visitor spending.

- North Dakota's tourism industry leads the nation in growth with visitor expenditures increasing to 14.9% vs. national average of 6.8%. Increases were also seen in travel-generated payroll (7.6%) and travel-generated tax revenue (6.1%).
- Tourism contributed \$4.8 billion to the state's economy in 2011.
- Tourism expansion and infrastructure grants awarded funds to 16 projects, with results including new lodges, campgrounds, art and historic site expansions and a winery tasting room and event center.
- Through December 2012, Tourism's online presence had reached a unique audience of more than 10 million.
- Tourism Development in North Dakota reported a 20% increase in the hotel sector since 2010. With 43 new properties built throughout the state, an additional 3,667 rooms were available to travelers.

#### **COMMUNITY DEVELOPMENT**

**COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)** — CDBG provides financial assistance to local governments through grants and loans for public facilities, housing rehabilitation and economic development projects benefiting low to very low income individuals.

► Total homes rehabilitated: 46

Total new affordable housing units: 67

► Total proposed jobs from projects: 244

► Total dollars expended in match funds: \$20.1 million

Number of residents impacted: 24,065

**COMMUNITY SERVICES BLOCK GRANTS (CSBG)** — CSBG is an anti-poverty grant addressing low income challenges such as employment, education, income management, housing, emergency services, nutrition, self sufficiency and health.

► Total CSBG funds distributed to communities in 2011-12: \$6.2 million

24,086 residents in 12,805 families impacted

**EMERGENCY GRANTS** — Through federal funding, Commerce delivers financial assistance to facilities and programs within North Dakota which provide temporary shelter to homeless individuals.

► More than \$1.06 million was awarded in 2011-2012 to 27 homeless and domestic violence providers.

 Over \$450,000 from the Shelter Plus Care Program was provided for housing assistance grants to more than 70 families with disabilities.

**HOME PROGRAM** — The North Dakota HOME program has two primary activities: home owner assistance and rental unit production and assistance.

Affordable rental units produced: 77

Homebuyers assisted: 151

Single family homes rehabilitated: 36

- Total funding provided for HOME rental, acquisition, rehabilitation and construction: \$3.2 million
- Other funds leveraged for the development of affordable housing: \$12.1 million

#### **COMMUNITY SERVICES INITIATIVES ALSO INCLUDE:**

- Backpacks for Kids
- Childcare Grants
- Homeless Grants

- Manufactured Housing
- North Dakota Census Office

#### **WORKFORCE DEVELOPMENT**

**CAREER CONVERSATIONS** — Career Conversations connects students, parents and educators to professionals with perspectives on life in high-demand careers, using short videos profiling their occupation.

Number of views: 210,000

► Career Conversations videos posted as of December 2012: 60

**EXPERIENCE NORTH DAKOTA** — Experience North Dakota provides one-to-one personalized assistance and connects out-of-state job seekers with career opportunities, training, and relocation information such as housing, community resources and recreation.

 Over 8,000 out-of-state job seekers in the Relocation Program database

87,000 unique visitors to ExperienceND.com since July 2011

 632 families and individuals in the Relocation program who notified us of their move to North Dakota

**OPERATION INTERN** — The Operation Intern grant program expands internship opportunities available with North Dakota employers.

Businesses participating: 109

Number of internships funded: 348

Number of interns who notified us they were hired for full-time jobs from 2007-2012: 78

**YOUTH FORWARD** — Youth Forward connects people ages 12-24 to a future in North Dakota by promoting jobs, entertainment, education and opportunities in our state.

People reached with career and education opportunities information:

Student leaders and advisors: >2,000

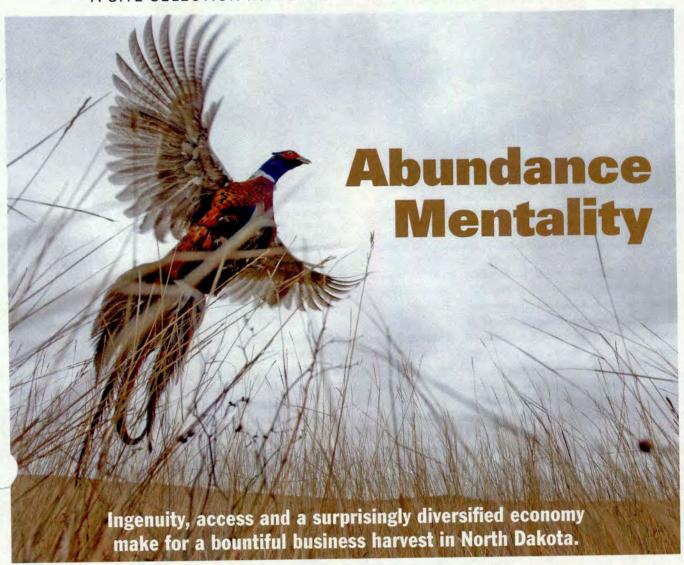
Rural high school students and parents: >5,500

#### **WORKFORCE DEVELOPMENT PROGRAMS ALSO INCLUDE:**

- AmeriCorps
- Talent Initiative

- Workforce Enhancement Grants
- Governor's Workforce & HR Conference





n a world crawling with nostalgic re-creations, facsimiles and replicas of America's small-town ethos and bootstrapping character, there is still a place you can find the real thing. You might see it in a single building in Minot or a high-tech farm in the Red River Valley. It's visible in downtown Fargo, and in the feverish but focused oil-patch town of Watford City. And it's evident in the eyes and actions of the people: North Dakota shines with authenticity.

It's a place where seeding the future still means something quite literal. Energy may rule the headlines, but ag still rules the roost, employing 24 percent of the state's population in related industries and driving some \$4 billion in cash receipts.

wonder the state's new Latin motto anslates to "One sows for the benefit of another age." One multinational corporate executive gets that motto, and his company appears to be living it out:

## by ADAM BRUNS adam.bruns@siteselection.com

"I'm a bit biased in that I'm a North Dakotan by birth," says Greg Page, CEO of Cargill, "but it is a wonderful place to grow up and a great place to do business. Whether you're a new business, an expanding business or an entrepreneurial endeavor, the state takes real pride in fostering an environment that helps companies and industries thrive."

Cargill currently has more than 550 employees in seven locations throughout the state. Last year, with the help of Greater Fargo Moorhead Economic Development Corp., the North Dakota Department of Commerce and the West Fargo Economic Development Association, Cargill pledged

more than \$50 million toward the rebuilding and expansion of its oilseed processing plant in West Fargo.

"We're so optimistic about our future in North Dakota that we're actively involved in a wide variety of community enrichment activities, from working with the University of North Dakota to engaging elementary and secondary students in science and engineering activities," says Page.

The welcoming tradition goes back at least to the Mandan tribe, whose leaders pitched Meriwether Lewis on locating in the state when the Lewis & Clark expedition passed through in November 1804. Both the Mandan and Hidatsa tribes offered to help the group, and the Mandans got the contract, says historian and author Clay Jenkinson during a talk at the Lewis & Clark Interpretive Center along the

Tourism is North Dakota's third largest industry. Out-of-state visitors spent \$4.6 billion in 2010, and the state led the nation in tourism growth over the past two years, according to the U.S. Travel Association.

Photo courtesy of North Dakota Tourism/Jason Lindsey



While energy fires up the headlines, agriculture and an unstinting work ethic cement North Dakota's value ... and values ... proposition. "There are so many good aspects there and the oil industry is just one part of it," Continental Resources CEO Harold Hamm recently told the State Historical

Society of North Dakota. Continental (one of whose rigs is pictured above) pays more than \$50 million in taxes a year on its activity in the Bakken Shale, and is one of many job creators that have helped the state build reserves that are the envy of the nation.

banks of the Missouri River. The expedition spent more time in North Dakota than in any other state — 146 days — due to a blend of hospitable people and, well, sometimes less than hospitable weather.

Easy familiarity is still a state attribute.

"In North Dakota it doesn't take long to get everybody organized and in conversation," says recent transplant Dean Bresciani, president of North Dakota State University. In his former state, "I knew the governor but the appointment might take three months. Here I know the governor and his wife Betsy, and have his cellphone number." Not only that, he says, but he's a governor "who taught himself Greek so he could read 'The Iliad' in the original."

"People joke that everybody knows everybody," says Rich Garman, senior project manager, business development, for Great River Energy, which is marketing a huge industrial park property adjacent to its 1,100-MW combined heat and power plant next door to Cargill's malting plant in Spiritwood. "But they probably do."

The possible recovery of up to 24 billion barrels of oil equivalent from the Bakken shale formation in the state's northwest quadrant, combined with the state's German heritage, means that the state's easy familiarity has extended right to the German-born pontiff himself.

"A relatively new bishop in the diocese in Bismarck was trying to gather some understanding of the communities in western North Dakota to determine resources locally for humanitarian services," relates Paul Lucy, director of the economic development & finance division of the North Dakota Department of Commerce. "We briefed him with what information we had. We later learned that when he met

with the pope and was introduced as being from this diocese, the pope said, 'Ah, the Bakken.'"

#### **Human Capital: The Strongest Crop**

But a sizeable chunk of the 65,000 jobs created in the state in the past decade aren't necessarily focused on oil & gas. "Enterprising States," a June 2012 report prepared for the U.S. Chamber of Commerce's National Chamber Foundation, noted, "Among the current 16,000-plus job openings in North Dakota, 60 percent are found outside of oil-producing counties, many in manufacturing, technology, or advanced services sectors."

"We had budget reserves before all of the oil industry growth," says Lucy. "Even factoring out the mining and extraction industries, we still lead in GDP growth."

Al Anderson, commissioner of the North Dakota Department of Commerce, says the five primary industries targeted by the state a decade ago — energy, value-added agriculture, advanced manufacturing, technology-based businesses, and tourism — are thriving.

"We have companies coming here because they have done their research," says North Dakota Gov. Jack Dalrymple, noting recent advanced manufacturing investments from Caterpillar, Deere & Co. and Doosan's Bobcat business, all longtime investors in the state who have been catalysts for clusters and centers of excellence. "There's nothing better on the job creation front than technical innovation," he says. "So we really are excited to have companies like Cat, Deere and Bobcat conducting R&D and developing new products in North Dakota. That's what you want in your economy."

#### The Power of People

Innovation begins with a mindset.

"The primary advantage and strength available to us centers around having access to a wholesome, dedicated work force," says Bill Burga Jr., the globally experienced head of Manufacturing Americas for LM Wind Power Blades, which maintains a large manufacturing and research operation in Grand Forks. "The character of everything we are and everything we do is defined by the quality of our people."

There are other advantages too, he notes, among them the access to navigable highways, land and water, and two great universities, as well as the aggressive



North Dakota State University Provost
Bruce Rafert calls Fargo "a tremendous
intellectual, business and personal actualization
environment." He also puts it another way:
"We think Fargo rocks."

support of the Grand Forks Region Economic Development Corp., city council and mayor, "all enclosed in a green, bicycle-friendly city."

"It's a very pro-business state," says Martin Purdy, facility manager for Caterpillar's Reman Components Division in West Fargo. "Access to officials and government folks is

just a phone call away," and the follow-up visit happens shortly thereafter. What a visitor sees when he gets to the plant is a no-nonsense work force.

"They are very in tune with doing work," says Purdy, who's overseeing a 225,000-sq.-ft. expansion and consolidation of the facility, the only location in North America that remanufactures drivetrains for large mounted trucks that operate at mines and energy sites around the world. Purdy says the plant has added just under 100 employees over 18 months, and employment is projected to grow from the current 390 to between 450 and 500 over the next two years.

State support from the Department of commerce has helped, as has work-force training and development support from the state's manufacturing extension partnership (www.ndmep.com) and support from the state's robust Job Service North Dakota program (jobsnd.com).

Purdy is one of many leaders who point to a strong mechanical aptitude and knowledge base that's largely attributable to a farm upbringing. The work ethic that comes with that upbringing is generally without peer. As one observer puts it, "If somebody is unemployed, they really don't like being unemployed."

Bryan Brossert, vice president of operations for Phoenix International, a John Deere company that makes high-value electronic components for farm and other machinery, likes his company's low turn-over in Fargo. That applies to himself, as he originally planned to stay a maximum of two years when he moved from Texas.

"Now it's been six, and I don't plan to go anywhere," he says.

Deere & Co. is investing \$22 million a new 90,000-sq.-ft. building nearby. he new structure will increase the total number of Phoenix International facilities in the Fargo area to six with a footprint of more than 300,000 square feet. Phoenix



currently employs more than 900 people in the Fargo area, including at a new product engineering center on the campus of North Dakota State University. The company's president, Tom Budan, presided over the groundbreaking last fall just after taking the position and moving from Waterloo, Iowa.

"The transition was very good for me and my family," Budan says. "Great schools, great community. Two of my children are in elementary school, and we find the school district very strong. As we recruit and try to attract the level of talent we need to grow our business, we emphasize the richness of the community from a social standpoint, a cultural standpoint, and for those who are raising families. It's a very easy story to tell. Once we get them here, we have a pretty good record of keeping them. When you've had the kind of success we've had here in all aspects of the business, it's a feather in the cap of the community, and it's easy to continue to grow."

One aspect that might surprise some is the global reach of the airport. Budan traveled some 75,000 miles in his first six months on the job, visiting plants in Mexico and India as well as traveling to China.

"The Fargo airport is a real gem," he says noting strong connections with international hubs

in Denver, Minneapolis-St. Paul and Salt Lake City. Being at the intersection of two major Interstates helps the company's goods travel effectively as well. And the whole package has left its mark on others within Deere & Co.

"I believe our operation here in Fargo has been a very good example of business expansion within our corporation," says Budan. Though other divisions have their own centers of locational gravity, "those who have come up here and seen our operation and talent have always been very impressed by what they see."

#### **Close Ties Generate Global Affinities**

Debra Anderson is president of Summers Manufacturing, a farming machinery manufacturer based in Maddock, but which does much of its business out of its complex in Devils Lake, which has expanded four times in the past eight years.

"It's collaborative, and supportive," Anderson says of the state and local business climate. "I don't ever remember any time



Aircraft manufacturer Cirrus continues to make its specialized, hand-crafted airplanes in Grand Forks, and in August announced a new contract that will lead to the hiring of 60 people to make components for an amphibious aircraft. But it was able to dispose of some extra space recently when neighbor Amazon.com decided to double head count at its technical support center.



#### **Value in Valley City**

John Deere Seeding Group's manufacturing operation has been in Valley City since 1996. Situated on 23 acres, the site hosts 202,000 sq. ft. of manufacturing space and 22,500 sq. ft. for materials processing, and just took on four product lines from a sister facility in Des Moines, Iowa. The massive factory floor builds its products to order and some years sends up to half of its machines to export locations such as Russia, Kazakhstan and the Ukraine. "When we signed the deal in 1995, Deere told us there would be maybe 90 jobs," says Jennifer Feist, director of development for Valley Development Group. "We're at 290 plus seasonal folks today. That kind of money is substantial for a community this size."

when we've been faced with something and we haven't gotten help from either the state or the community," the latter represented by Forward Devils Lake.

A major assist comes from the unique

Bank of North Dakota (BND), which partners with local community banks throughout the state on a number of

business development and loan programs, including Partnership in Assisting Community Expansion (PACE) loans for manufacturers, processors, data processors and communications firms.

Eric Hardmeyer, BND president, says the bank has caught its share of national and international attention as North Dakota's dynamic economy has been the outlier to everyone else's tough times. The bank is not only profitable, but returns part of its profits, pouring \$350 million back into the state's general fund over the past few years.

"Our job at the Bank of North Dakota is to be financiers of the state's economic development efforts," says Hardmeyer during an interview in the office of Gov. Jack Dalrymple. "That's why we were created 90 years ago — to enhance North Dakota, whether it be educational opportunities or big primary-sector projects."

It's all driven from the bottom up, as municipalities and local banks originate loans, and BND comes in to participate, backed by what now amounts to \$5.5 billion in assets.

North Dakota has added over 65,000 new jobs in the last decade, equivalent to 10 percent of its total current population.

BND's mission is consistent with a general sense of fiscal responsibility that is as fundamental to North Dakotans as their belief in strong public education. The state is the only one in the nation not to have had a budget shortfall in the past four fiscal years.

"Thirty percent of oil and gas taxes go to a legacy fund that can't be touched until 2017," says Department of Commerce Commissioner Al Anderson. "There is \$1.2 billion set aside for water and sewer and roads. And we have a regulatory environment that brings everybody to the table to find solutions. It all has something to do with our size."

Gov. Dalrymple grew up on the family farm in Casselton established in 1875 by his great-grandfather. He was the founding board chairman of Carrington-based Dakota Growers Pasta Co., and earned the 2007 Ernst and Young Midwest "Master

Entrepreneur of the Year" Award. So he knows whereof he speaks when it comes to business, and BND's leading role.

"I was on the board of the Casselton bank, and saw this from the other side," he says. "Somebody needs a \$200,000 loan to expand. We sit around and talk about it, trying to work up our courage. And somebody says BND will take half of it. Then everyone says, 'I vote in favor.'"

"The PACE loans enabled us to do all these expansions at reasonable costs," says Summers Manufacturing's Debra Anderson in Devils Lake. "We've done one in Maddock as well. Both communities have been more than willing to step up."

That's in keeping with the company's roots. Anderson says her father, who was originally a blacksmith, raised his original funds for manufacturing in large part due to support from local farmers who believed in him.

"All of our engineers were either farmers or raised on a farm," says Brian Perkuhn, sales manager at Summers. "It's the family farm as R&D lab."

Asked if skilled labor is a challenge because of the oil & gas draw in the west, Perkuhn says it's helped more than hurt. Anderson confirms that a welder just joined the company from out in the oil patch the week before. New talent recently has signed on in Devils Lake from Texas,

Michigan and New York.

"The individual from New York stated that he really didn't know what farming was all about

because he was from the inner city," Anderson says. "He loved the landscape. He said he's never going back."

#### **Homes on the Plains**

Microsoft located a major customer service and support center in Fargo in 2001 when it acquired homegrown Great Plains Software for \$1.1 billion. Microsoft anticipates having 900 employees by the end of

## DID YOU KNOW?

According to the Resilience Capacity Index developed by Kathryn Foster, PhD, director of the University of Buffalo Regional Institute, Bismarck-Mandan, N.D., ranks No. 1 in the nation in community connectivity, reflecting scores on four underlying indicate of resilience capacity: civic infrastructure, metropolitan stability, home ownership, and voter turnout.

June 2012, which added to over 800 contract staff on site makes the Fargo operation one of the company's 10 biggest sites by head count in the world. It's a crucial site too: Some 45,000 Microsoft employees get paid via the work accomplished there. The company's Fargo facility shares a large development lab with sites in Denmark and India, and is home to one of Microsoft's 12 executive briefing centers.

Katie Hasbargen, Ph.D., is senior communications manager and program lead for Microsoft Business Solutions in Fargo. She says the area is great for feeding talent from colleges, and points to another talent indicator: the Microsoft designation of "distinguished engineer."

"There are 38 of them in the whole company," she says. "Three live outside Seattle, and two live in Fargo, and they're both North Dakota State University graduates."

In December Microsoft announced it had chosen Hitachi Consulting to supplement its Microsoft Business Solutions IT team located in Fargo. A new technical development center will be located on Microsoft's campus, and Hitachi eventually will migrate to its own building in town.

Gov. Dalrymple attended that anlouncement, and was again present in Fargo in late July, when he helped Sanford Health break ground on a new \$541-million, 1.2-million-sq.-ft. medical center that will create 2,700 jobs. Located on over 100 acres in a growing area of southwest Fargo, the new site provides the space and capacity for future expansion.

Sanford Health, based in both Fargo and Sioux Falls, S.D., is the largest, rural, not-for-profit health care system in the nation with a presence in 112 communities in seven states, including 20,000 employees in the Dakotas alone. Dennis Millirons,

president of Sanford Medical Center Fargo, calls the new project on I-94 the only integrated campus of its size between the Twin Cities to the east, Omaha to the south, and the West Coast. There are a lot of strategic reasons why the project makes sense. But the intangibles may carry the day.

The Fargo flood of 2009, like the 1997 flood in Grand Forks, has left indelible marks, but also has demonstrated the indelible resiliency of North Dakotans. The flood of '09 happened when it was 15 degrees below zero. But that didn't prevent people from getting out to make sandbags: 6 million of them, along 80 miles of levee.

"Here, when there's a Code Red, so many people show up you have to turn them away," says Millirons. "Culture trumps strategy every day."

#### Stewardship in Action

In June, National Information Solutions Cooperative (NISC), a provider of IT products and services to utilities and telecom organizations, was listed by IDG's Computerworld magazine as one of the 100 best workplaces for IT professionals in the United States for the 10th time. More than 600 companies, led by electric cooperatives, use NISC's advanced IT systems.

NISC's team of more than 920 individuals includes locations outside St. Louis, Mo.; in Shawano, Wis.; and Cedar Rapids, Iowa, but its headquarters has always been in Bismarck's twin city of Mandan, where the company and over 400 employees are led by President and CEO Vern Dosch.

"We travel around the country, and you should see the looks we get — a technology company in Mandan, N.D.?" says Dosch. He says 2008-2011 were among the best years NISC has ever had, and the current fiscal year is the best in company his-



ver the past two legislative sessions in Bismarck, individual income tax rates have been reduced by just over 30 percent, and corporation tax rates have dropped by 23.5 percent to a range from 1.68 percent to 5.15 percent. "I think we'll see potentially more rate relief proposed in the upcoming session," says North Dakota Tax Commissioner Cory Fong. For more tax incentive information, visit www.nd.gov/tax.

tory. NISC has started leasing space next door as it continues to grow. "Every couple years we add another 20,000-square-foot pod," he says, "and we have purchased land to the east."

Funds from state programs and loans from BND have helped NISC create 106 jobs. The state's New Jobs Training program recently was made more user-friendly so a company can receive the funds and then self-finance the work-force training.

Dosch says NISC's operation has had some success recruiting among the Apples and Googles of the world. "Longevity is kind of our ace in the hole," he says, "coupled with the incredible talent we're getting out of the universities right now."

Also among the strengths of Mandan is a solid fiber connection with NISC's operation outside St. Louis, which serves data storage redundancy needs. That helps in serving customers such as Great River Energy as the smart grid takes shape and the days of walk-by analog meter readings fode.

"We're getting all of that data, and storing it on behalf of our customers," says Dosch, noting that the high-level connectivity in North Dakota gives the company "as big a pipe as we'd need." The firm is



Debra Anderson, president of Summers Manufacturing, and Brian Perkuhn, sales manager, show off one of the company's signature products at its expanding complex in Devils Lake: the 2510 DT, which goes for a cool \$80,000. Summers' payroll has grown from 137 to 210 over the past year.

managing about 4 billion meter readings, and it's growing by 1 billion readings a month. "It's the data making the grid smarter, and we're the stewards of that data."

Dosch says the wage differential for light technical personnel is six percent less in Mandan than outside St. Louis. The differential jumps to 15 percent for software developers when compared to Minneapolis. Construction costs per square foot for a recent expansion in Missouri were 25 percent greater

than what the company paid for its last expansion in Mandan in 2009.

#### A Place To Grow

Kari Reichert, assistant general counsel and vice president of people services for NISC, is a western North Dakota native and Yale Law School graduate who came back home to practice law after living in several big cities. She says one of the great attributes of NISC staff is their non-technical backgrounds. "Jared in technical services got the call for a job offer and said 'Hold on, let me turn off the tractor,' " she says.

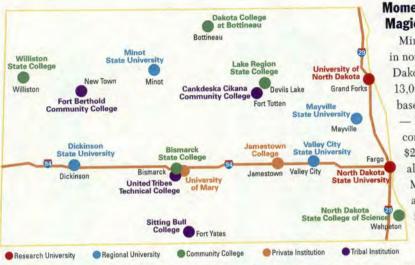
NISC sells its culture and shared values to compete with career opportunities in the Twin Cities, Chicago and Phoenix. Turnover hovered at a mere 3 percent as recently as 2009.

"Sometimes it's hard to compete for some of the students, but the nice thing is most of those kids want to eventually come back," she says. Her own return has meant a five-minute commute to work, and living within a block of her son's school.

"Boomerangers" are part of a demographic trend that helped the state finally surpass its 1930 Census population mark in 2010. Now the population is approximately 700,000. At the rate things are going, some are whispering about the magic figure of 1 million.

Even more important, says Commerce Commissioner Al Anderson, is the makeup of that population.

"An aging population is a challenge for the entire country," he says. But in the last several years, North Dakota has increased its under-35 population dramatically. "That is one thing that is going to be our



The economic impact of the North Dakota University System and its students has risen dramatically over the past decade, and was most recently estimated at \$3.7 billion for fiscal year 2009.

strength," he says.

"You live here for a reason," says Dosch, and for many that reason is interaction with the natural world. "I live on the Missouri River, and have the good fortune on occasion, on a nice summer day, to slip my kayak into the river, paddle across, get on my bike and ride into work. For a lot of people, it's family, quality of life and educational institutions — sending kids to a high school like the one whose graduation I attended yesterday, where 99 percent go on to college.

"A lot of people here are from small-town North Dakota," he says. "Any one of them could probably go to Minneapolis and make more. But a lot of those employees would rather take some stability over the highest offer. Think about stability and the tech industry — it's almost an oxymoron. But this is a company that's grown every year for the past 47 years."

Momentum in Magic City

Minot, a city of 50,000 in north-central North Dakota, is home to a 13,000-person Air Force base and a university - Minot State - that contributes nearly \$200 million annually to the economy. Minot has become a preferred location for oil & gas-related company headquarters, and the rate of hotel construction is in keeping with a state that since

2010 has seen 45 new hotels open, adding 3,257 rooms. But again, it's not all about

Eid Passport, a technology company based in Portland, Ore., is focused on identity management services, and its signature technology is used by several federal agencies. The firm is led by Minot native Steve Larson. The company chairman and CEO wanted to give something back, and found a favorable, progressive business climate in downtown Minot for the opening, in November 2011, of a new 50-person technical support office in a former YMCA building. The opening was a breath of fresh air in a city that was ravaged by a flood earlier in the year.

The building renovation is designed to house up to four new businesses. The state has committed more than \$1 million for the project with funding from the Community Development Block Grant, the North Dakota Development Fund and the





North Dakota may have one of the least dense populations in the U.S., but you wouldn't have known it at the Sanford Health Fargo Medical Center Groundbreaking on July 31. Sanford Health benefactor T. Denny Sanford (inset) exulted in launching the \$541-million project, and the crowd continued to celebrate past sunset at a rock concert by Train that put an exclamation point on Sanford Week.

Photos courtesy of Sanford Health

New Venture Capital Program.

But Larson's team did not stop there. They looked at the housing shortage locally and statewide, they looked at unused parking lots downtown, and they saw an portunity to introduce hundreds of new in-town apartments to the city's core.

"We were granted rights to seven to eight sites for surface parking lots to turn them back into mixed use and reactivate downtown," says Gary Reddick, president of V3 Studio, the architecture and design firm working with Eid Passport.

The plan would see up to 1,200 units developed over the next three to five years. Helping revitalize the city after nearly \$1 billion in flood damage will be \$22 million in federal funds through the U.S. Economic Development Administration. But even with the flood, things have been going gangbusters.

"Last year we did \$200 million in permits for construction in the city, double what we did the prior year," says Jerry Chavez, president and CEO of Minot Area Development Corp., and this year is already ahead of last year.

V3's Reddick has seen his share of downtown revitalization efforts.

"Not every downtown is remakeable," he ys. "Minot's is."

Growth is also occurring on Minot's perimeter. North Dakota Port Services has big plans for Minot's intermodal facility in

the next few years. The completed project will have 45 miles of new track, and the site would generate 4,000-7,000 truck trips daily with another seven unit trains per day at the port. "The size and scope of this project will represent the largest investment in a rail distribution transportation hub in North Dakota," Chavez says.

#### The Catch-Up Opportunity

If the croprows in the Red River Valley are as straight as technically possible, the beeline to the future in western North Dakota has a few more twists and turns. And it's not just because that's the topography of the badlands.

The pace of activity is literally feverish.

North Dakota is the only state in the Union that hasn't had a budget shortfall in the past four fiscal years.

Just ask Gene Veeder, economic development director for the McKenzie County Job Development Authority, based in hectic Watford City. He's getting over the cold that everybody seems to have caught recently. But that doesn't hide his contagious excitement about his hometown.

"I might talk to five or 10 CEOs a week about multimillion-dollar investments," he says. "We're playing catch-up, with a lot of interest in retail. We need that in order to get to any next step with economic diversification." Meanwhile, the push for basic construction materials and labor is driving the cost for current commercial projects in town to \$16 per sq. ft., says Veeder. Water trucks serving the oil sites wait in line to get water from a single municipal well spigot. Nearby a food truck waits to serve the truck drivers.

"The speed of growth is challenging our housing and infrastructure," says Paul Govig, deputy commissioner of the North Dakota Department of Commerce and director, division of community services. "We're making progress, but if there is one bottleneck, it's the housing issue."

The bottleneck is being cleared one project at a time. In Watford City, the Pheasant Ridge development was recently annexed into city limits, and will feature both single-family and multifamily residences on a 36-acre parcel.

In Tioga, Hess is investing \$350 million in an expansion of its gas plant, including a rail siding with room for 100-car unit trains that looks like a racetrack at night. It might as well be. Two new crew camps that house more than 3,000 oilfield workers face each other across a busy highway outside town. Kathy Neset is a geologist who heads a growing energy-consulting firm based in Tioga.

"It's a difficult balancing act we have going here," she says. "Polls have shown that North Dakotans are very proud of their ability to add to the national security by developing our national energy here. It secures our future. That being said, we have to deal with the cost, which is a change in the quality of life, whether the cost is in dollars, lifestyle, privacy or safety."

Then again, she has two children working in her field who make a very

> healthy income just a year out of college. And she's encouraged by two trends joined at the hip: better technology and less environmental disturbance.

Staged fracking, with constantly improving tools, enables more oil recovery while also allowing the land to recover — or to not be disturbed in the first place. She recalls assigning herself to a drill rig site, and walking a land section line.

"I could see my rig off to the west, and it dawned on me that the azimuth of the wellbore had passed underneath the ground I was standing on. The drill bit was half a mile away, and the rig was steering the 6-inch bit from another mile off. It drains 1,280 acres. But the surface



U.S. Customs & Border Protection flies Predator B drones out of North Dakota, and benefits from a new training program run by the University of North Dakota at Grand Forks Air Base, part of a broader new focus on unmanned aircraft systems.

disturbance is incredibly less than it used to be. It's amazing."

Communities outside the oil patch are doing their part to back up the growth. Bismarck-Mandan is more than two hours from the nearest rig, but has seen an influx of white-collar employees serving the oil & gas sector. Hess and Halliburton, among others, have placed administrative hubs in Minot.

Meanwhile, mixed-use projects are popping up in small towns such as Crosby, which was losing population not long ago. That was before the town hosted the state's first successful horizontal well using fracture stimulation technology to drill in the Bakken. Last November, Continental Resources CEO Harold Hamm attended the dedication of a monument erected in Crosby to commemorate that well. Hamm thinks up to 50,000 wells might eventually be drilled to access up to 24 billion gallons of oil equivalent.

#### Flagships for the Future

Taken together, the approximately 30,000 students at the University of North Dakota in Grand Forks and North Dakota State University's campuses in Fargo represent the equivalent of more than 4 percent of the whole state's population. The innovation their campuses hold likewise represents the seeds of the state's future.

The John D. Odegard School of Aerospace Sciences at the University of North Dakota in Grand Forks is recognized worldwide as a leader in collegiate and contract aviation education. UND is building on that reputation with a new focus on unmanned aircraft systems (UAS).

A first-of-its-kind lease agreement with the Grand Forks Air Base allows UND to train on base with the new Predator Mission Aircrew Training System. Plans call for development of a national center for intelligence, surveillance and reconnaissance (ISR) at the base over the next two years. Earlier this summer, the FAA authorized the use of remote-controlled Predator drones in the airspace above nearly 10,000 acres in the state. UND saw the first graduates from its own UAS program one year ago.

UND's flight and air traffic control training resources are world-renowned, and have helped the Grand Forks airport become one of the two dozen busiest in the nation, measured by flight operations. Pilots from all over the globe are sent to Grand Forks, resulting in a united nations of flight that builds on a 40-year tradition serving client airlines from such nations as China, Japan, Norway and Saudi Arabia.

"The year we flew 10,000 flight hours, we thought we'd arrived," says Al Palmer, director of the unmanned aircraft systems center of excellence at UND and one of the flight school's early champions. "Now it's 10,000 flight hours a month."

Michael Moore, associate vice president of intellectual property commercialization and economic development for UND, says the former teachers college's research expenditures have recently skyrocketed from \$30 million to \$100 million. And Dr. Joshua Wynne, dean of the medical school and vice president of health affairs, points to an intangible that's becoming more tangible by the day.

"NDSU and UND are doing the first integrated program for a master's of public health," he says. "If healthcare costs aren't your number one or number two concern, you're not a good CEO." North Dakota is

above the national average in healthcare quality, he says, and below average in its cost. "You have healthy workers who cost you less than in other environs," he says, "and have life expectancy above the national average."

The latest figures back him up: The Gallup-Healthways Well-Being Index released in August ranked North Dakota fifth in the nation in "future livability," based on 13 metrics measuring economic, health and social wellbeing.

Phil Boudjouk, vice president of research at NDSU, points to the university's longtime expertise in materials and coatings, which has led to partnerships with companies such as PPG and Akzo Nobel.

At the 55-acre NDSU Research and Technology Park, seven buildings have risen on the site in the past nine years, including a privately owned hotel. Between 2001 and 2010 the university saw its research expenditures increase by 95 percent. Licensing royalties have increased by 61 percent in the past five years.

At R2, the university's prized research facility, work is active on semiconductor chip packaging, RFID and other specialties. One specialty of R2 is materials characterization. A local connection to that research is alive and visible at the Caterpillar site in West Fargo, where a new lab performs laser cladding and analysis.

"They have thermo-expansion equipment Cat doesn't have," says Erica Blizil, metallurgical engineer at Caterpillar.
"I'm over at R2 once a month." Blizil, like many, recently moved back home after trying life elsewhere. The head of the project at NDSU, Rob Siler, is her neighbor.

"Before we got this lab," she says, "I'd bring home a sample and drop it off with Rob, and get it back a few days later."

"We have the world's largest and best equipped lab for robotics for thin-film coatings," says NDSU's Boudjouk, a native New Yorker. "We can get to a customer's parameters better than anyone else, even better than industry."

But it's the people of North Dakota who make that industry thrive.

"You're only one or two degrees of separation from the whole state," says Great River Energy's Rich Garman. "And that's a good thing."

This Investment Profile was prepared under the auspices of the North Dakota Department of Commerce. To learn more, visit www.NDCommerce.com.



**STATE REPORT • NOVEMBER 2012** 

#### **TABLE OF CONTENTS**

A letter from the North Dakota 2020 & Beyond	
Co-Chairs: Kathy Neset and Bill Marcil Jr.	3
North Dakota 2020 & Beyond Overview	4
Recommendations by Category	
Arts and Culture	7
Business	8
Conservation & Environment	11
Education	12
Energy & Agriculture	15
Health	18
Housing	20
Image	22
Recreation	23
Safety & Transportation	24
Statewide Planning	25
Technology	26
Workforce Development	27
About North Dakota 2020 & Beyond	
Methodology	29
Steering Committee Members	29
Advisory Committee Members	30
Appendix I	
Background Research	
Appendix II	

Citizen's Idea Log



#### An Open Letter to North Dakota

North Dakota is in a unique place. We are experiencing unprecedented growth, along with a state budget reserve. It is time to take our state to the next level of economic prosperity.

North Dakota 2020 & Beyond is a visionary process initiated in 2012 to gather input from the people of North Dakota to imagine our future. It identifies opportunities that help prepare the state for ongoing economic and community development.

As co-chairs in this important process, we were surprised by the over 1,700 suggestions gathered at town hall meetings and through the online portal at www.ND2020andBeyond.com. These ideas build on North Dakota's economic growth and success by focusing our attention on our people, our quality of place and our diverse opportunities.

North Dakota is being recognized nationally for its prosperity and now is the time to ensure we can continue to bring growth to the state for generations to come. We have based our final recommendations on the year 2020. We are projecting a state population of more than 800,000 with a change in regional demographics, a more diverse workforce and continued job growth.

The keys to our future lie in good analysis, sounds ideas and strong leadership so we can all create a bright future for North Dakota.

We would like to thank all who contributed thoughts and ideas to the plan, with special thanks to the advisory group and steering committee who further developed the ideas and formed them into actionable recommendations. Our work does not end here. North Dakota 2020 & Beyond is ongoing. We will continue to gather ideas to move our great state forward and find champions to take action on the recommendations.

Sincerely,

Bill Marcil Jr. Fargo Forum

Kathy Neset Neset Consulting

North Dakota 2020 & Beyond Co-Chairs

## North Dakota 2020 & Beyond Overview

North Dakota 2020 & Beyond is a joint initiative with Governor Jack Dalrymple, the Greater North Dakota Chamber, the North Dakota Economic Development Foundation and commissioned by the 2011 North Dakota Legislature.

For the past decade, North Dakota has been aggressive in its economic development efforts, with a solid plan centered on job creation and building a positive environment for business development. The state enjoys abundant resources, a budget reserve and a growing economy. This position also allows us the ability to build upon our strengths, discover new opportunities and ensure our future is bright. This is the vision of North Dakota 2020 & Beyond; a vision that focuses on:

- the value of our PEOPLE,
- our unique quality of PLACE and
- our diverse OPPORTUNITIES.

North Dakota must capitalize on the opportunities that have emerged as a result of our state's impressive economic growth. We should continue to work to create, attract and retain quality jobs while strengthening our overall business climate; and, in addition, we must also focus on attracting and training a talented workforce, while still diversifying our economy.

The vision contained here is poised to take North Dakota to the next level of economic prosperity, with an emphasis on enhancing our quality of life and making our communities an obvious choice for those interested in diversified opportunities.

#### An impressive list of national rankings.

North Dakota was the only state in 2011 to report positive economic growth, with job creation and increased incomes as key indicators. Our unemployment rate is among the lowest in the nation, and North Dakota had the nation's highest gross domestic product in 2010. Our exports have grown 303 percent since 2000. (Source: Bloomberg Economic Evaluation of States Index, U.S. Department of Commerce, and U.S. Chamber of Commerce).

This prosperity brings with it opportunity.

#### Opportunities for future growth.

- From 2008 to 2011, North Dakota experienced over 38,000 new jobs, with 42 percent coming from the construction/extraction and transportation/material moving categories. Our professional, scientific and technology service category grew at only 7 percent.
  - (Source: EMSI Complete Employment 2011.3)
- Manufacturing makes up 10 percent of North Dakota's gross domestic product, and while the nation has been in recession, we have enjoyed an expansion and still have room for growth.
- Advanced technology growth is in the top quarter of the nation, at 3 percent over last year.
- Population continues to grow, along with the need for trained workforce. North Dakota needs to increase the concentration of young families, in the 35 to 49 age group, to assist in building a strong future.
- North Dakota is first in science, technology, engineering and math (STEM) occupation job growth since 2001, but ranks 45<sup>th</sup> in overall STEM concentration in the U.S.

## North Dakota 2020 & Beyond Overview



#### Continuing and expanding good efforts.

As North Dakota 2020 & Beyond began looking at the concerns and ideas brought forward through the citizen input process, we realized much is already being done to address the challenges identified through current programs and studies in progress. We looked at programs such as:

- Empower ND, which is focused on energy development across all sectors;
- · Speed tests for broadband accessibility;
- Housing studies;
- Healthy North Dakota, which is focused on health prevention and wellness;
- · Regional Planning Councils, which assist in community planning efforts; and,
- Many others such as: Renaissance Zones, Centers of Research Excellence, student loans and workforce training, to name a few.

These efforts will continue to support work that is already happening and may hold opportunities to address expanded needs identified through the process.

#### Gathering ideas.

When you generate over 1,700 ideas, many of them are similar, some unattainable and others insightful. All of the ideas were generated under three themes: People, Places and Opportunities. These themes gave participants a focal point for discussion, keeping in mind our most important resource is our people. Below are some of the common ideas that were identified.

#### People

- Child Care Availability
- · Affordable Housing
- Job and Career Development
- Outdoor Recreation
- Education

#### Places

- High-Speed Internet
- Infrastructure Upgrades
- · Rural Health Care Access
- Main Street Revival

#### Opportunities

- Access to Colleges and Universities
- Capital for Business Start-ups
- Exports
- Sensible and Predictable Regulations for Business
- Fair and Balanced Tax Policy

From the ideas submitted, the committee had the task of reviewing, combining, and prioritizing ideas, along with developing categories to house them. The steering committee met over a two-month period to expand on ideas, and brainstorm their value and potential outcomes. Ideas were advanced and turned into actionable recommendations that addressed citizen's concerns or capitalized on an opportunity for North Dakota.

## North Dakota 2020 & Beyond Overview



#### Big thinking and goal setting.

The steering committee recognized the need to take the ideas identified and state them as a visionary goal for the future. The result can be seen in each category as we present a picture of what the year 2020 and beyond may have in store for North Dakota.

#### North Dakota 2020 & Beyond • Categories

#### **Arts & Culture**

Grow and nurture creativity in North Dakota.

#### **Business**

Establish North Dakota's business climate as one of the best in the nation.

#### **Conservation & Environment**

Protect North Dakota's valuable resource of land and environment.

#### Education

Build North Dakota to become the #1 state in education.

#### **Energy & Agriculture**

Continue to position North Dakota as an admired energy and agricultural leader.

#### Health

Keep North Dakota healthy to increase our productivity, slow rising health care costs and ensure a better quality of life.

#### Housing

Provide access to quality housing for all North Dakotans.

#### **Image**

Foster the image that North Dakota is a vibrant, progressive state with a great family and business environment.

#### Recreation

Establish North Dakota's reputation as an attraction.

#### **Transportation & Safety**

Build a statewide transportation system that meets the needs for North Dakota's growing population and industries, and provides a safe place for workforce, families and visitors.

#### **Statewide Planning**

Support North Dakota's state, regional and local planning efforts from a reliable state-funded source.

#### **Technology**

Grow technology infrastructure to ensure North Dakota is a model for connectivity.

#### Workforce

Develop North Dakota's workforce to meet the needs of our changing economy.

#### The conversation continues.

North Dakota 2020 & Beyond will help us continue to capitalize on our future opportunities. As the recommendations in this report move forward, the Greater North Dakota Chamber will continue to listen to ideas and identify champions to determine the best path forward for each of them. In addition, we will create a North Dakota 2020 & Beyond scorecard to track the progress and the impact the ideas generate for our state.

## **Arts & Culture**



#### **Grow and nurture creativity in North Dakota.**

Arts and culture are important to the economy of North Dakota. They provide social and cultural opportunities in our communities, and direct economic benefit by creating jobs, attracting investments, generating tax revenues and stimulating tourism. Opportunities for arts and culture also inspire other industries with creative insight for research, product and services development and entrepreneurship.

North Dakota must work to enhance opportunities for arts and culture throughout our state. In order to move forward, we must work to provide greater opportunity for growth of arts and culture in our communities and build partnerships that will grow this industry.

#### Opportunities

Arts and culture enhance North Dakota's quality of life and complement community development by expanding amenities and attracting young professionals. We need to create greater opportunities for growth of this important industry to ensure North Dakota is attractive to today's visitors and young workforce.

#### 1. Establish an arts and culture commission to develop and incentivize this industry.

- Create opportunities for private/state partnerships to fund grant programs that require local match dollars for arts and culture expansion.
- Provide opportunities for incorporation of arts and culture into education curriculum.

# 2. Initiate a focus through the North Dakota Youth Office to enhance communities to more readily attract young workforce.

- Collaborate with the Young Professionals Networks and statewide planning efforts to identify regional opportunities to expand amenities and entertainment opportunities.
- Promote and develop youth entertainment venues based on a regional concept.

## **Business**



#### Establish North Dakota's business climate as one of the best in the nation.

North Dakota's business climate has gained a reputation for supporting emerging businesses, entrepreneurs and expansions. The state's growing manufacturing, technology-based businesses, agricultural and energy industries, enhanced with numerous incentives, are drawing some of the world's most recognized companies.

Our economic growth is expanding communities, creating new business opportunities, revitalizing our main streets and creating greater demand for services as new families call our state home.

North Dakota's business climate is already nationally recognized and has the potential to attract and grow more companies in our state. In order to move forward, the state needs to address several key areas crucial to our growth which include taxes and regulations, main street growth, childcare availability and linking business with research.

#### People

Quality of life is important to the development of our state's communities. Local businesses are expanding and need to be heard in our government decision making processes to ensure their long-term success. Our growing businesses also have increasing workforce needs. North Dakota will need to attract new workforce to the state to meet this demand, and as families make North Dakota home, it also increases the need for daycare, especially in rural areas.

#### 1. Assist small and rural business to have a voice in policy development.

 Provide coaching for small business, through the Greater North Dakota Chamber and their network of local chambers, to assist them in influencing policy development and to create more open lines of communication with legislators.

#### 2. Develop a private sector daycare model.

- Review regulations that impact daycare development to encourage fast growth while ensuring quality.
- Consider development of a state-funded reward system for daycares that meet defined quality measures. (Review the current Quality Rating System being piloted.)
- Encourage communities to establish private/public partnerships to develop needed daycare in their cities/counties/region.
- Consider the use of approved modular daycare structures to quickly build capacity and ensure safety and regulations are met.

## **Business**

#### **Places**

North Dakota needs to enhance main streets and downtowns in communities across the state. These important areas are the center of our state's quality of place as they provide space for important services, shopping and recreation opportunities.

- 3. Expand the idea of renaissance zone development of main street and downtown to include planning assistance to cities.
  - Assistance should include elements of economic restructuring/business improvement, design, organization and promotion as outlined by the National Trust for Historic Preservation's National Main Street Center.
  - Restructure the Renaissance Zone Program managed by the North Dakota Department of Commerce to include planning assistance.
  - Consider development of a low-interest loan pool with GAP financing or tax forgiveness similar to the Renaissance Zone Program that requires an investment of capital in property.
  - Encourage local chambers to create main street committees to make sound choices for community development.

#### **Opportunities**

North Dakota's taxation system should continue to stimulate economic growth, encourage capital investment in the state, promote a business climate that enhances economic vitality and improves the quality of life for our people. North Dakota must create equity among the three major taxes used: personal income, corporate income and property taxes. We must also look for greater opportunities in research and development to continue to diversify our economy. All of these then need the support of good regulations and an ease of business establishment to support our reputation of a good business climate.

- 4. Establish a group to review the current state tax structure and work with the legislature to identify and implement key changes that would position the state as one of the most business-friendly in the nation.
  - Review the tax structure of neighboring states to better understand how competitive North Dakota is as a potential location for business in our region. (North Dakota is currently ranked 29<sup>th</sup> according to the 2012 Tax Foundation Report in terms of state business tax climate Wyoming is ranked 1<sup>st</sup>; South Dakota 2<sup>nd</sup>.)
  - Consider adjusting the apportionment formula for North Dakota corporate income tax to better match other states in the region. North Dakota currently uses a weighted factor formula consisting of sales, property and employees. (Neighboring states are moving to a heavier sales-focused formula.)

## **Business**

# 5. Link business with research universities to foster commercialization and economic development.

- Establish and enhance the Research North Dakota Program, managed by the North Dakota Department of Commerce, to include the ability to make investments in equity capital companies that invest in businesses that use or license university research and technologies. Companies commercializing research based on partnerships between the private sector and universities, including, but not limited to, those developed as part of the Centers of Research Excellence Program should be a focus.
- Use state funds and Public Employee Retirement System (PERS) funds to create a \$50 million pool that will invest in a broad range of venture capital firms, equity capital funds and angel capital funds only for companies based in North Dakota.
- 6. Create and support narrowly-defined business incentives.
  - Target incentives to achieve the encouraged activity and show measurable impact in the area of need.
- 7. Streamline business regulations with input from the business community.
  - Review rules and regulations for business to ensure that necessary resources are allocated while creating a business environment that encourages commerce growth.
- 8. Continue to market the North Dakota Department of Commerce and their role in economic development as the home for statewide business resources.

## **Conservation & Environment**



#### Protect North Dakota's valuable resource of land and environment.

North Dakota is known for its quality of life and the abundant resources that come from our land. We need to continue to demonstrate that our state understands the balance between industry growth and conservation of our unique environment. It is through balance that we can extend opportunities and conserve resources for our future generations.

Environmental issues continue to rise in importance across the nation. North Dakota must also be aware of these issues and work to protect our quality of place and the many opportunities it provides both citizens and visitors to our state. In order to move forward, the state needs work toward collaborative solutions that provide protection of our natural lands, continue conservation efforts, and limit potential environmental issues in the North Dakota.

#### **Places**

North Dakota has experienced unprecedented growth in the past few years. We need to create an environment that fosters business growth and enriches the livability of our communities, conserving our unique lifestyle for future generations.

#### 1. Create conservation efforts to protect our natural lands.

- Develop awareness efforts to educate North Dakotans on the quality, quantity and ample opportunities provided by our natural lands.
- Establish initiatives that support conservation of lands and establishment of green spaces, parks, shelter belts, etc.

#### 2. Grow opportunities statewide for citizens to participate in "green" practices.

- Explore becoming the first state to have a statewide recycling policy.
- Consider incentives or grants for communities to develop recycling opportunities or provide conservation/energy saving education.
- Encourage private sector development of recycling plants.
- Encourage recycling and use of recycled materials in state and local governments.
- Implement a plan for reduction of state fleet fuel consumption.
- Continue to build awareness around energy saving concepts, including green building methods/ materials, energy efficiency, etc.
- Increase fines to discourage littering.



#### Build North Dakota to become the #1 state in education.

North Dakota is growing economically, gaining population and is in need of skilled workforce to support this growth well into the future. Our education system needs to equip our students with the knowledge, skills and creativity needed to fuel future economic and civic success. In our increasingly knowledge-based economy, this will demand education tactics that promote a higher-level skill-set across our entire primary and secondary education system.

We must make improvements in access to early childhood development programs, which nationally have shown significant benefits including: cognition and academic achievement, behavioral and emotional competencies, educational progression and attainment, and labor market success. We must treat our universities and colleges as economic engines, as there is a proven relationship between a state's economic development, the use of science and technology, and its quality of life.

Higher education needs support for research and development and must train workers with science, technology, engineering and math skills to support economic growth. Research by the Milken Institute shows that 75 percent of the variation in a state's per capita income can be accounted for by its ability to convert science and technology assets into economic development.

North Dakota's education system can work toward the ultimate goal of being the #1 state in education. In order to move forward, the state needs to focus on scholarships, school funding, career guidance, and curriculum that develop skill sets that support the outcomes of enhanced research and development efforts and industry growth.

#### People

North Dakota's education system needs to transform for our next era. We must help students identify the path to future careers, train workers, and prepare people for entrepreneurial pursuits. We need to expand our online and distance learning opportunities. We must ensure that North Dakota does not segment education into primary and secondary, but rather looks at the development of our students from early childhood through technical or higher education, and works to develop them all along their career path.

- 1. Establish a blue ribbon committee to define the criteria and develop an action plan toward the goal of becoming the #1 state in education.
  - Assemble a committee comprised of key stakeholders from business and industry, government, nonprofits and economic development.
  - Review the K-12 funding formula to ensure equitable and adequate support.
  - Transform K-12 infrastructure to meet future needs and provide access to programs and curricula across the state.
  - Develop initiatives that support public/private industries in relation to growth of science, technology, engineering and math (STEM) curriculum. Create partnerships and coordination around existing programs such as: INSPIRE K-12, Succeed 2020, Great Plains STEM Education Center, Best Robotics/FIRST and advancement of the arts.
  - Expand access to early childhood development programs.

### **Education**

- Explore ways to expand libraries to be thought of as community centers that focus on information literacy and education delivery.
- Work with the Greater North Dakota Chamber to develop education on the impact of our changing and diverse economy and the role of free enterprise in North Dakota.
- Further develop online educational offerings to reach a global student population and improve access and course offerings to rural school populations.
- Provide career path counseling to students with information about high-demand careers in North Dakota.

## 2. Leverage state dollars to create a tuition scholarship program supported by public/private endowments.

- Issue merit-based scholarships to retain and attract high-caliber students.
- Review the current Bank of North Dakota student loan structure to ensure loan rates and payment schedules are competitive with other states.
- Pursue the idea of tuition discounts for graduates or graduation fellowships in needed fields and require employment in North Daktoa post-graduation.
- 3. Increase educational funding for greater curriculum supporting science, technology, engineering and math (STEM); as well as, those that promote creative thinking, analysis, problem solving and collaboration, which are critical components of innovation.
  - Enhance teaching degree programs at our universities and colleges to provide specific training on STEM.
  - Create opportunities for students to attend summer-based activities around STEM skills.
  - Work with community arts organizations to include not only artistic, but science, technology, engineering and math initiatives.

#### Places

North Dakota has a well-established education structure in place. It is important that we continue to upgrade our classrooms and learning environments to provide the best possible education for our students. We must also extend our idea for a "place of learning" to include distance and online opportunities.

## **Education**

#### Opportunities

With North Dakota's growing workforce needs, it is important that we create a partnership between business and education to ensure we create a skilled workforce that meets the demand of our local companies.

- 4. Create opportunities for business to have a stronger voice in the development of higher education programming that fits needed workforce demands.
  - Explore the results and outcomes of the Roundtable on Higher Education.
  - Create an advisory group of business leaders for the State Board of Higher Education to better craft curriculum that meets business needs.
  - Further develop internships through incentives that benefit employers through Operation Intern and give appropriate credit to students.
  - Create a website that would match North Dakota businesses with open internships with interested students.
  - Incentivize older-than-average students to return to school.
  - Develop opportunities for entrepreneurship activities and incentives around the Research North Dakota Program.

## **Energy & Agriculture**



#### Continue to position North Dakota as an admired energy and agricultural leader.

As the nation continues to grow, North Dakota's fertile landscape has emerged as a leader. Our diverse, multi-resource energy philosophy is helping to meet growing energy demands nationwide. Our agricultural industry continues to make significant strides in crop improvements and value-added agriculture applications. Our diversified economy is what gives our state economic strength and it is fueled by the leading industries of energy, agriculture and tourism.

Through the EmPower North Dakota Commission, leaders from all major energy industries in North Dakota serve as critical thinkers for the development of the state's energy resources. North Dakota is proactive in addressing energy development. It serves as a model in fostering innovative, long-term development to meet our nation's growing energy demand and need for energy security in an environmentally responsible manner.

Agriculture is the dominant sector of our state's economy. Over 31,000 farmers and ranchers lead the nation in the production of more than a dozen important commodities. Livestock production is second only to wheat in North Dakota's agricultural industry.

North Dakota's energy and agricultural future can include development in all sectors, and has the potential to not only grow, but also develop new economies based on secondary, value-added applications related to these resources. In order to move forward, the state needs to address several key areas crucial to the expansion of these industries which will focus around infrastructure, research and development, workforce and regulatory policy.

#### People

It is important that we capitalize on their strengths and seize opportunities in our growing industries. An integral component will be to ensure our people have the knowledge and skills to grow these industries, while preparing a workforce gualified and ready to take on the opportunities of tomorrow.

- 1. Provide opportunities for the energy and agricultural industries to grow through collaborative efforts with key partners in workforce development.
  - Work with secondary and post-secondary education to enhance core curriculum that creates interest in agriculture and high-demand energy careers.
  - Offer students greater access to career and technical education programs related to energy and agriculture, this includes classroom curriculum and distance learning opportunities.
- 2. Continue to support the NDSU Extension Service, young farmer organizations and other programs which encourage interest in agricultural careers.
  - Encourage the development of the next generation of farmers by helping them to understand
    the key role North Dakota farmers wil play in feeding the nation's growing population in the
    future.
  - Grow understanding for the export opportunities North Dakota farmers can capture in the expanding world food market.
  - Continue to educate all our citizens on the value of North Dakota's abundant land resources and the value of our agriculture industry.

## **Energy & Agriculture**

#### **Places**

Strong communities will be vital to the workers supporting the energy and agricultural industries and therefore a key component in North Dakota's future. The places most important to the growth of these industries lies in our research universities and entrepreneurs, as they develop the new technologies that will keep us competitive into the future.

- 3. Continue investment in the infrastructure of our research and technical institutions to assist in the development of new technologies, value-added applications and opportunities for energy and agriculture.
- 4. Promote North Dakota's value as a possible location for energy company offices due to our substantial and diverse energy resources.
- 5. Gain support for a North Dakota heritage-based agricultural display that preserves the role of agriculture in the state's history that can serve as an educational tool.

#### Opportunities

Research and development play a critical role in understanding the potential of value-added processing and manufacturing to our energy and agricultural industries. Similar to the tremendous growth witnessed in value-added agriculture, the opportunity exists for North Dakota to become a leader in value-added manufacturing related to both of these abundant resources.

#### 6. Support EmPower ND's goals.

North Dakota 2020 & Beyond supports the goals of this group and recommendations that link directly to EmPower ND are noted. Core goals for EmPower ND are:

- Infrastructure the foundation for continuing existing development and expansion.
- Research and Development the bridge for industry to move from ideas to new development.
- Workforce available workforce to meet the demands.
- Regulatory Environment support economic growth while ensuring environmentally responsible development of natural resources.

## **Energy & Agriculture**

7. Continue to support existing research and development programs which will ensure the discovery and implementation of new technologies to promote new growth for all energy and agricultural resources. (EmPower ND)

#### **ENERGY**

- Coordinate with private industry to identify the steps necessary to create a viable chemical industry related to energy resources. (*EmPower ND*)
- Fund a study to evaluate value-added market opportunities for energy resources. (EmPower ND)
- Increase funding to the Oil and Gas Research Council by \$1 million to explore opportunities related to value-added processing of natural gas. (EmPower ND)

#### **AGRICULTURE**

- Coordinate with private industry to identify the steps necessary to create more value-added applications for agriculture which could include: fuel, medicine, processing, manufacturing, agritourism, etc.
- Support continued agriculture research to build on the efficiencies of North Dakota's key crops, increasing production and food-values for each.
- Expand trade markets.
- 8. Support efforts to double energy production by 2025. (EmPower ND)
- 9. Continue to support organizations who promote environmental responsibility, safety and sustainability for both energy and agriculture.
- 10. Support education that develops potential energy industry workforce.
  - Target Bismarck State College and Williston State College for two-year energy programs.
  - Form partnerships with four-year schools to deliver agriculture and energy curriculum.
  - Create endowments for NDSU and UND for petroleum careers.



## Keep North Dakota healthy to increase our productivity, slow rising health care costs and ensure a better quality of life.

North Dakota is one of the healthiest states in the nation with health care costs tracking below the national average. However, North Dakotans have been very clear that health care is becoming unaffordable. We believe North Dakota can impact the future health of our citizens and be proactive in keeping costs down.

North Dakota allocates very little funding towards chronic disease prevention programs, such as obesity or diabetes, either for adults or children. Yet, one-fourth of our youth are considered overweight or obese. We must encourage state efforts to reduce childhood obesity by investing an adequate level of resources for prevention.

Decisions by our federal government will also influence health care delivery in North Dakota. The Affordable Care Act needs to be studied for its impact on North Dakotans in whatever version the federal government brings forward.

We can take a proactive approach to health in North Dakota, one that considers all citizens and has a positive impact on our economy, health and future quality of life. In order to move forward, the state needs to address several key issues such as a rural health care delivery system, wellness opportunities for our citizens, impacts of federal health legislation and affordability of care.

### People

It is important that we encourage North Dakotans to live a life of health. By establishing opportunities for youth to be more active, we begin habits that can have lasting impacts on health and health care costs. We must also address hunger and access to care for North Dakotans.

### 1. Encourage efforts to make North Dakota children the healthiest in the nation.

- Encourage North Dakota to join others in efforts to reduce childhood obesity by investing in resources for prevention and education. (Review Healthy ND's recommendations for childhood obesity.)
  - Review current K-12 school lunch program standards and recommend improvements for North Dakota.
  - Review K-12 exercise requirements to ensure we are promoting activity along with academics.
  - Build awareness and resources around best practices for nutrition and activity and consider incorporating wellness coaching into schools.
- Develop partnerships with parks, health care companies and schools to establish and promote fitness and activity among all age groups
- Increase access to recreation facilities for youth.

### 2. Create a Hunger Free North Dakota coalition.

• Establish a committee to identify needs and solutions statewide to address hunger concerns for vulnerable populations, such as Native Americans, homeless, etc.

### Health

### Opportunities

As our population shifts, our health care access and delivery will change. Hospitals are creating new infrastructure to meet demands and our aging population is increasing the need for long-term care and nursing homes. North Dakota has before it many opportunities to build ideas and structure that can help support the long-term health of our citizens. We must study areas where improvements can be made and build greater awareness for personal wellness to temper health care costs.

- 3. Consider a citizen's advisory group to study and make recommendations on a model health care system for North Dakota.
  - Consider the impact of federal health care legislation on North Dakota's citizens and businesses.
  - Explore opportunities to host a model federal project that addresses the reimbursement system and health care reform.
  - Determine measurements to indicate North Dakota is moving toward the goal of being the healthiest state in the nation and assess on a biennial basis.
- 4. Develop a health information center with a governing commission to coordinate programs, publicity and funding.
  - Leverage the center to promote a health and wellness focus and provide "coaching" for citizens seeking a life of health.
  - Use technology to share information on all North Dakota health care projects and health care records.
- 5. Consider modifying North Dakota pharmacy laws to reflect a free-enterprise system.

## Housing



### Provide access to quality housing for all North Dakotans.

While the nation continues to struggle with lagging housing markets, North Dakota's market is on the rise and experiencing growth. Demand is currently outpacing supply with the growth in western North Dakota due to the oil boom, which is driving up the price of housing for both renters and owners.

Housing challenges, however, are not confined to western North Dakota. Changing demographics and a job-creating economy are putting strains on the availability of housing across the state. These challenges, however, create business opportunities in real estate, development, engineering, construction, trades and furnishings. Cities can seize opportunities to improve existing neighborhoods or build new ones. In order to move forward, the state needs to address housing for individuals of all income levels and leverage private/public partnerships to grow housing infrastructure.

### People

Ensuring our population has safe, affordable housing available to them is key to our state's continued growth. We must support these efforts to get the needed infrastructure in place quickly to attract and retain new families to our state.

## 1. Develop and implement a comprehensive housing strategy with consideration for all income and family needs.

- Review the North Dakota Housing Finance Agency definition of what "available" and "affordable" housing is to ensure it still meets needs.
- Consider including Equal Housing Opportunity in the strategy.
- Expand the Housing Incentive Fund to enhance quick growth of affordable housing.
- Develop a program targeted at renters as they do not benefit from property tax relief, but still are responsible for increased rent costs.
- Establish statewide non-profit housing development organization to partner with the North Dakota Housing Finance Agency to develop affordable housing.
- Determine the need for infrastructure of long-term care and assisted living facilities in relation to an aging population.
- Continue to use the North Dakota Housing Finance Agency website as an information center/ portal on programs available to support housing development.

## Housing

### Opportunities

The challenges brought on by rapid growth call for more than just state support, but rather we need to engage private investors and ensure that we access federal programs to support citizens.

- 2. Work to ensure North Dakota state housing programs work to leverage private investment and federal programs to meet supply and affordability issues.
  - Use the Energy Impact Grant Fund to extend sewer lines and streets, expand water supply systems and to complete other infrastructure upgrades that directly support greater development of housing projects in oil-impacted counties.
  - Promote the Housing Incentive Fund as a loan source for developers who pledge to build affordable housing for low- and moderate-income residents.
  - Access the Bank of North Dakota's Rural Mortgage Loan Program to make residential loans in rural North Dakota.
  - Access the Bank of North Dakota's Flex PACE Affordable Housing Program to assist in the financing of affordable multi-family housing units for individuals living in counties affected by oil and gas development.
  - Work with the North Dakota HOME Program to provide greater homeowner and rental assistance.



## Foster the image that North Dakota is a vibrant, progressive state with a great family and business environment.

The growth and economic success being realized by North Dakota is not having the maximum impact on our state's image. Much of the positive news has been offset by national and local stories focusing on negative issues that accompany fast growth.

North Dakota must be proactive it telling its own success story. We currently spend promotional dollars on tourism, business and workforce attraction. Those messages are targeted to achieve their objectives, but we must also work to deliver a positive "brand" message about North Dakota and our successes.

North Dakota is in the national spotlight and now is the time to ensure we have positive media stories to offset the over 40 percent negative stories we are currently seeing. In order to move forward, North Dakota needs actively work to tell its story and promote our growing state.

### Opportunities

We need a stronger state outreach program that will spread positive information about North Dakota and North Dakota 2020 & Beyond initiatives. Our image plays a key role in attracting a quality workforce, encouraging outside investment, building our education system and attracting visitors to our state.

### 1. Develop the key elements that should be promoted as the North Dakota brand.

 Work with statewide agencies to adopt key messages to promote the North Dakota brand and tell stories from all aspects of the state.

### 2. Appoint a team to actively promote our story through media as well as other opportunities.

- Create a North Dakota spokesperson roster to be used to promote North Dakota nationally on topics.
- Coordinate North Dakota media outreach to ensure consistency of messaging and positive stories.
- Establish benchmarks for tracking results.
- Provide adequate resources to fund image promotion efforts. Consider a partnership with the North Dakota Economic Development Foundation to support efforts.

### Recreation



### Establish North Dakota's reputation as an attraction.

Attracting people to North Dakota, whether they are visitors or families seeking work opportunities, requires us to provide an experience and quality of life that people desire. We need to continue to grow our communities to accommodate our expanding population, and provide opportunities for recreation, culture and adventure to keep them active.

Other states have shown that an investment in the growth of "place" is a key factor in attracting workforce and enhancing tourism opportunities. In order to move forward, North Dakota must expand its recreational opportunities statewide.

### **Places**

North Dakota must provide a variety of social, cultural and recreational opportunities to make our communities enticing as a place to raise a family or take a vacation. We must create experiences that make our residents and visitors talk about what a great place North Dakota is to live, work and play.

- 1. Establish a task force to study barriers to private development of recreational efforts.
  - Identify needs and opportunities along with barriers such as liability insurance.
  - Offer outcome based development grants to qualified ideas.
- 2. Promote the Theodore Roosevelt National Park and make it a premier North Dakota icon.
  - Explore taking on more of its promotion and development in partnership with the National Park Service.
- 3. Encourage development of bike and walking path systems within our smaller communities.
- 4. Evaluate the North Dakota State Park System, its allocation of resources, and possibilities for growth of offerings.
- 5. Develop and promote an event with national appeal. (Marathon across North Dakota)
- 6. Encourage development and use of North Dakota rivers for recreational activity.

  (River Keeper Concept)

## **Safety & Transportation**



Build a statewide transportation system that meets the needs for North Dakota's growing population and industries, and provides a safe place for workforce, families and visitors.

As North Dakota continues its fast paced growth and shifting industry base, safety issues have moved to the forefront in a state that has not had many concerns in this area. In the past, we have lived with low crime rates, relatively low road and highway incidents and low accident incidents per worker. Our disaster response has been praised by citizens and community leaders. In other words, we have been one of the safest states in the nation to live and work.

Ensuring North Dakota remains one of the safest states is essential to the peace of mind of our citizens and our quality of life. In order to move forward, we must look to enhance our safety through protective services and road and highway improvements.

### People

Changes in our state have put pressures on our infrastructure, law enforcement and emergency services personnel. Many projects have been implemented to alleviate issues in the short-term, but steps must be taken to address long-term statewide needs.

### 1. Determine statewide needs for safety into the future and ensure adequate funding.

- Ensure essential safety services (law enforcement, fire, ambulance, etc.) are given priority.
- Consider emergency response teams with possible state or private sponsorship and coordination to reduce volunteer approach.
- Continue community support for disaster relief.
  - Establish a policy safety net for communities in the aftermath of disaster.
  - Fund appropriate equipment and tools to be affective in offering post-disaster assistance.
- Review current road signage statewide to identify areas for improvement and to ensure it is current.
- Consider using the North Dakota Petroleum Council as a potential advisor on road safety issues resulting from oil activity.
- Support the Upper Great Plains Transportation study and urge its implementation.

### **Statewide Planning**



## Support North Dakota's state, regional and local planning efforts from a reliable state-funded source.

North Dakota's communities are expanding and that has brought with it new challenges in local planning. As our cities and counties grow, they need access to tools to ensure good decisions are made for the long-term growth of our state. Ensuring that proper infrastructure such as water, sewer, electricity and broadband access is available, means local governments must be able to project and implement plans for their communities.

North Dakota needs to provide planning assistance to state and local governments to ensure that they have needed information when making decisions. In order to move forward, the state needs to fund assistance for local planning, consider infrastructure needs statewide, and provide appropriate information for good decision making.

### **Places**

Our communities support our quality of life. North Dakota needs to assist our communities with information and resources from a consistent source to enhance their quality of place and aid in making good community planning decisions.

- 1. Create a demographer position in the North Dakota Census Office to support consistent information and resource development in statewide planning.
  - Conduct a statewide cost-of-living study and its impact on education, workforce, residents and other key factors
  - Educate communities on the cultural expectations and diversity of the state's new workforce.
- 2. Develop a community/county planning assistance initiative.
  - Create a team for a regional planning and zoning approach. (Study relationship between eight regional planning councils, Vision West, NDSU Extension Services, North Dakota Census Office and private firms.)
  - Gather potential resources and make them available to local requests.
- 3. Build statewide infrastructure to meet targeted populations and develop plans based on regional needs.
  - Develop local aid fund from existing funding streams and allow communities to apply based on need in areas such as schools, infrastructure, transportation and culture.
- 4. Develop a local water management plan in cooperation with the North Dakota Water Commission and the goals of their statewide water plan.

## **Technology**



### Grow technology infrastructure to ensure North Dakota is a model for connectivity.

Our increasingly networked society demands access to high-speed broadband service, cellular coverage and 21<sup>st</sup> century technology. North Dakota must be a leader in this area to create and sustain high-value, job-creating economic opportunities, education growth and an enhanced quality of life.

Technology infrastructure plays a key role in the growth of North Dakota. Today, North Dakota is ranked 41<sup>st</sup> among the states for the share of households with at least 10 megabits (Mbs) of broadband availability. Yet, network speeds of up to 100 gigabits (Gbps) are now being planned in several statewide and city initiatives, which will give these places astonishing access to health care services, primary and secondary education, potential business growth and a host of other opportunities.

North Dakota must invest as other states have to expand the speed of its broadband network and seek out key technology partners such as Microsoft, Cisco, Google and others. In order to move forward, the state needs to develop a plan to enhance our technology infrastructure to ensure our citizens and businesses have high-speed access.

### Opportunities

To stay competitive, North Dakota needs to be a leader in statewide connectivity. Citizens, business and government all benefit from investments that help our state position itself as a leader in this area. We need to develop a statewide plan that will bring connectivity to our communities and enhance access for our businesses to keep us globally competitive.

### 1. Develop a statewide technology plan that enhances infrastructure and connectivity.

- Position state government and the Greater North Dakota Chamber in a leadership role in developing and rolling-out a plan statewide.
- Seek out partnerships with key stakeholders and technology leaders to develop a vision of connectivity that includes broadband, wi-fi and cellular coverage.
- Create investment and incentive models that could include private, state or tax credit opportunities.

## **Workforce Development**



### Develop North Dakota's workforce to meet the needs of our changing economy.

North Dakota's population centers are shifting, statewide industry make-up is evolving and the demand for workforce is growing statewide. We must begin to think differently about how we build and train our future workforce as new skill sets for high-demand occupations are identified.

Past workforce efforts created quadrants across the state designed to market and deliver needed training. It is time we re-examine this delivery method and look to offer education that goes beyond typical workforce training to meet new demands. We also need to increase our efforts to educate students on the career opportunities available in North Dakota, especially those occupations that require two-year degrees or certification.

Our cost of living has also made shifts and has put pressure on the need to increase the overall wage base. Many employers have concerns about attracting workers at higher than expected salary levels and retaining current staff. Our system needs to educate and address these issues to assure a quality and abundant workforce.

North Dakota needs to create workforce development and training initiatives that focus on creating world-class talent at every skill level for people at all stages of life. In order to move forward, the state needs to work with industry to develop partnerships to ensure we are generating a workforce that meets the needs of our changing economy.

### People

There is considerable evidence that the most effective workforce development and training programs are industry-driven and focused on building partnerships among stakeholders in workforce, education, industry and economic development. North Dakota needs to begin refocusing its efforts to ensure our workforce needs are fostered through our education and training systems, and that our students know of career path opportunities at an earlier age.

## 1. Establish a workforce training task force to explore long-term transformation of education and training delivery.

- Assist individuals with self employment training.
- Educate counselors on high-demand occupations and two-year technical and certification programs.
- Expand NDSU Extension Services offerings in family business and business succession planning.
- Strengthen the statewide Young Professionals Networks.
- Link the statewide apprentice program into the revamped workforce training model.
- Adjust training offerings at Job Service North Dakota to fit changing workforce needs.

## **Workforce Development**

- 2. Establish a collaborative program to educate business owners on the changing economy, its impact and how to respond. (See Statewide Planning Recommendation #1)
  - Work with established business education programs such as the Manufacturing Extension Partnership (MEP), NDSU Extension Service, the energy industry, local chambers, etc.
- 3. Develop a program to identify and match business transition opportunities.
  - Work with the North Dakota Department of Commerce to develop a program and have it administered by local economic development groups.
- 4. Develop a trailing spouse program.
  - Expand the relocation efforts of the North Dakota Department of Commerce to include assistance for trailing spouses and have it administered by local chambers.



### About North Dakota 2020 & Beyond.

North Dakota 2020 & Beyond was formed to expand North Dakota's vision for the future. Governor Jack Dalrymple, the Greater North Dakota Chamber and the North Dakota Economic Development Foundation teamed up to lead the statewide development initiative. A steering committee and an advisory board, comprised of proven business leaders representing the state's eight regions, guided the process and developed this plan to capture ideas from across the state.

The steering committee delivered this report to the Governor, the North Dakota Economic Development Foundation and the North Dakota legislature in the winter of 2012 outlining its recommendations for furthering North Dakota's growth and enrichment. The process gathered ideas from citizens across North Dakota through community meetings and an online forum. Over 1,700 ideas were gathered and considered in the development of this report.

The recommendations found here are the collaborative effort of the steering committee's work to create possibilities from the ideas shared. They cover a variety of categories and will hopefully enhance North Dakota through the value of our people, the unique quality of our place, and the diverse opportunities that lie in our future.

### STEERING COMMITTEE MEMBERS

Bill Marcil Jr., Co-Chair Forum Communications

Kathy Neset, Co-Chair Neset Consulting

Karl Bollingberg
Alerus Financial

Wally Goulet

National Information
Solutions Cooperative

LeeAnn Johnston
Dairy Queen

Kari Newman-Ness Newman Signs

David Reiten
Reiten Television

Joseph Rothschiller Steffes Corporation Senator Tony Grindberg
Senator Lonnie Laffen
Senator Mac Schneider
Representative Ron Guggisberg
Representative Scott Louser
Representative Don Vigesaa

# 2020 & BEYOND

### **ADVISORY COMMITTEE MEMBERS**

**Greg Allen** 

**Debra Anderson** 

**Brad Bekkendahl** 

**Dean Bresciani** 

**James Burgum** 

**Steve Burian** 

**Linda Christman** 

Vern Dosch

Mike Eggl

Jon Frantzvog

**Bruce Gjovig** 

**Pete Haga** 

Randy Hatzenbuhler

**Arron Hendricks** 

**Robert Kelley** 

**Ward Koeser** 

**Curt Lee** 

**Guy Moos** 

**Don Morton** 

**Raymond Nadolny** 

**Terry Olson** 

Monica Peldo

**Russel Rankin** 

**Chris Semrau** 

**Bill Shalhoob** 

**Steve Shirley** 

Ham Shirvani

**Thomas Shorma** 

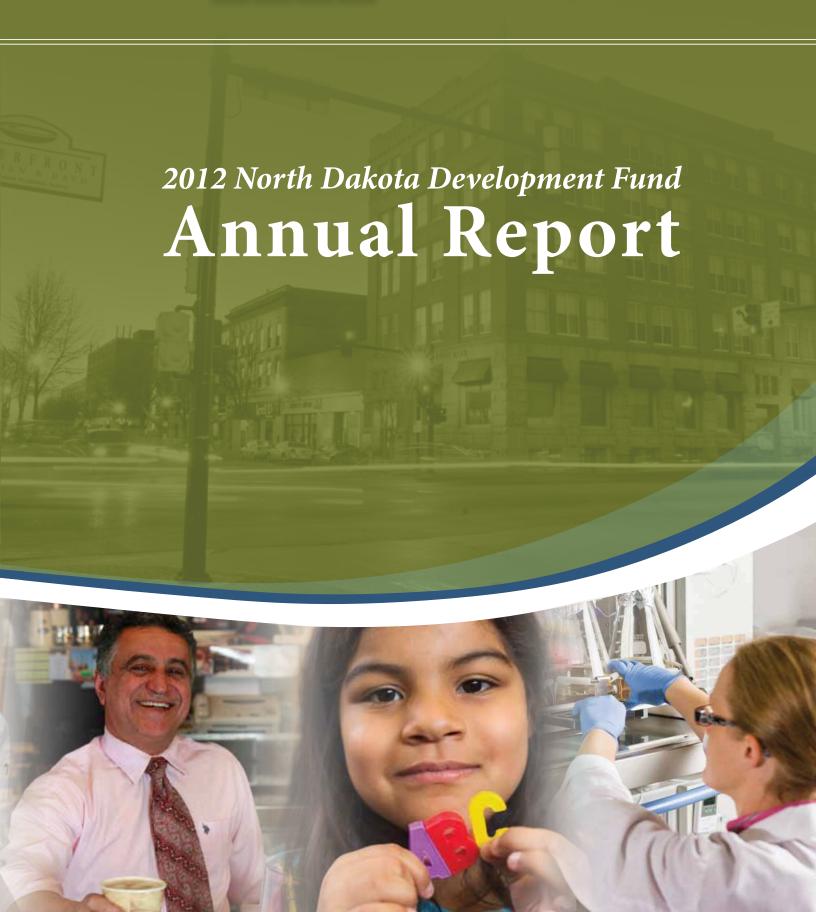
**Brad Swenson** 

**Dan Traynor** 

**Pat Traynor** 

Jeff Zarling





### **Table of Contents**

North Dakota Development Fund Board Members	3
About the North Dakota Development Fund	4
Introduction	5
North Dakota Development Fund Investment Locations	6
North Dakota Development Fund Project Growth and Cash Flow	6
Businesses Benefiting from 2011-2012 North Dakota Development Fund Investments	7
DEVELOPMENT IN ACTION	
Tuff-E Manufacturing	8
Loyalty Builders, Inc.	8
Tiny Tykes, Inc.	9
Dog IDs	9
Next Healthcare, Inc.	10
Firehouse Ribs	10
FINANCIALS	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
Financial Statements	
Balance Sheets	17
Revenues, Expenses and Changes in Net Assets	18
Cash Flows	19
Notes to Financial Statements	21
Combining Financial Statements and Supplementary Information	
Combining Balance Sheets	30
Combining Statements of Revenues, Expenses and Changes in Net Assets	31
Combining Statements of Cash Flows	32

"The North Dakota Development Fund is a valuable financing tool for North Dakota businesses, providing a strong return on investment for taxpayers and contributing significantly to job creation. As we continue to grow our economy and create economic opportunities for our citizens, it is important that we provide the financing support for start-up or expansion projects in our state."

Jack Dalrymple, Governor



Jack Dalrymple Governor



Al Anderson
Commissioner
ND Department of Commerce

## North Dakota Development Fund Board Members

The Governor appoints an eight-member Board of Directors that oversees the North Dakota Development Fund. Each member represents a different business sector from the state.

Richard McKennett, Chairman | Williston Member-at-Large

Bob McNeill, Vice-Chairman | Dickinson Private Sector

John Erickson | Grand Forks Industrial Technology and Research Sector

Rob Gayton | Mandan Native American Sector

Vacant Rural Sector

Darcy Volk | Bismarck Exported Services Sector

Terri Zimmerman | Fargo Finance Sector

Al Anderson | Bismarck Commissioner of ND Department of Commerce Agency Sector

## The Following Development Fund Staff Facilitates This Process

Dean Reese, CEO 701-328-5334 | dreese@nd.gov

Scot Long, Vice President 701-328-7256 | slong@nd.gov

Nathan D. Schneider, Credit Technical Analyst 701-328-5349 | ndschneider@nd.gov

Lacey A. Jangula, Technical Accounting/Credit Analyst 701-328-5310 | lajangula@nd.gov

### **About the North Dakota Development Fund**

The North Dakota Development Fund was created through legislation in 1991 as an economic development tool. It provides flexible gap financing through debt and equity investments for new or expanding North Dakota primary sector businesses.

The Development Fund makes investments of up to \$300,000. The Board of Directors may adjust the limit when deemed appropriate. In general, the following criteria apply to Development Fund investments:

- The entrepreneur must have a realistic financial commitment at stake. Usually, principals are required to have a minimum of 15 percent equity in the project.
- Refinancing of debt is not eligible.
- Principal shareholders with 20 percent or greater ownership are generally required to guarantee the debt. Other shareholders may also be required to guarantee.
- The Development Fund will not participate in more than
   50 percent of a project's capitalization needs.
- Financing is available to any primary sector business project with the exception of production agriculture.
- Primary sector includes individuals and businesses which, through the employment of knowledge or labor, add value to a product, process or service which results in the creation of new wealth. Primary sector includes tourism and specific types of investor-owned agriculture, and is typically businesses such as manufacturers, food processors or export service companies. Investor-owned agriculture includes livestock feeding or milking operations, or other value-added agriculture located apart from an individual farm operation that is professionally managed and has employees.

Loan and equity programs managed by the North Dakota Development Fund include:

- North Dakota Development Fund
- Regional Rural Revolving Loan Fund
- Rural Incentive Growth Loan Program
- Small Business Technology Program
- Child Care Loan Program
- New Venture Capital Program
- Entrepreneur Loan Program
- Entrepreneurial Center Loan Program

Please contact the North Dakota Development Fund or visit www.NDDevelopmentFund.com for additional information on the programs listed above.





Dean Reese, CEO ND Development Fund

"The investments made by the

Development Fund

in 2011 to 2012 contributed to

the projected creation of

152 jobs in the primary sector."

### Introduction

The Development Fund invested \$7,114,904 in 28 primary sector and child care businesses from July 1, 2011 to June 30, 2012. The Development Fund has provided gap financing in which investments, since inception, have reached \$97 million.

With the Development Fund's dollars invested, there has been \$107,286,856 leveraged from other financing institutions resulting in a \$15.08 to 1 ratio - for every Development Fund dollar invested, \$15.08 was invested from other sources.

The investments made by the Development Fund in 2011 to 2012 contributed to the projected creation of 152 jobs in the primary sector.

The Development Fund reported an estimated June 30, 2012 fiscal year-end operating income of \$414,225 before bad debt expense, as compared to \$498,877 for the fiscal year-end 2011. The decrease in income is attributable to a decrease in interest income on loans and an increase in bad debt expense. The Development Fund saw an increase in general and administrative expenses of (\$22,923) from 2011 to 2012. The Development Fund continues to pay all costs of operating the fund including salaries and benefits. The increase in administrative expense was attributable to an increase in salary expense and repo expense from 2011 to 2012. The cash flow generated from principal and interest collections remains strong at \$6.3 million. The Development Fund continues to be a "revolving" loan fund as it has collected \$9.8 million the past two years, which in turn can be used for future loan and equity investments.

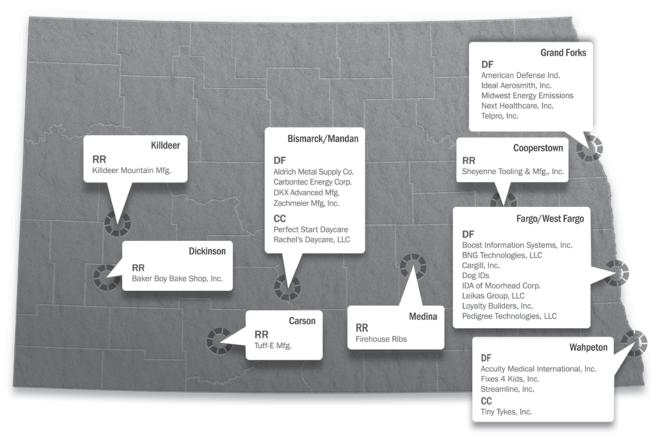
Net loss before nonoperating revenues (expense) declined by \$218,614 from (\$16,011) in 2011 to (\$234,625) in 2012. The decline in the net loss was due mainly to the decrease in interest income and an increased allocation to bad debt expense for the year.

Since the inception of the Development Fund, it has invested \$97 million in 519 companies with over \$30.8 million invested in rural communities. The investments made by the Development Fund have contributed to the projected creation of 10,389 primary sector jobs. The Development Fund helped 12 start-up businesses begin operations in North Dakota in 2011 to 2012. Of the 12 start-up businesses, five were in rural communities.

The economic activity continued to be strong in North Dakota in 2012 as compared to the national economy. In providing flexible financing, the Development Fund helped primary sector businesses start-up or expand, which in turn created new jobs and generated new revenues. This report includes highlights of 2012 along with the accompanying financial statements.

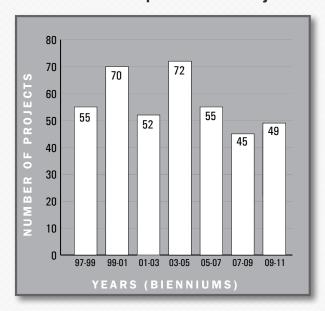
Dean Reese, CEO North Dakota Development Fund

## Development Fund Investment Locations from July 1, 2011 to June 30, 2012



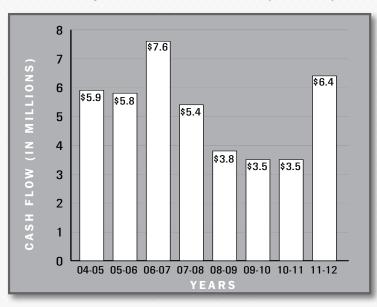
DF- Development Fund Projects | RR - Regional Rural Revolving Loan Fund Projects | CC - Child Care Loans

### **Growth in Development Fund Projects**



The Development Fund invested in 28 projects from 2011-12. The number of projects funded to date are on track to meet or exceed the number of projects from the last biennium (2009-2011).

### **Development Fund Cash Flow (Millions)**



The Development Fund collected \$6.4 million in 2011-12, averaging \$5.2 million in collections in the past eight years. The Development Fund continues to revolve and the funds collected continue to be used to fund future loan and equity investments in the state.

## 28 Businesses Benefited from North Dakota Development Fund Investments from July 1, 2011 to June 30, 2012

DEVELOPMENT FUND		
Aldrich Metal Supply Company	Bismarck	\$ 137,500
Carbontec Energy Corporation	Bismarck	\$ 333,333
DKX Advanced Manufacturing	Bismarck	\$ 50,000
Baker Boy Bake Shop, Inc.	Dickinson	\$ 800,000
Boost Information Systems, Inc.	Fargo	\$ 300,000
Cargill, Inc.	Fargo	\$ 2,000,000
Dog IDs	Fargo	\$ 87,500
IDA of Moorhead Corporation	Fargo	\$ 150,000
Leikas Group, LLC	Fargo	\$ 50,000
Loyalty Builders, Inc.	Fargo	\$ 300,000
Pedigree Technologies, LLC	Fargo	\$ 750,000
American Defense Ind.	Grand Forks	\$ 140,993
Ideal Aerosmith, Inc.	Grand Forks	\$ 200,000
Midwest Energy Emissions	Grand Forks	\$ 125,000
Next Healthcare, Inc.	Grand Forks	\$ 150,000
Telpro, Inc.	Grand Forks	\$ 25,000
Zachmeier Manufacturing, Inc.	Mandan	\$ 100,000
Accuity Medical International, Inc.	Wahpeton	\$ 150,000
Fixes 4 Kids, Inc.	Wahpeton	\$ 300,000
Streamline, Inc.	Wahpeton	\$ 62,500
BNG Technologies, LLC	West Fargo	\$ 90,000
REGIONAL RURAL REVOLVING LOAN		
Tuff-E Manufacturing	Carson	\$ 150,000
Sheyenne Tooling and Mfg, Inc.	Cooperstown	\$ 150,000
Killdeer Mountain Mfg.	Killdeer	\$ 300,000
Firehouse Ribs	Medina	\$ 114,000
CHILD CARE LOAN		
Perfect Start Daycare	Bismarck	\$ 25,000
Rachel's Daycare, LLC	Bismarck	\$ 18,000
Tiny Tykes, Inc.	Wahpeton	\$ 56,078

TOTAL \$ 7,114,904

## Tuff-E Manufacturing — Carson

REGIONAL RURAL REVOLVING LOAN

A dozen years ago, Peter Reis purchased Tuff-E Manufacturing, a steel fabrication and manufacturing business in Carson. He employed three full-time staff and focused primarily on livestock equipment. Today, he employs 34 full-time employees to handle the manufacturing of hopper bottom grain bins and oil field production tanks.

To keep up with demand, Tuff-E Manufacturing expanded its building space to provide additional room for its fabrication work. The local bank assisted with the start of Tuff-E Manufacturing's expansion, but Reis said his company eventually got into a cash flow crunch and required more funding than what the bank could offer. The bank recommended Reis consider the Development Fund.

"This was a really difficult project to get done, and the people at the Development Fund got it done in a very short period of time and made it come together," Reis said. "To be honest, it was a lifesaver."

The Development Fund not only brought the 7,200 square foot addition to completion, it gave hope to a small-town businessman.

"There are a lot of businesses in North Dakota where people have a lot of vision and drive to make a business expand, but don't have the capital means to do it," Reis said. "I think it's great that North Dakota has something like the Development Fund to help do that, because without it, I don't know that our business would have progressed to where it is today."

## Loyalty Builders, Inc. — Fargo

**DEVELOPMENT FUND** 

Loyalty Builders is a marketing analytics software company that allows retailers and other merchants to use data from customer behavior and transactions to help predict customers' future purchases and increase revenue.

Loyalty Builders sells its software across the country, and President Dennis Erdle said the new Fargo location was a great fit for the company to expand its operations due to the talent available from the North Dakota University System and assistance from the Development Fund.

"The Fund gave us the confidence to open here, because to have the support of the North Dakota business community was critical in helping us open the office," Erdle said. "It's doing a great job of helping the business climate get going."

The funds allowed Loyalty Builders to set up the Fargo office, hire six employees and market the business. The company offers a variety of advanced marketing techniques to its clients as well as a library of resources to learn more about customer behavior.

Erdle said there is a high demand for these types of analytics, particularly because many customers will experience up to 20 times the return on investment compared to traditional marketing methods.

## Tiny Tykes, Inc. — Wahpeton

CHILD CARE LOAN

Justin and Jamie Neppl needed more space for their growing Tiny Tykes daycare business in Wahpeton, so they purchased an additional building increasing their capacity from 18 to 49 children. The move was made possible by the Development Fund which provided working capital, additional equipment and property improvements.

"It provided more opportunity since it helped us to make that next move to the next place," Justin Neppl said. "Many of our families are on childcare assistance so that income comes in a month behind. We almost have to front payroll for two months before our accounts receivable starts catching up, so having that working capital helps out quite a bit."

The new location required some renovations, so the Development Fund assisted with costs to install new windows throughout, a more efficient HVAC system and to remove trees on the property.

"It's nice when parents are complimenting the things and noticing we're trying to improve the childcare, the building," Jamie Neppl said. "(After the improvements), the space opened up and it was more welcoming."



## Dog IDs — Fargo

DEVELOPMENT FUND

Dog IDs produces personalized dog collars and custom dog identification tags to promote dog safety and responsible dog ownership. Strictly webbased, the Fargo company offers a large selection of unique designs for man's best friend.

The Development Fund provided working capital to develop the website and hire additional staff. It also assisted with their marketing efforts and the purchase of equipment to keep up with customer demand.

"Without the Development Fund, we would have had to say no to some of the opportunities we capitalized on in the past year," said co-owner Clint Howitz. "It supported our growth in general to fulfill the large sales spikes we had at various times."

Howitz predicts even faster growth ahead, so the funding is critical for continued success.

"A large portion of our expenses are non-tangibles such as web and software development which is extremely difficult to finance," Howitz said. "Without the Development Fund backing us, we most likely wouldn't have found the financing we needed via traditional lending institutions, and our business development progression would have been much slower over this last year."

## Next Healthcare, Inc. — Grand Forks

**DEVELOPMENT FUND** 

When seeking the perfect location for a biotechnology service, founder Vin Singh chose Grand Forks, opening Next Healthcare, Inc. in early March. Singh said North Dakota's central location, low costs and access to the University of North Dakota's excellent bioscience program and medical school made the decision an easy one. By providing tissue and cell storage solutions to the general public, Next Healthcare, Inc. utilizes technology to allow people to potentially treat their diseases or conditions with their own cells.

Singh has received a good response to his company's services since it became fully operational in July. The Development Fund assisted Next Healthcare, Inc. with lab operating expenses.

"We had to set up a GMP [Good Manufacturing Practice] lab, which is the highest quality standard," Singh said. "That takes time, people and resources to make happen. The funds enabled us to launch our lab operation and commercialize our service."

Next Healthcare, Inc. hopes to expand its network of doctors and customer base, as well as lab operations.

"Currently we have a network of doctors that offers the service to their patients," Singh said. "Now we're starting to go directly to consumers, educating them about the service and its benefits so they can then go to their doctor and ask them to offer it as a service to their other patients."

## Firehouse Ribs — Medina

REGIONAL RURAL REVOLVING LOAN

Firehouse Ribs may be tucked away in a small town, but business is far from small. The Medina-based production facility and restaurant sells smoked ribs and pulled pork along with their signature barbeque sauces nationwide.

"I'm a small town girl and I fall in love with small towns," said co-owner Tracy Frank. "Then I get there and try to work with them and do as much as I possibly can and I thought Medina would be a good place to do that."

There is no doubting her commitment as she and fellow owner Robert Heier commute 80 miles each day from Valley City to run the business. Medina's old meat locker plant was a perfect fit, even at only 970 square feet – the smallest USDA-inspected plant in the state.

"We push a lot of product out of here," Frank said. "The Development Fund allowed us to double and triple up on equipment and now we're at almost one and a half times our normal production, so instead of making 3,000 pounds per day, we can almost do 7,000."

The business has even built a relationship with Walmart. The retail giant currently carries Firehouse Ribs products within the tri-state area, but by January the label will go nationwide. It's a big leap from where Frank and Heier stood prior to the Development Fund loan. "It was nerve wracking for a while because if we would not have been able to expand, we would have been shutting our doors," Frank said. "We would have been just another closed-down small business."



### **Independent Auditor's Report**

Governor of North Dakota The Legislative Assembly

Board of Directors North Dakota Development Fund, Inc. Bismarck, North Dakota

We have audited the accompanying basic financial statements of the North Dakota Development Fund, Inc. a component unit of the State of North Dakota, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the North Dakota Development Fund, Inc. are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the financial statements of the State of North Dakota that is attributable to the transactions of North Dakota Development Fund, Inc. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2012 and 2011, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Dakota Development Fund, Inc. as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2012 on our consideration of the North Dakota Development Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying supplementary information on pages 17 through 33 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bismarck, North Dakota

Este Sailly LLP

October 25, 2012

Management's Discussion and Analysis June 30, 2012

The discussion and analysis of the financial performance of the North Dakota Development Fund that follows is meant to provide additional insight into the Development Fund's activities for the year ended June 30, 2012. Please read it in conjunction with the Development Fund's financial statements and footnotes, which are presented within this report.

### **Financial Highlights**

Total revenue increased by \$910,328 (93.20%) to \$1,887,396. Operating revenues decreased by \$62,572 (6.95%) to \$835,092. Cash flow increased by \$2,801,754 (79.25%) to \$6,336,733. The Fund collected \$4,832,119 in principal payments in 2012, which was an increase of \$2,424,208 (200%) from 2011. The increase in total revenues and operating revenues was attributable to additional payouts of loans on the books of the North Dakota Development Fund.

The Development Fund received \$162,738 in dividend payments in 2012 from equity investments made, an increase from the \$109,128 received in dividend payments in 2011. The increase was attributable to additional payments received in dividend payments to the Development Fund in 2012 as compared to 2011.

General and administrative expense increased by \$22,923 (5.76%) from \$397,944 in 2011 to \$420,867 in 2012. The increase in administrative expense was attributable to an increase in salary expense and repo expense from 2011 to 2012.

Operating loss before non-operating revenues and expenses increased by (\$218,614) from (\$16,011) in 2011 to (\$234,625) in 2012. The decline in the operating loss in 2012 was attributable to an increase in reserve for bad debt expense and an increase in general and administrative expense in 2012 as compared to 2011 in addition to the reduction in operating revenues from \$897,664 in 2011 to \$835,092 in 2012.

Interest income on deposits decreased by \$27,100 (34.50%) from \$79,404 received in 2011 to \$52,304 received in 2012. The decrease was the result of decreased interest rates received on the investments being made in certificates of deposit at the Bank of North Dakota.

Change in net assets increased by \$754,286 from \$63,393 in 2011 to \$817,679 in 2012. The increase was attributable to the Development Fund receiving an appropriation from the North Dakota Legislature in the amount of \$1 million dollars for a new funding program called the Small Business Technology Program in July of 2011.

Net assets increased by \$817,679 from \$23,142,094 in 2011 to \$23,959,773 in 2012. The increase was attributable to the Development Fund receiving an appropriation from the North Dakota Legislature in the amount of \$1 million dollars for a new funding program called the Small Business Technology Program.

Noncurrent net assets (excluding equipment) increased by \$1,540,281 from \$7,841,863 in 2011 to \$9,382,144 in 2012. The noncurrent assets consist of the Development Fund's loan and equity investments. The equity investments made decreased by \$815,502 from 2011 to 2012. The equity investments that were charged off during 2012 were \$662,324 as compared to \$370,800 in 2011. The loan investments made increased by \$2,525,778 from 2011 to 2012. The loan investments that were charged off during 2012 were \$280,547 as compared to \$228,327 in 2011. The Development Fund saw a decline in equity requests in 2012, but saw an increase in requests for loans. Also included in the loan investment balance were loans closed under the new Child Care Loan Program created by legislative intent and an appropriation from the legislative session in 2009 and became effective July 1, 2009.

Interest receivable on deposits and loans decreased by (\$3,879) to \$70,007. The receivable remained stable in 2012 due to the continued improved monitoring of past due accounts and not having to put additional accounts on non-accrual.

Cash and cash equivalents increased by \$7,052,795 (250%) to \$11,703,160 (cash balance is before loan and investment commitments). The increase in cash and cash equivalents was attributable to less dollars being invested in certificate of deposits due to the reduction in CD rates and wanting to put the funds to work in primary sector businesses in the State of North Dakota. The investment account (which includes certificate of deposit investments) decreased by \$8,235,534 from \$9,236,500 in 2011 to \$1,000,966 in 2012.

The Development Fund invests their excess funds into longer-term deposits for a higher rate of return to coincide with the funding commitments made by the Development Fund to companies for loans and equity investments, which are not required to be funded in the short-term. But, due to the low rate of interest being offered on certificate of deposits on a longer term, the Development Fund has kept the excess funding liquid in saving accounts and putting the funds to work in loan and equity investments to primary sector businesses in the State of North Dakota.

Twenty-eight projects were funded totaling \$7,114,904.

### **Required Financial Statements**

The discussion and analysis are intended to serve as an introduction to the Development Fund's financial statements. The financial statements of the Development Fund provide accounting information similar to that of many other business entities. The Balance Sheet summarizes the assets and liabilities, with the difference between the two reported as net assets. It also serves as a basis for analysis of the soundness and liquidity of the Development Fund. The statement of Revenues, Expenses and Changes in Net Assets summarize the Development Fund's operating performance for the year. The statements of Cash Flows summarize the flow of cash through the Development Fund as it conducts its business.

## Condensed Balance Sheet June 30, 2012 and 2011

Assets		2012		2011		2010
Current assets	\$	15,841,282	\$	16,563,884	\$	17,207,305
Noncurrent assets		9,382,144		7,841,863		7,234,496
Total assets	Φ.		Φ		Φ.	•
Total assets	<u> </u>	25,223,426	\$	24,405,747	<u> </u>	24,441,801
Net Assets						
Current liabilities	\$	1,263,653	\$	1,263,653	\$	1,363,100
Unrestricted		23,959,773		23,142,094		23,078,701
Total net assets		23,959,773		23,142,094		23,078,701
Total liabilities and net assets	\$	25,223,426	\$	24,405,747	\$	24,441,801

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash deposits with the Bank of North Dakota and are included in the current assets section of the balance sheet. Additional discussion of cash and cash equivalents can be found in Note 2 to the financial statements.

### **Equity Investments**

Equity investments consist of capital investments in new or expanding primary sector businesses in or relocating to North Dakota and are included in noncurrent assets. Additional discussion of equity investments can be found in Notes 4 and 5 to the financial statements.

### Loans Receivable

Loans receivable consist of loans to new or expanding primary sector businesses in or relocating to North Dakota and are included in current and noncurrent assets in the balance sheet. Additional analysis of loans receivable can be found in Notes 6 and 7.

## Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30, 2012 and 2011

	2012		2011		2010	
Operating Revenues					•	
Interest income on loans	\$	584,339	\$	584,757	\$	660,760
Dividend income		162,738		109,128		149,679
Gain on sale of investment		8,214		93,542		-
Other		79,801		110,237		55,118
		835,092		897,664		865,557
Nonoperating Revenue						
State appropriations		1,000,000		-		-
Interest income on deposits		52,304		79,404		91,968
		1,052,304		79,404		91,968
Total Revenue		1,887,396		977,068		957,525

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2012

	2012		 2011	 2010
Operating Expenses  General and administrative  Depreciation expense		420,867	397,944 843	386,615 766
Bad debt expense		648,850	514,888	1,121,985
		1,069,717	 913,675	 1,509,366
Change in Net Assets		817,679	63,393	(551,841)
Net Assets, Beginning of Year		23,142,094	 23,078,701	 23,630,542
Net Assets, End of Year	\$	23,959,773	\$ 23,142,094	\$ 23,078,701

## North Dakota Development Fund, Inc. Balance Sheets

June 30, 2012 and 2011

	2012		2011	
Assets				
Current Assets Cash and cash equivalents Interest receivable on deposits and loans Investments Current portion of loans receivable  Total current assets	\$	11,703,160 70,007 1,000,966 3,067,149 15,841,282	\$	4,650,365 73,886 9,236,500 2,603,133 16,563,884
Total current assets	-	13,041,202	-	10,303,004
Noncurrent Assets Loans receivable, net of current portion		9,382,144		7,841,863
Total assets	\$	25,223,426	\$	24,405,747
Liabilities and Net Assets				
Current Liabilities Accrued expenses Due to state	\$	13,653 1,250,000	\$	13,653 1,250,000
Total current liabilities		1,263,653		1,263,653
Net Assets Unrestricted		23,959,773		23,142,094
Total net assets		23,959,773		23,142,094
Total liabilities and net assets	\$	25,223,426	\$	24,405,747

North Dakota Development Fund, Inc. Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2012 and 2011

	 2012		2011
Operating Revenues			
Interest income on loans	\$ 584,339	\$	584,757
Dividend income	162,738		109,128
Gain on sale of investment	8,214		93,542
Other	79,801		110,237
	835,092		897,664
Operating Expenses			
General and administrative	420,867		397,944
Depreciation expense	-		843
Bad debt expense	 648,850		514,888
	1,069,717		913,675
Operating Loss	(234,625)		(16,011)
Nonoperating Revenue			
State appropriations	1,000,000		-
Interest income on deposits and investments	52,304		79,404
	1,052,304		79,404
Change in Net Assets	817,679		63,393
Net Assets, Beginning of Year	23,142,094		23,078,701
Net Assets, End of Year	\$ 23,959,773	\$	23,142,094

### North Dakota Development Fund, Inc. Statements of Cash Flows

Statements of Cash Flows Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities Other receipts	\$ 226,504	\$ 386,666
Payments to suppliers	(420,867)	(447,691)
Net Cash used for Operating Activities	(194,363)	(61,025)
Investing Activities		
Interest received on cash and cash equivalents	672,985	689,407
Purchase of equipment	-	(843)
Purchase of equity investments	(991,668)	(87,500)
Proceeds from the sale of equity investments	617,218	150,000
Purchase of investments	(1,000,966)	(13,794,750)
Sale of investments	9,228,286	12,575,048
Disbursements of business loans	(7,110,816)	(3,830,111)
Principal payments received on business loans	4,832,119	2,407,911
Net Cash provided by (used for) Investing Activities	6,247,158	(1,890,838)
Non-Capital and Related Financing Activities Paydown of appropriations Proceeds from state appropriations	1,000,000	(49,700)
Net Cash provided by (used for) Financing Activities	1,000,000	(49,700)
Net Change in Cash and Cash Equivalents	7,052,795	(2,001,563)
Cash and Cash Equivalents at Beginning of Year	4,650,365	6,651,928
Cash and Cash Equivalents at End of Year	\$ 11,703,160	\$ 4,650,365

### North Dakota Development Fund, Inc. Statements of Cash Flows

Statements of Cash Flows Years Ended June 30, 2012 and 2011

	2012		2011	
Reconciliation of Operating Loss to Net Cash				
Provided by Operating Activities				
Operating loss	\$	(234,625)	\$	(16,011)
Adjustments to reconcile operating				
loss to net cash from operating activities				
Depreciation		-		843
Decrease in accounts payable		-		(49,747)
Gain on sale of investment		8,214		93,542
Allowance for doubtful loan receivables		274,400		577,388
Allowance for realized loss on investments		374,450		(62,500)
Reclassification of interest and dividend income		(616,802)		(604,540)
Net Cash Used for Operating Activities	\$	(194,363)	\$	(61,025)
Supplemental Schedule of Noncash Activities				
Loans receivable written off	\$	280,547	\$	228,327
Equity investments written off	\$	662,324	\$	370,800

### **Note 1 - Summary of Significant Accounting Policies**

### **Organization and Nature of Activities**

The North Dakota Development Fund, Inc. (the Corporation) was established pursuant to Chapter 10-30.3 of the North Dakota Century Code as amended by the passage of Senate Bill 2058 during the 1991 legislative session. The Corporation is a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

The Corporation uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain corporate functions or activities.

The following activities are used by the Corporation:

### **Development Fund**

The Development Fund is used to account for fund investments, including equity positions, loans, loan guarantees, and other innovative financing mechanisms for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

### Regional Rural Development Revolving Loan Fund

The Regional Rural Development Revolving Loan Fund is used to account for fund investments including equity positions, loans, loan guarantees, or debt financing on a matching basis to new or expanding primary sector businesses in rural areas.

### **Small Business Technology Program**

The Small Business Technology Fund is used to provide matching investments to startup technology-based businesses.

### **Child Care Loan Program**

The Child Care Loan Program is used to account for fund investments including loans and loan guarantees for new or expanding child care facilities in North Dakota.

The Corporation may form additional corporations, partnerships or other forms of business associations in order to further its mission.

The Director of the Department of Commerce Division of the Economic Development and Finance shall appoint the Chief Executive Officer of the Corporation. All investments, contracts, partnerships, limited liability companies, and business transactions of the Corporation are the responsibility of the Chief Executive Officer and the eight-member Board of Directors, who are appointed by the Governor.

### **Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, the Corporation should include all component units over which the Corporation exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Corporation. GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14, further defined reporting units as a legally separate, tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Corporation or its constituents, and
- The Corporation or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the Corporation is entitled to, or can otherwise access, are significant to the Corporation.

Based upon criteria set forth in GASB No. 14 and No. 39, no organizations were determined to be part of the reporting entity. The Corporation is included as part of the primary government of the State of North Dakota's reporting entity.

### **Basis of Accounting**

The Corporation is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The Corporation operates primarily with appropriations from the State of North Dakota's general fund.

As a proprietary fund type, the Corporation accounts for its transactions using the accrual basis of accounting. Revenues are recognized for its transactions when they are earned, and expenses are recognized when they are incurred.

The Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In accordance with Governmental Accounting Standards Board Statement No. 20, the Corporation follows all applicable GASB Pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Notes to Financial Statements June 30, 2012 and 2011

### **Revenue and Expense Recognition**

The Corporation presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Operating activities are those activities that are necessary and essential to the mission of the Corporation. Operating revenues include all charges to customers, research contracts and grants, dividends earned on equity investments and interest earned on loans. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the Corporation, as well as investment income, are considered non-operating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

### **Concentration of Credit Risk**

Loans receivable consist primarily of loans to new or expanding businesses in North Dakota or relocating businesses to North Dakota. The Corporation performs credit evaluations and maintains a security interest until related loans are collected.

### **Cash Equivalents**

The Corporation considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

### **Investments**

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of revenue, expenses, and changes in fund net assets.

### **Equity Investments**

The Corporation records its equity investments at cost adjusted for other than temporary impairment as determined by the Board of Directors. The other than temporary impairment of equity investments is included in fund equity. Realization of the carrying value of these investments is subject to future developments inherent in such investments (see Note 4).

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

### **Expense Allocation**

The Development Fund pays all expenses of the Corporation.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and valuation of equity investments.

### **Fixed Assets and Depreciation**

All fixed assets are recorded in the accompanying financial statements at cost. Donated fixed assets are stated at fair market value at the time of donation. Equipment with a cost greater than \$5,000 is capitalized and reported in the accompanying financial statements. The Corporation's fixed assets are being depreciated on a straight-line basis over estimated useful life of three years.

#### Loans

Loans are reported at their outstanding unpaid principal adjusted for charge-offs and the allowance for loan losses.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 to 120 days delinquent unless the credit is well secured and in process of collection. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is doubtful. All current year interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. All prior year interest accrued but not collected is charged-off against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Corporation has determined that the accounting for nonrefundable fees and costs associated with originating or acquiring loans does not have a material effect on their financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

#### **Allowance For Loan Losses**

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to a recovery account.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Dalamaa

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The Corporation separately identifies individual loans for impairment disclosures by rating them on a scale of 1 to 6.

#### **Note 2 - Deposits and Investments**

The Corporation is required to maintain its deposits at the Bank of North Dakota (a related party). As of June 30, 2012, the Corporation had the following cash and investments:

	 Fair Value	Less Than One Year
Cash		
Bank of North Dakota	\$ 11,703,160	\$ 11,703,160
Investments Certificates of deposit Bank of North Dakota	1,000,966	1,000,966
	\$ 12,704,126	\$ 12,704,126

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of the investments. At June 30, 2012, the schedule above shows the investments by investment type, amount and the duration.

Cash and investments were recorded on the statement of net assets as follows:

	Darance			
Cash and cash equivalents Investments	\$	11,703,160 1,000,966		
	\$	12,704,126		

#### **Custodial and Concentration of Credit Risk**

For deposits and investments, the custodial credit risk that, in the event of the failure of a depository financial institution, the Corporation will not be able to recover collateral securities that are in possession of an outside party. The Corporation's deposits are uncollateralized. All of the Corporation's deposits are with the Bank of North Dakota.

#### **Note 3 - Interest Receivable**

Interest receivable at June 30, 2012 and 2011 is as follows:

	 2012	 2011
Interest receivable from loans	\$ 70,007	\$ 73,886

#### **Note 4 - Equity Investments**

Equity investments in business concerns as of June 30, 2012 and 2011 are as follows:

	 2012	 2011
Development Fund	\$ 3,114,165	\$ 3,922,830
Rural Development Revolving Loan Fund	 1,164,653 4,278,818	1,171,490 5,094,320
Valuation allowance - Other than temporary impairment	 (4,278,818)	(5,094,320)
	\$ _	\$ 

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

The Corporation acquired its investment by direct purchase from the issuer under investment representations, and the Board of Directors valued the securities on the premise that they may not be sold without registration under the Securities Act of 1933. The price of securities purchased was determined by direct negotiation between the Corporation and the seller.

## Note 5 - Equity Investments - Valuation Allowance

Changes in the valuation allowance for equity investments as of June 30, 2012 and 2011 are as follows:

	 2012	 2011
Balance, beginning of year	\$ 5,094,320	\$ 5,684,125
Provision for equity investment losses	374,450	(62,500)
Transfers	(527,628)	(156,505)
Equity investments charged off	 (662,324)	 (370,800)
Balance, end of year	\$ 4,278,818	\$ 5,094,320

#### Note 6 - Loans Receivable

Loans receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Development Fund	\$ 11,755,681	\$ 9,134,747
Rural Development Revolving Loan Fund	5,428,604	5,528,147
Child Care Loan Program	794,326	789,939
Allowance for loan losses	17,978,611 (5,529,318)	15,452,833 (5,007,837)
Loans receivable, net of allowance for loan losses	12,449,293	10,444,996
Less: current portion of loans receivable	3,067,149	2,603,133
Loans receivable, net of current portion	\$ 9,382,144	\$ 7,841,863

#### **Note 7 - Allowance for Loan Losses**

Changes in the allowance for loan losses as of June 30, 2012 and 2011 are as follows:

	2012			2011
Balance, beginning of year Provision for loan losses Transfers Loans charged off	\$	5,007,837 274,400 527,628 (280,547)	\$	4,502,271 577,388 156,505 (228,327)
Balance, end of year	\$	5,529,318	\$	5,007,837

#### Note 8 - Equipment

A statement of changes in fixed assets for the years ended June 30, 2012 and 2011 is as follows:

		Balance 06/30/11	Ad	ditions	Dele	tions	Balance 06/30/12					
Furniture and equipment Computer software Accumulated depreciation	\$	10,095 78,188 (88,283)	\$	- - -	\$	- - -	\$	10,095 78,188 (88,283)				
	\$		\$	-	\$	_	\$	_				
	Balance 06/30/10						Ad	ditions	Balance Deletions 06/30/11			
Furniture and equipment Computer software Accumulated depreciation	\$	10,095 77,345 (87,440)	\$	843 (843)	\$	- - -	\$	10,095 78,188 (88,283)				
	\$	_	\$	_	\$	_	\$	_				

#### Note 9 - Due to State

In 2011, the State of North Dakota appropriated funds to the North Dakota Development Fund to develop a child care loan program for the purpose of providing loans to new and expanding child care facilities within the state of North Dakota. The program was extended in the last legislative session through June 30, 2013, at which time it expires. On that date, the appropriation amount is set to be returned to the state. As of June 30, 2012 and 2011, \$1,250,000 and \$1,250,000 is due back to the state, respectively.

#### **Note 10 - State Appropriation**

During the year ended June 30, 2012 the North Dakota Development Fund received \$1,000,000 for a new funding program called the Small Business Technology Program.

#### **Note 11 - Commitments and Contingencies**

#### **Development Fund**

The Board of Directors has approved equity investments, loans, grants and guaranty of collections at June 30, 2012 and 2011, for which funds have not been disbursed or written agreements entered into in the approximate amount of \$1,036,244 and \$3,362,579.

June 30, 2012 and 2011

#### Regional Rural Development Revolving Loan Fund

The Board of Directors has approved equity investments, loans, and guaranty of collections at June 30, 2012 and 2011, for which funds have not been disbursed or written agreements entered into in the approximate amount of \$757,095 and \$1,137,666.

#### **Child Care Loan Program**

The Board of Directors has approved loans at June 30, 2012 and 2011, for which funds have not been disbursed or written agreements entered into in the approximate amount of \$3,363 and \$25,867.

#### **Note 12 - Risk Management**

North Dakota Development Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 legislative session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

The Corporation participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund through the policies of the North Dakota Commerce Department. The North Dakota Commerce Department pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Commerce Department with blanket fidelity bond coverage in the amount of \$100,000 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

The Corporation participates in the North Dakota Workforce Safety and Insurance, (WSI) an Enterprise Fund of the State of North Dakota. WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Assets	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2012	2011
Current Assets						
Cash and cash equivalents Interest receivable on	\$ 6,247,295	\$ 4,962,446	\$ 493,419	\$ -	\$ 11,703,160	\$ 4,650,365
deposits and loans	37,623	32,384	-	_	70,007	73,886
Investments	· -	-	-	1,000,966	1,000,966	9,236,500
Current portion of loans receivable	2,005,523	926,119	135,507	-	3,067,149	2,603,133
Intercompany receivable (payable)	(5,229)	5,229	-	-	-	-
Total current assets	8,285,212	5,926,178	628,926	1,000,966	15,841,282	16,563,884
Noncurrent Assets						
Loans receivable, net of current portion	6,951,200	2,216,744	214,200		9,382,144	7,841,863
Total assets	\$ 15,236,412	\$ 8,142,922	\$ 843,126	\$ 1,000,966	\$ 25,223,426	\$ 24,405,747
Liabilities and Net Assets						
Current Liabilities						
Accrued expenses	\$ 13,653	\$ -	\$ -	\$ -	\$ 13,653	\$ 13,653
Due to state			1,250,000		1,250,000	1,250,000
Total liabilities	13,653		1,250,000		1,263,653	1,263,653
Net Assets						
Unrestricted	15,222,759	8,142,922	(406,874)	1,000,966	23,959,773	23,142,094
Total net assets	15,222,759	8,142,922	(406,874)	1,000,966	23,959,773	23,142,094
Total liabilities and net assets	\$ 15,236,412	\$ 8,142,922	\$ 843,126	\$ 1,000,966	\$ 25,223,426	\$ 24,405,747

North Dakota Development Fund, Inc. Combining Statements of Revenue, Expenses and Changes in Net Assets Years Ended June 30, 2012 and 2011

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2012	2011
Operating Revenues						
Interest income on loans Dividend income	\$ 446,117	\$ 119,030	\$ 19,192	\$ -	\$ 584,339	\$ 584,757
	130,275	32,463	-	-	162,738	109,128
Gain on sale of investment Other	8,214	7,972	643	-	8,214	93,542
Other	71,186 655,792	159,465	19,835		79,801 835,092	110,237 897,664
	033,792	139,403	19,033		633,092	897,004
Operating Expenses						
General and administrative	420,867	_	_	_	420,867	397,944
Depreciation expense	-	_	_	_	-	843
Bad debt expense	581,342	69,830	(2,322)	_	648,850	514,888
	1,002,209	69,830	(2,322)		1,069,717	913,675
Operating (Loss) Income	(346,417)	89,635	22,157		(234,625)	(16,011)
Nonoperating Revenue (Expense) Interest income on deposits						
and investments	31,210	19,542	586	966	52,304	79,404
State appropriations	-	-	-	1,000,000	1,000,000	-
	31,210	19,542	586	1,000,966	1,052,304	79,404
Change in Net Assets	(315,207)	109,177	22,743	1,000,966	817,679	63,393
Net Assets, Beginning of Year	15,537,966	8,033,745	(429,617)		23,142,094	23,078,701
Net Assets, End of Year	\$ 15,222,759	\$ 8,142,922	\$ (406,874)	\$ 1,000,966	\$ 23,959,773	\$ 23,142,094

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2012	2011
Operating Activities Other receipts (payments) Payments to suppliers	\$ 217,889 (420,867)	\$ 7,972	\$ 643	\$ - -	\$ 226,504 (420,867)	\$ 386,666 (447,691)
Net Cash (used for) Provided by Operating Activities	(202,978)	7,972	643		(194,363)	(61,025)
Non-Capital Financing Activities Paydown of appropriations Proceeds from state appropriations		<u> </u>		1,000,000	1,000,000	(49,700)
Net Cash (used for) Provided by Non-Capital Financing Activities				1,000,000	1,000,000	(49,700)
Investing Activities Interest and dividends received Purchase of equipment Purchase of equity investments Proceeds from the sale of	481,949 - (991,668)	170,292 - -	19,778 - -	966 - -	672,985 - (991,668)	689,407 (843) (87,500)
equity investments Purchase of investments Sale of investments Disbursements of business loans Principal received on business loans	5,947,786 (6,283,744) 4,182,858	4,454 - 3,280,500 (727,994) 554,570	- - (99,078) 94,691	(1,000,966)	617,218 (1,000,966) 9,228,286 (7,110,816) 4,832,119	150,000 (13,794,750) 12,575,048 (3,830,111) 2,407,911
Net Cash (used for) Provided by Investing Activities	3,949,945	3,281,822	15,391	(1,000,000)	6,247,158	(1,890,838)
Net Change in Cash and Cash Equivalents	3,746,967	3,289,794	16,034	-	7,052,795	(2,001,563)
Cash and Cash Equivalents, Beginning of Year	2,500,328	1,672,652	477,385		4,650,365	6,651,928
Cash and Cash Equivalents, End of Year	\$ 6,247,295	\$ 4,962,446	\$ 493,419	\$ -	\$ 11,703,160	\$ 4,650,365

North Dakota Development Fund, Inc. Combining Statements of Cash Flows Years Ended June 30, 2012 and 2011

	Development Fund				Child Care Loan Program		Small Business Technology Program		2012		2011	
Reconciliation of Operating												
(Loss) Gain to Net Cash used in												
Operating Activities	Ф	(246.417)	Φ.	00.625	Ф	22.157	Ф		Ф	(224 (25)	Φ.	(1 < 0.1.1)
Operating (loss) gain Adjustments to reconcile operating	\$	(346,417)	\$	89,635	\$	22,157	\$	-	\$	(234,625)	\$	(16,011)
(loss) gain to net cash from												
operating activities												
Depreciation		-		-		_		_		_		843
Increase in accounts payable		-		-		-		-		-		(49,747)
Change in intercompany												
receivable (payable)		-		-						-		-
Gain on sale of investment		8,214		-		-		-		8,214		93,542
Allowance for doubtful												
loan receivables		202,438		74,284		(2,322)		-		274,400		577,388
Allowance for realized		270.004		(4.454)						274 450		(62.500)
loss on investments Reclassification of interest		378,904		(4,454)		-		-		374,450		(62,500)
and dividend income		(446,117)		(151,493)		(19,192)				(616,802)		(604,540)
and dividend meonic		(440,117)		(131,473)		(17,172)				(010,002)		(004,540)
Net Cash (used in) Provided by												
Operating Activities	\$	(202,978)	\$	7,972	\$	643	\$	-	\$	(194,363)	\$	(61,025)
									-			
Supplemental Schedule of												
Noncash Activities												
Loan receivable written off	\$	3,038	\$	277,509	\$	_	\$	_	\$	280,547	\$	228,327
Equity investments written off	Ψ	662,324	Ψ	2,50)	Ψ	_	Ψ	-	Ψ	662,324	Ψ	370,800



NORTH DAKOTA DEVELOPMENT FUND

1600 E. Century Ave., Suite 2 | PO Box 2057 | Bismarck, ND 58502-2057

Phone: 701-328-5300 | Fax: 701-328-5395 | NDDevelopmentFund.com





# AGRICULTURAL PRODUCTS UTILIZATION COMMISSION

**GRANT REPORT 2010-2012** 

SUPPORTING THE DAWN OF A NEW AGE IN AGRICULTURE

## **TABLE OF CONTENTS**

Map of Projects	Nature Based AgriTourlsm Grants	
Administration		
	Cutbank Creek	
Basic & Applied Research Grants	Dakota Sun Gardens	
Dakota College at Bottineau 6	Red Trail Vineyard	
Food First, LLC 6		
Grand Forks Region Economic Development Corp 6	Prototype Development & Technology Grants	
NDSU EPA Advanced Biofuel 6	InveTus, LLC	
NDSU Low Density Fiber Board 6	StopSensor	
NDSU Nitrogen Fertilizer	Sun Valley Container	
NDSU Vegetables by LEP7	Trojan Hoist Company	
	VFM, LLC	
Farm Diversification Grant	Warp Speed Torque Drive	
Thompson Farm		
	Sponsorships	
Marketing and Utilization Grants	North Dakota 4-H Foundation	
Amberland Foods, Inc	North Dakota EFA Foundation	
Beach Pulses, LLC	Williston Area Development Corp	
Bessy's Best		
c2renew, LLC	Technical Assistance Grant	
Carbontec Energy Corporation11	The Dakota Manufacturing Extension Partnership 21	
Common Enterprise Development Corporation 12		
Crunchfuls North Dakota, LLC	Financial Information	
Destiny Dairy	Funding Sources	
Endless Harvest		
Heimbuch Potatoes, LLC		
Jamestown/Stutsman County		
Jobs Development Corp		
North Dakota Trade Office		
Northern Corn Development Corporation		
Northern Plains Sustainable Agriculture Society 13		
Progressive Nutrient Systems		
Red River Commodities		
Ron Iverson, LLC		
West Dakota Feed & Seed		



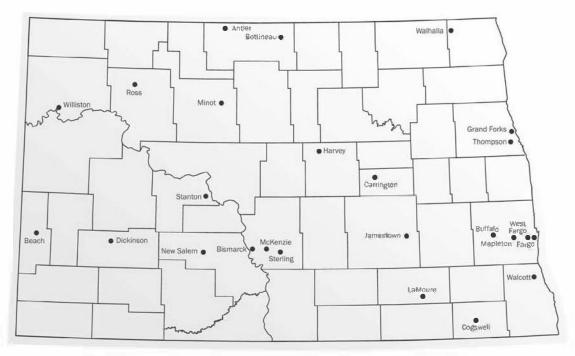
# **MISSION**

The Agricultural Products Utilization Commission creates new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products.



### Between November 2010 and November 2012, APUC funded 42 projects in 25

#### North Dakota communities, totaling over \$1.6 million in grants and sponsorships.



APUC is an office within Economic Development and Finance, a divisin of the North Dakota Department of Commerce.

#### APUC projects by community:

- Antler Thompson Farm
- Beach Beach Pulses, LLC
- Bismarck Carbontee Energy Corporation
- Bismarck Common Enterprise Development Corporation
- Bismarck The Dakota Manufacturing Extension Partnership
- · Bismarck North Dakota FFA Foundation
- Bottineau Dakota College at Bottineau
- Buffalo Red Trail Vineyard
- Carrington Dakota Sun Gardens
- Cogswell Heimbuch Potatoes, LLC
- · Dickinson Trojan Hoist Company
- Fargo NDSU EPA Advanced Biofuel
- Fargo NDSU Low Density Fiber Board
- Fargo NDSU Nitrogen Fertilizer
- Fargo NDSU Vegetables by LEP
- Fargo North Dakota 4-H Foundation
- · Fargo North Dakota Trade ●ffice
- Fargo Northern Corn Development Corporation
- Fargo Progressive Nutrient Systems
- · Fargo Red River Commodities, Inc.
- Fargo Ron Iverson, LLC
- Fargo VFM, LLC

- Grand Forks Grand Forks Region Economic Development Corp.
- · Harvey Amberland Foods, Inc Phase I
- Harvey Amberland Foods, Inc Phase II
- Jamestown Endless Harvest
- Jamestown Jamestown/Stutsman County Jobs Development Corp.
- LaMoure Northern Plains Sustainable Agriculture Society — Phase I
- · Mapleton InvenTus, LLC
- · McKenzie Black Leg Ranch
- Minot Crunchfuls North Dakota, LLC
- · Minot Cutbank Creek Farm
- New Salem StopSensor
- Ross West Dakota Feed & Seed
- Stanton Destiny Dairy
- Sterling Bessy's Best
- Thompson Sun Valley Container
- Walcott c2renew, LLC
- Walhalla Food First, LLC
- West Fargo Warp Speed Torque Drive
- Williston Williston Area Development Corp.

ADMINISTRATION

#### APUC COMMISSIONERS



Dan Kalil, Chairman Governor's Appointee



Bill Ongstacl
Commissioner's Appointee



Bill Kingsbury
Governor's Appointee



Paul Lucy
Economic Development and Finance
Division Representative



Rachel Retterath Governor's Appointee



Myron Thompson
Governor's Appointee



Dean Bresciani NDSU President



Daug Goehring
Agriculture Commissioner

Keith Peltier
Governor's Appointee

#### **ADMINISTRATION**

The North Dakota Agricultural Products Utilization Commission (APUC) consists of nine members. The governor appoints five members to two-year terms. 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. 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, ND Department of Commerce, Economic Development and Finance Division
- · Dean Bresciani, President, North Dakota State University
- Doug Gochring, Commissioner, ND Department of Agriculture

#### **APUC STAFF**



Kerri Kralt
Program Assistant



John F. Schneider
Executive Director



## **BASIC & APPLIED RESEARCH GRANTS**

Basic & Applied Research Grants assist in research for processing agricultural products and by-products in North Dakota. These grants 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, or cannot have been duplicated by other research efforts.



#### Dakota College at Bottineau

Holly Mawby, Bottineau

Grant Amount: \$ 11,200 Total Budget: \$ 12,200

Funds will be used to purchase a compost tea system, compost tumblers and injection system which will then be used to research the effectiveness of compost tea for nutrient management in high tunnel vegetable production.

#### Food First, LLC

Robert Thornberg, Walhalla

Grant Amount: \$ 36,000 Total Budget: \$ 45,000

Funds will be used to quantify the impact arabinoxylans and other prebiotics from wheat, oats, barley and flax have on stimulating growth of beneficial bifidobacterium to improve digestive health. Prebiotic benefits are being assessed for ProBiotein as a nutritional supplement to boost beneficial (probiotic) bacteria in human digestive tracts.

#### **Grand Forks Region Economic Development Corp.**

Keith Lund, Grand Forks

Grant Amount: \$ 54,350 Total Budget: \$ 63,350

Funding defrayed the costs associated with the development and completion of a regional agri-business asset and resource map, strategic plan, and identification of diversification opportunities. It includes an assessment of needed resources with required related performance metrics or milestones for the launch of a successful new business.

#### **NDSU EPA Advanced Biofuel**

Dr. Cole Gustafson, Fargo Dept. of Agriculture & Biosystems Engineering

Grant Amount: \$ 61,317 Total Budget: \$ 73,317

Funding defrayed the cost of hiring a research scientist to conduct a life cycle analysis of greenhouse emissions from energy beet biofuel. The goal is to document the energy beet pathway to secure EPA approval an "advanced" biofuel. This study will conduct life cycle analysis to identify optimal feedstock locations and to minimize feedstock transport and handling costs related to the process of energy beet biofuel.

#### **NDSU Low Density Fiber Board**

Dr. Dilpreet Bajwa, Fargo
Dept. of Mechanical Engineering & Applied Mechanics

Grant Amount: \$ 24,465 Total Budget: \$ 40,000

Masonite PrimeBoard, Inc. of Wahpeton currently uses wheat straw for making fiber boards. Uncertainty of raw material supply and increased demand for wheat straw has forced them to explore alternative agriculture fibers. This project will support identifying the feasibility of using soy and corn agriculture fibers for manufacturing existing products without compromising the quality and durability characteristics of low density fiber boards. The new product will be green, eco-friendly and qualify for sustainable material credit.

#### **NDSU Nitrogen Fertilizer**

Dr. Cole Gustafson, Fargo

Dept. of Agriculture & Biosystems Engineering

Grant Amount: \$ 59,960 Total Budget: \$ 99,460

Funding supported the hiring of a research scientist to conduct a feasibility analysis of the use of flared gas as a feedstock to produce a low-cost, reliable and green supply of nitrogen fertilizer for North Dakota farmers. Commercialization of flared gas-based nitrogen fertilizer will spur rural development, increase farm-level productivity and profitability, and provide added value to agricultural crops.

#### NDSU Vegetables by LEP

Dr. Chiwon Lee, Fargo Dept. of Plant Sciences

> Grant Amount: \$ 25,360 Total Budget: \$ 72,490

Funds will be used for graduate and undergraduate student wages (70%) plus equipment and lab supplies (30%) to investigate the feasibility of growing selected vegetables using LEP (light emitting plasma) light with reduced energy input. If successful, a new agricultural business may well be established in the state by producing highly nutritious vegetables year round for regional and national markets.

#### Economics of Collecting Flared Gas to Produce Nitrogen Fertilizer

NDSU Department of Agribusiness and Applied Economics

Flames flickering across western North Dakota's landscape are the result of natural gas being burned off to normalize pressure at well sites, but they also represent untapped opportunity. Since natural gas is one component to manufacturing fertilizer, the North Dakota State University (NDSU) Department of Agribusiness and Applied Economics conducted a feasibility analysis to determine how to make the most of the state's natural gas.

"The thinking is that we have this tremendous amount of natural gas in western North Dakota, and we haven't had the opportunity to put it all to use yet," said NDSU Associate Professor Dr. David Saxowsky.

"A lot of fertilizer manufacturing is occurring outside the United States and being imported, so the question is, if we have all this natural gas, can't we do the manufacturing ourselves?"

The key to the study was determining the economy of scale for a possible fertilizer plant. In this case, bigger is better.

"We learned that small scale manufacturing of fertilizer appears to be quite expensive. In order to pull down the cost and be competitive, you have to do it large scale, likely manufacturing 750,000 tons per year," Saxowsky said.

Based on these findings, Saxowsky hopes a business plan will follow. It's why he appreciates the APUC funding.

"It's so rewarding for the university and the researchers to be working with business people who are looking for these types of opportunities and are ready to take the next step when the results are positive," Saxowsky said.



## FARM DIVERSIFICATION GRANT

Farm Diversification Grants give 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 that the North Dakota Agricultural Statistics Service maintains statistics on. The project must have the potential to create additional income for the farm unit.



#### **Thompson Farm**

Tracie Thompson, Antler

Grant Amount: \$ 5,250

Total Budget: \$ 25,646

Funds allowed the construction of a hoophouse, a commercial vegetable processing/storage building and the development of a commercial vegetable operation. The Thompson Farm is already looking at expansion opportunities and the Dakota College Entrepreneurial Center for Horticulture wishes to promote its success story as an Extension site for their ongoing teaching and research.

#### **BUILDING A HOOPHOUSE**

Thompson Farm

Tracie Thompson used to spend her days behind a desk, eight to five, working for someone else. •ne day she traded in her skirts and heels for work jeans and boots to join her husband on the farm near Antler. Now while he's corralling cows, she's corralling vegetables in a high tunnel.

"I had to research everything, and when I decided it was something I was going to do, I just jumped in head first," Thompson said.

A high tunnel resembles a greenhouse, but is built out of special grade plastic that traps 85 percent of the sun's UVA rays to create an extended growing environment. Thompson is able to start planting vegetables in the ground early in the spring and can then extend the growing season into winter.

With the help of APUC funds, Thompson was able to revise the design of the high tunnel and build an additional building to house a kitchen and storage rooms. She has grown her customer base from small local grocery stores to include Marketplace Foods and Cash Wise Foods.

In addition, the Dakota College Entrepreneurial Center for Horticulture uses her garden as an extension site for their ongoing teaching and research.

"It's amazing how many people want to give their families better food; they just don't know how to go about it," Thompson said. "To me, teaching somebody to do that is worth everything that I've already done."



## **MARKETING & UTILIZATION GRANTS**

Marketing & Utilization Grants provide necessary assistance to the research and marketing needs of the state by developing new uses for agricultural products and by-products, and by seeking efficient systems for processing and marketing these products. It also is used to promote efforts that increase productivity, provide added value to agricultural products, stimulate and foster agricultural diversification and encourage processing innovations.

#### Amberland Foods, Inc. - Phase 1

Tami Fiest, Harvey

Grant Amount: \$ 31,000 Total Budget: \$ 21,450

Funds assisted in advertising, travel and sample products.

Amberland Foods, Inc. will also develop marketing materials.

#### Amberland Foods, Inc. - Phase II

Tami Feist, Harvey

Grant Amount: \$ 47,000 Total Budget: \$ 82,000

Funds supported a website redesign including programming, SE, placement, order pages, landing pages and outbound mail costs for the web. The site provides customers greater info about the company and stimulates cross-selling/marketing with successful out-of-state businesses.

.....

#### Beach Pulses, LLC

Mat Chaudhry, Beach

Grant Amount: \$ 75,000 Total Budget: \$ 2,500,000

Funds will be used to develop and implement a marketing plan to promote North Dakota pulse crops in multi-regional markets. They will also assist in potentially acquiring a prominent presence in the domestic market that is concentrated in imported value-added pulses.

#### **Bessy's Best**

Blaine Goetz, Sterling

Grant Amount: \$ 103,282 Total Budget: \$ 110,709

The grant funds will be used to pay for newspaper, radio and billboard advertising; a permanent sign near the business location; website development; and a mobile trailer for marketing products. Additional funding was awarded to hire a consultant to help develop a marketing and advertising plan.

......

#### c2renew, LLC

Corey Kratcha, Walcott

Grant Amount: \$ 26,000 Total Budget: \$ 51,000

Funds were used to launch production of the first customer orders for biocomposites and to defray costs for meetings with potential customers and marketing material development.

#### **Carbontec Energy Corporation**

Mary Fletcher, Bismarck

Grant Amount: \$ 63,000 Total Budget: \$ 160,000

The funds will be used to conduct a feasibility study on a possible production location in Jamestown. This biobased project would provide another use for North Dakota agricultural biomass products and/or biomass by-products.

#### **Common Enterprise Development Corporation**

Heidi Demars, Bismarck

Grant Amount: \$ 10,500 Total Budget: \$ 130,000

The grant funds will be used to conduct a feasibility study and explore the potential demand for a consumer-driven local foods cooperative in Bismarck-Mandan. The feasibility study will provide the data needed in order to move forward with the fundraising and membership efforts of the steering committee and subcommittees.

#### Crunchfuls North Dakota, LLC

Deepa Senoy, Minot

Grant Amount: \$ 65,000 Total Budget: \$ 240,000

The grant will defray the costs of travel expenses and bar development using North Dakota grown dry beans, peas, lentils and chickpeas (DPLC). The DPLC bar would focus on bringing new and nutritious foods, like healthy recovery snack bars, in compliance with the Soldier Fueling Initiative Program for military subsistence.

\_\_\_\_\_

#### **Destiny Dairy**

Ole Johnson, Stanton

Grant Amount: \$ 45,000 Total Budget: \$ 12,965

The grant will defray the costs of market testing nutrientrich compost for home, retail and commercial uses, as well as industrial and field applications. Funds will also be used for advertising, promotions and attendance at trade shows.

#### **Endless Harvest**

Steve Froehlich, Jamestown

Grant Amount: \$ 68,000 Total Budget: \$ 133,000

Funds will be used for hiring a controlled environment agriculture (CAE) consulting firm which will explore funding sources, provide representable lettuce types and educational tours, and finalize specific design components of a proposed facility. Lettuce grown will be used for developing market presentation and consumer preferences.

#### Heimbuch Potatoes, LLC

Chad Heimbuch, Cogswell

Grant Amount: \$ 46,400

Total Budget: \$ 225,000

Funds will be used for advanced promotion due to the company's increased potato and onion production, as well as promote other product lines including additional colors of potatoes and red and yellow onions.

#### Jamestown/Stutsman County Jobs Development Corp.

Connie Ova, Jamestown

Grant Amount: \$ 76,000 Total Budget: \$ 150,000

Funds helped to defray the costs of hiring a consultant to conduct a feasibility study of two 10-acre controlled environment agriculture (CAE) leaf lettuce production facilities in the Jamestown area. This study showed that a CEA facility is feasible and that Jamestown is ideally positioned on major transportation routes. Opportunities could include manufacturing, education, food processing and a CEA knowledge center.

#### **North Dakota Trade Office**

Dean Gorder, Fargo

Grant Amount: \$ 42,500 Total Budget: \$ 122,500

The grant will assist in the expansion of trade mission programs by defraying the costs of additional databases for market research. Funds will also be used to purchase headsets for multilingual translation when attending trade missions to bring buyers of agricultural products to North Dakota.

#### **Northern Corn Development Corporation**

Tom Lilja, Fargo

Grant Amount: \$ 100,000

Total Budget: \$ 500,000

Funds were used to acquire professional accounting, marketing and legal services to complete the business plan and acquire the necessary equity to launch the enterprise.

-----

## Northern Plains Sustainable Agriculture Society – Phase I

Karri Stroh, LaMoure

Grant Amount: \$ 15,566 Total Budget: \$ 75,642

Funding supported outreach and relationship building with end-users to better understand customer needs and develop a marketing plan to meet those needs. The grant provided NPSAS with first-hand knowledge on where the organic industry is headed and what the role is within the industry. NPSAS had the opportunity to highlight North Dakota organic products and build awareness of the products available. The experience provided up-to-date information on new trends and innovative ideas and boosted their presence in the industry.

#### **Progressive Nutrient Systems**

Dan Olson, Fargo

Grant Amount: \$ 76,000 Total Budget: \$ 222,500

Funds from this grant will be used to demonstrate the technical feasibility and the business/economic opportunity for a modular distributed ammonia-based system. Analysis will also address the system's impact on improving the economic and environmental sustainability of North Dakota's corn/ethanol production.

#### Red River Commodities, Inc.

Daniel Hofland, Fargo

Grant Amount: \$ 126,000 Total Budget: \$ 321,000

Funds were used for SunButter advertising in three major food magazines, as well as development and distribution of two press releases, two direct customer mail pieces and a SunButter ingredient marketing brochure. Funds will also help defray the costs for attendance in upcoming food expos.

#### Ron Iverson, LLC

Ron Iverson, Fargo

Grant Amount: \$ 48,500 Total Budget: \$ 100,000

Funds will be used to conduct a feasibility study for a cereal plant that will manufacture regular, gluten free and organic cereal for human consumption. Regular cereal will be manufactured during Phase One, while the gluten free and organic lines will be introduced during Phase Two. Products will use North Dakota grown ingredients as much as possible. If ingredients cannot be sourced locally, the company will work with producers to grow them in the area.

-----

#### West Dakota Feed & Seed

Kevin Kvamme, Ross

Grant Amount: \$ 40,000 Total Budget: \$ 91,000

Funds will be used for attending national specialty crop conventions to develop relationships with potential canary seed buyers and exploring the potential canary seed tea market.

#### SUNBUTTER INGREDIENT MARKET LAUNCH

Red River Commodities

Created to become a new source of demand for North Dakota's sunflowers, SunButter has evolved into a way to keep schools safe for allergy sufferers and enrich other food products. Red River Commodities joined the United States Department of Agriculture over a decade ago to research the process of making SunButter, and now the nut-free product is found on grocery shelves in all major chains across the country, as well as school cafeterias.

"When a time came to decide whether we should continue with SunButter or drop it as a good idea at a bad time, the school lunch demand came along and really kept us going," said Dan Hofland, vice president of marketing. "It was a key factor, and APUC played an important part in keeping that demand going."

APUC funds allowed SunButter to market itself through brochures, print ads, webinars, and by defraying costs for food expo attendance. The product had humble beginnings, though. Hofland remembers filling the back of his pickup with the product and taking it to the grocery store's customer service counter asking, "Where do you want this?" when they didn't have distribution in place yet.

"That's how we got started, and once we proved demand, then we were able to look into distribution," Hosland said.

Now Red River Commodities is working to get SunButter into industrial markets, and APUC funds are again being used to market the product. Holland said they are beginning to see results from those efforts and have high hopes for the future of SunButter.



## NATURE BASED AGRITOURISM GRANTS

Nature Based AgriTourism Grants are for enterprises which 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, handson chores, self-harvesting of produce, hunting operations, fishing operations located on applicants' land, bird watching, trail rides and corn mazes.

#### **Black Leg Ranch**

Jeremy Doan, McKenzie

Grant Amount: \$ 11,000 Total Budget: \$ 24,300

This grant assisted in the renovation of a ranch guesthouse. Funds were used to buy windows, doors, staircase materials, loft railing, and other improvements to the inside and outside of the building to attract more guests. A sewer and drain field were also put in place. This renovation allows Black Leg Ranch to house additional people for hunting and other activities.

#### **Cutbank Creek Farm**

Peggy Walter, Minot

Grant Amount: \$ 10,500 Total Budget: \$ 37,433

Funding supported the expansion of Cutbank Creek Farm, located near Upham, to a U-Pick and larger commercial produce garden operation. The grant will be used for marketing, supplies and equipment for direct and wholesale produce along with the on-farm U-Pick.

#### **Dakota Sun Gardens**

Bruce and Merleen Gussiaas, Carrington

Grant Amount: \$ 10,500 Total Budget: \$ 20,000

The grant helped defray the costs of marketing the gardens and winery. Funds also assisted in the building of another yard attraction, supporting various plant materials and the purchase of a berry variety for a unique wine production.

#### **Red Trail Vineyard**

Rodney Hogen, Buffalo

Grant Amount: \$ 4,725 Total Budget: \$ 6,692

Funds were used to advance promotion of the vineyard through the use of social media. This project helps inform new and existing customers of special events, new products and in-house specials throughout the year.

#### RENOVATION ON THE RANCH

Black Leg Ranch

Homesteaded in 1882, the Black Leg Ranch boasts a true cowboy experience for tourists and history buffs alike. Located near Sterling, the ranch provides hunting, fishing and horseback riding activities along with a newly renovated lodge. An AP UC grant helped defray the costs of improvements, including a bar and commercial kitchen.

"This was a big, major project," said owner Jeremy Doan.
"There is so much craftsmanship in this lodge, inside and out. There's a huge deck that wraps around it, a grand entrance, and private rooms, and even a honeymoon suite with a Jacuzzi."

As a lifth generation ranch, guests often ask to view pictures, talk to the family, and dive into the farmstead's history. Doan said since the ranch preceded North Dakota statehood, and contains the remains of the ghost town of Brittin, it has gained international appeal.

"We recently started the agritourism aspect, and it's finally taking effect. It's been a slow process, growing that side," Doan said.



## PROTOTYPE DEVELOPMENT & TECHNOLOGY GRANTS

APUC provides grants in two areas of agricultural innovations: Prototype Development & 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 maintains 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.

#### InvenTus, LLC

Norm Miller, Mapleton

Grant Amount: \$ 26,000 Total Budget: \$ 122,000

Funds will be used to complete the electronics and supply portion of the prototype Hydro-Pack for a fuel economy cell to be mounted with gas or diesel engines to conserve 30 percent in fuel usage. Along with fuel conservation, the emissions are reduced accordingly. Commercialization will be done through a dealer network.

#### StopSensor

Larry Mosbrucker, New Salem

GrantAmount: \$ 25,000 Total Budget: \$ 53,300

Funds will help bring StopSensor to market with the production of 15 prototype devices and related accessories to be used in field tests and product demonstrations. These units will be tested in a variety of agricultural applications from small farm operations to agronomy centers. Funds will also be used to obtain a patent and to implement refinements to StopSensor's design based on field test results.

#### **Sun Valley Container**

Dan Hanson, Thompson

Grant Amount: \$ 25,000 Total Budget: \$ 78,359

Funds will be used for product design and prototype testing. They will also be used for attorney and patent fees necessary to obtain a patent state-of-the-art plastic sugar container.

#### **Trojan Hoist Company**

Scott Thompson, Dickinson

Grant Amount: \$ 25,000 Total Budget: \$ 60,000

The grant will assist in the development of a portable crane system suited for agriculture uses. The project will include presentations to prospective customers, development of mounting adapters, crane test samples and other refinements based on customer feedback.

#### VFM, LLC

Ryan Raguse, Fargo

Grant Amount: \$ 28,500 Total Budget: \$ 200,000

Funds will assist with prototype development, such as parts, wages for software development, alpha/beta testing, patent/trademark research and patent applications for a mobile application for autosteer technology.

#### Warp Speed Torque Drive

Ernie Brookins, West Fargo

Grant A mount: \$ 26,000 Total Budget: \$ 71,000

Funds will help finalize a production model of a hybrid drive system retrofit kit for an Allison transmission and advance it from the prototype phase to the production model.

#### PROTOTYPES FOR PRODUCT DEMONSTRATION

StopSensor

StopSensor is a device to help machinery or truck drivers properly align their equipment in order to avoid missing the mark when dumping grain, oil, cement or sand. As a farmer, StopSensor inventor Larry Mosbrucker understood the hassles and safety issues of repeatedly checking positioning or needing a spotter.

"I knew there had to be a better way so a person doesn't have to jump in and out of the truck all the time to check your positioning," Mosbrucker said. "I had this problem my whole life in farming, and then it just clicked. But I knew the product had to be something simple, not complicated."

StopSensor was warmly welcomed in agriculture circles, and is now finding success within the oil industry. Mosbrucker was able to produce 15 prototype devices with APUC funds, and he feels the product has potential to make a huge impact.

"It's a big safety thing," Mosbrucker said. "To talk to the safety guys for the oil companies really was powerful. They really thought this could be something."

Rail representatives have also encouraged Mosbrucker to design StopSensor for trains to load oil or other cargo more efficiently.

"They have to stop and start 300 times per train," Mosbrucker said. "If I could build something to put them into the right spot all the time, that would be incredible. That market is gigantic, and what about all the other commodities with trains? I mean, the sky's the limit."

SPONSORSHIPS 20

#### **SPONSORSHIPS**

#### North Dakota 4-H Foundation

Mylie Lavold, Fargo

\$1,000 Sponsorship

APUC sponsored the 4-H Judging Contests program, which helps educate kids in effectively judging factors ranging from traditional crops and land, beef and dairy to new initiatives in science.

#### North Dakota FFA Foundation

Beth Bakke Stenhjem, Bismarck

\$1,000 Sponsorship

APUC has been a 20-plus year sponsor to the National FFA Organization (formerly Future Farmers of America) Proficiency Award for Value-Added Food Processing.

#### North Dakota FFA Foundation

Beth Bakke Stenhjem, Bismarck

\$1,000 Sponsorship

APUC sponsored the Ag Processing Proficiency awards and travel stipends for the proficiency finalists to attend the National FFA Convention held in Indianapolis, IN.

#### Williston Area Development Corp.

Ann Kvande, Williston

\$1,000 Sponsorship

APUC helped sponsor a showcase event that focuses on improving the economic and environmental performance of agriculture in the Mon-Dak region.

#### BUILDING TOMORROW'S LEADERS

North Dakota 4-H Foundation

Last year, the North Dakota 4-H Foundation budgeted over \$100,000 in direct program support for 4-H programs in North Dakota, ranging from traditional crops and land judging to new initiatives in science, such as robotics. The organization relies on donors and sponsors to fund the programs, and while many designate their gift to a particular curriculum, unrestricted funds like those APUC provides helps fill the gaps to meet the budget.

4-H enrolls over 5,000 members in traditional clubs and reaches around 20,000 kids with short term programs like camps or Science Day projects. North Dakota 4-H was included in a recent study conducted by Tufts University that evaluated the impact of community-based programs on positive youth development. The study showed kids involved

in a program such as 4-H are more likely to avoid risky behaviors such as drugs, drinking, smoking and bullying and are more likely to graduate, attend college and give back to their communities.

"The study showed kids in these programs have a heightened sense of community awareness and citizenship, so within the programs the life skills are happening, but there's all this other positive youth development that's happening," My lie Lavold, development director of the North Dakota 4-H Foundation, said. "So every gift that we get helps us deliver those things and impacts the kids, and that in turn comes back and impacts our communities."

#### TECHNICAL ASSISTANCE GRANT

Technical Assistance Grants are designed to maintain and expand North Dakota's existing value-added businesses. The grants are intended to help businesses become more competitive, productive and profitable. An eligible candidate for this grant is an existing company located, operating and registered in North Dakota that adds value to agricultural products, including food manufacturers and beverage manufacturers.

#### The Dakota Manufacturing Extension Partnership

Randy Schwartz, Bismarck

Grant Total: \$ 35,529

Total Budget: \$ 52,835

Funds will be used for consultant and expert fees, travel, materials, facilities, Merwyn concept testing for the companies, and fiscal agent fees. The pilot project, Innovation Engineering Management System, assists three APUC qualified companies (<50 employees) to accelerate existing ideas and projects to implementation and commercialization. It also works to create meaningful, unique ideas to grow the business with new and current customers.

#### INNOVATING FOR AGRICULTURAL PRODUCT GROWTH

The Dakota Manufacturing Extension Partnership

The Dakota Manufacturing Extension Partnership (MEP) has joined a national network to pilot the Innovative Engineering Management System. It allows established companies, including three APUC-qualified companies, to get beyond traditional barriers and allow their creative juices to flow again.

"With the support of APUC, we can get companies exposed to how to create and implement ideas that are meaningful and unique to the marketplace," said MEP director Randy Schwartz. "Most companies don't have a system or process in place to do this."

Schwartz said 40 percent of companies are reactive, while only 15 percent are proactive. The goal of Dakota MEP is to reverse that trend.

"Ideally we're trying to tell companies to become proactive and less reactive in terms of how they create ideas and how they engage and empower people to move ideas forward," Schwartz said. "It takes about two years to fully implement this. This is designed for companies that are going to continue to grow, invest and develop their people."

Dakota MEP has a successful track record, generating companies an average of \$1.4 million in benefits and impacts. In the second quarter of 2012, Dakota MEP teamed with eight companies in which benefits and impacts averaged almost \$2 million per project.

"That's what makes us a lot different than other programs in that the size of the companies we're working with can generate those kinds of benefits and impacts," Schwartz said. "It's quite a bit different than what a startup or relatively small company could do."

#### **FUNDING SOURCES**



APUC's appropriation for the 2011-2013 biennium totaled \$4,258,626 and was provided from the following sources:

- Up to \$738,284 was authorized to be collected from the Agricultural Fuel Tax Fund, funded by a \$.02 "check-off" of farmers' off-road gas tax refunds.
- \$1,701,483 was appropriated directly from the state general fund.
- At the beginning of the biennium an additional \$1,518,859 was authorized as carry-over authority from the previous biennium.

#### Financials as of September 30, 2012

	Expenditures	Budgeted
Salaries & Benefits	\$ 183,964	\$ 290,989
Operating Expenses	\$ 40,518	\$ 96,790
Grant Commitments *	\$ 812,620	\$ 3,870,847
Total Expenditures	\$1,037,102	\$4,258,626

Remaining Appropriation: \$3,221,524

<sup>\*</sup> Includes Carry-Over Commitment



#### AGRICULTURAL PRODUCTS UTILIZATION COMMISION

Director: John F. Schneider

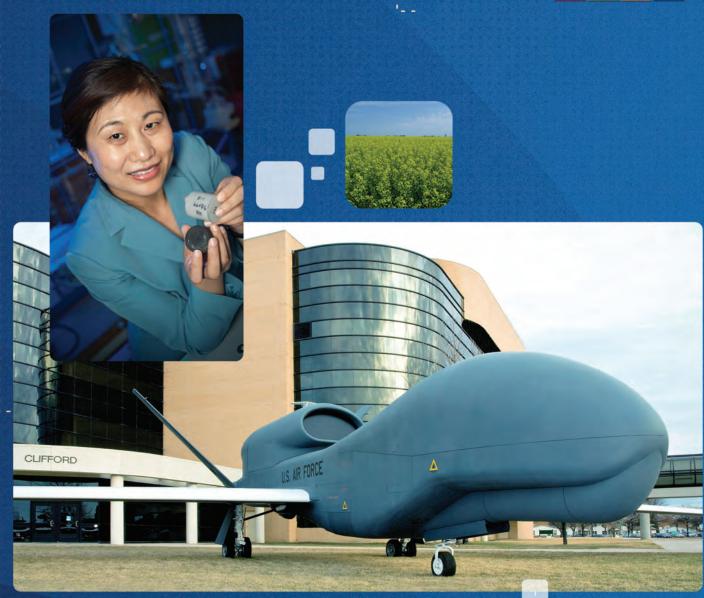
1600 E. Century Avenue, Suite 2 • PO Box 2057 • Bismarck, ND 58502-2057

Phone: 701-328-5350 • Toll-Free: 1-866-4DAKOTA • Fax: 701-328-5320

NDAPUC.com







# Centers of excellence & research excellence

annual report 2012



# State of -North Dakota

Jack Dalrymple Governor



North Dakota's Centers of Excellence and Centers of Research Excellence are partnering with our research institutions and private sector companies to generate jobs and new business opportunities.

The Centers program is one based on partnerships. It seeks to build on the intellectual resources, high-tech equipment and training capacities of our colleges and universities by allowing the private sector access to these valuable assets. Currently, 115 companies have formed partnerships with the Centers of Excellence and Centers of Research Excellence. These partnerships have leveraged \$190 million of matching funds for the state's investment of \$52.4 million in the Centers.

Overall, the Centers program has had an economic impact of \$634.6 million since its creation in 2005. As of June 30, 2012, the Centers program has produced over \$14 in economic impact for every \$1 of state funds invested since their creation according to a 2012 North Dakota State University study.

The Centers program and its partners generate results, having created over 1,080 direct jobs and an estimated payroll over \$69.2 million.

North Dakota must continue to aggressively pursue research in our state's target industries. The Centers of Excellence and Research Excellence are key factors in helping private sector businesses uncover promising new opportunities to keep North Dakota's economy growing and prosperous for future generations.

Sincerely,

Jack Dalrymple

Governor

# TABLE OF CONTENTS

Program Summary	4
Commission Members	8
Centers of Research Excellence Center for Technologically Innovative Processes and Products Center for Life Sciences Research and Applications	10 10
Base Realignment Grants Global Hawk Sensor Operator Part Task Trainer Integrating UAS into National Airspace, Phase II Joint Distributed Common Ground System Enhanced Use Lease for Grand Forks Air Force Base Airspace Integration Team UAS National Test Site Application	12 12 13
Limited Deployment Cooperative Airspace Project Limited Deployment Cooperative Airspace Project	
Program Partners	16
List of Centers, Grants and Projects	17

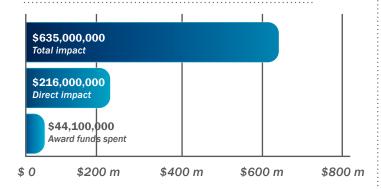
.....



### **ECONOMIC IMPACT**

The Centers of Excellence program has had \$635 million in estimated total economic impact to North Dakota's economy. This includes a direct impact of \$216 million generated by the Centers, grant recipients and their partners.

#### **ECONOMIC IMPACT**





# FUNDS INVESTED TO DATE

Since the first Centers of Excellence were approved by the State Legislature in 2003, a total of \$69.9 million of state funds have been invested in 25 Centers of Excellence & Research Excellence and an additional 16 research, infrastructure and economic development projects. Of these funds, \$44.1 million has been spent by the Centers and grant recipients as of June 30, 2012.

#### **CENTERS OF EXCELLENCE INVESTMENT**

\$69.9 million awarded through June 30, 2012

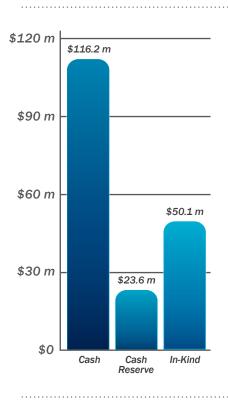


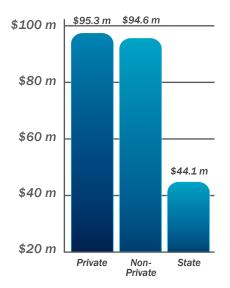
The Centers of Excellence Program has contributed to the creation or expansion of 24 businesses. This includes nine new spinoff companies, ten companies that expanded to North Dakota, and five North Dakota companies that have expanded within the state.

### MATCHING FUNDS

As of June 30, 2012 the Centers and grant recipients have obtained over \$189 million of matching and leveraged funds. When comparing matching and leveraged funds received to award funds spent, a ratio better than 4:1 is realized.

# MATCHING & LEVERAGED FUNDS RECEIVED





### JOBS IMPACTED

Centers and grant recipients impact North Dakota jobs in several ways:

- 1) Jobs are created at the Centers themselves;
- 2) Private sector partners create new jobs as a result of their projects with a Center; and
- 3) Centers facilitate job growth by providing workforce training.



As of June 30, 2012, Centers, grant recipients and their partners have created or contributed to the creation of **1,082 jobs** at an estimated annual payroll of **\$69.2 million**.

In FY12 the Williston State College
Petroleum Safety and Technology
Center provided training to over 6,900
individuals (duplicated count) for 338
oil and gas companies operating in
North Dakota.



The following pages detail new awards approved in Fiscal Year 2012.

For details on previously approved Centers of Excellence and Centers of Excellence Enhancement Grants, visit www.NDCentersOfExcellence.com.

### CENTERS OF EXCELLENCE COMMISSION MEMBERS

The Centers of Excellence Commission oversees the selection process and administration of Centers of Excellence, Centers of Excellence Enhancement Grants, Centers of Research Excellence, Base Realignment Grants, and Limited Deployment Cooperative Airspace Projects (LDCAP).

The Centers of Excellence Commission, with assistance from the North Dakota Department of Commerce, oversees the post-award monitoring of all Centers and grant recipients. The process includes quarterly updates, site visits, third-party audits and an in-depth annual review of each award. All grant recipients are required to complete at least six years of post-award monitoring.

One objective of the post-award monitoring activities is to measure the progress of an award against the results proposed in its respective application for funding. Another objective of the post-award monitoring activities is to ensure grant recipients are spending award funds in compliance within the scope of their project and in accordance with program requirements. Centers and grant recipients that demonstrate progress and compliance with program requirements are funded in stages according to their respective Centers of Excellence Commission-approved budget.







North Dakota Economic Development Foundation Members

**A. Mark Nisbet, Chairman** North Dakota Principal Manager Xcel Energy, Fargo

**B. Tim Hennessy, Vice Chairman** Regional President US Bank, Bismarck

**C. Jim Traynor**Director of Client/Channel Management
Intelligent InSites, Fargo







#### **State Board of Higher Education Members**

**D. Duaine Espegard**Retired Regional President
Bremer Bank, Grand Forks

E. Terry Hjelmstad Retired School Administrator Minot Public Schools, Grand Forks

**F. Don Morton** Senior Director Microsoft, Fargo



## Centers of Research Excellence

Beginning in 2011, the Centers of Excellence program sharpened its focus on research, development and commercialization activities. The program was retitled Centers of Research Excellence and is now only accessible by the University of North Dakota, North Dakota State University or related non-profit foundations working in partnership with the private sector.

Although many of the criteria for approval are similar, a significant change was made to the matching funds requirements. Under Centers of Research Excellence, a Center must obtain \$2 of matching funds for every \$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. The 2011 Legislature allocated \$5 million for new Centers of Research Excellence. Centers and grant recipients that demonstrate progress and compliance with program requirements are funded in stages according to their respective Centers of Excellence Commission-approved budget. All numbers reflected in this report are as of June 30, 2012.

As of June 30, 2012 the Centers of Excellence Commission has approved two new Centers.

#### **Center for Technologically Innovative Processes and Products**

North Dakota State University

Launch Date: August 2012 Award: \$320,000 Matching & Leveraged Funds: \$0

The Center will collaborate with private sector partners to perform research and development focused on key stages of product development and production. The research and development activities are aimed at identifying new materials and process that will generate higher quality, lower production costs and improved profit margins. These outcomes may lead to new or improved products, new markets and new technologies for future product development.

#### **Center for Life Sciences Research and Applications**

North Dakota State University

Launch Date: November 2012 Award: \$1.35 million Matching & Leveraged Funds: \$0

The Center will partner with Sanford Health to perform human genomics and bioinformatics research focused initially on breast cancer, behavioral genetics and certain rare diseases in children. The Center will also collaborate with other partners to research DNA-based forensics and other DNA-based applications.

The potential outcomes of the Center's research may be creation, development and testing/evaluation of new diagnostics, treatments and related healthcare services that have commercial potential in North Dakota and elsewhere.



# Base Realignment Grants

The 2011 Legislature allocated \$3 million for Base Realignment Grants which are to be used for infrastructure and economic development projects or programs to accommodate growth in proximity to, or at, the Grand Forks Air Force Base. As of June 30, 2012 the Centers of Excellence Commission has approved five Base Realignment Grants.

# **Global Hawk Sensor Operator Part Task Trainer**University of North Dakota

Launch Date: December 2011 Award: \$878,204 Matching & Leveraged Funds: \$9.787 million

This project teams the University of North Dakota Unmanned Aircraft Systems (UAS) Center of Excellence with Northrop Grumman Corporation on the development of a training simulator prototype for Global Hawk Block 40 sensor operators. This project also includes development of a business capture plan and an unsolicited proposal to the U.S. Air Force to establish a Global Hawk Block 40 training program in Grand Forks. The proposed training program is expected to increase the number of sensor operators trained and provide significant cost avoidance for the U.S. Air Force.

The Global Hawk is a high altitude long endurance UAS used for surveillance and as a communications relay. The Grand Forks Air Force Base has been designated by the U.S. Air Force as the main operating base for the Block 40 version of the Global Hawk. Six Global Hawk Block 40 aircraft are currently based out of Grand Forks, with that number expected to grow to eleven.

### Integrating UAS into the National Airspace, Phase II

University of North Dakota

Launch Date: December 2011 Award: \$255,440 Matching & Leveraged Funds: \$151,000

This grant continues funding for an effort to position North Dakota as the prime location to research, develop and deploy UAS, as well as accelerate UAS integration into the national airspace. An Airspace Integration Team of North Dakota aviation professionals and experts was formed to facilitate these efforts, initially focusing on the development of an unsolicited proposal to the Federal Aviation Administration (FAA) to establish a UAS test site in North Dakota. The proposed test site would provide a place for industry to research, develop and deploy UAS while demonstrating that UAS can operate safely in the national airspace. The Airspace Integration Team has transitioned its efforts toward answering a solicited request by the FAA for applications for National Test Sites.

Currently, UAS usage is dominated by military applications occurring in other parts of the world. However, there is broad potential for civilian applications should the FAA approve their usage in the national airspace. UAS is estimated to be a multi-billion dollar industry.

#### **Joint Distributed Common Ground System**

University of North Dakota Center for Innovation Foundation

Launch Date: December 2011 Award: \$125,706 Matching & Leveraged Funds: \$46,000

This grant provided funding for a study examining the feasibility of establishing a joint Distributed Common Ground Station (DCGS) at the Grand Forks Air Force Base. A DCGS is a large, secure facility where data from manned and unmanned aircraft are analyzed for various intelligence purposes. Other opportunities such as establishing training and maintenance facilities at the Grand Forks Air Force Base were also explored under the study. The overarching goal of the study was to identify promising initiatives that align with Air Force needs that also provide cost savings and bolster activity at the Grand Forks Air Force Base.

The University of North Dakota UAS Center of Excellence opened a MQ-1/9 UAS
Training Center at the Grand Forks Air Force Base in August 2011. The training
center will be used to train instructors, pilots and sensor operators for both civil and
military customers. Customs and Border Patrol is currently using the program for
recurrent pilot training.

#### **Enhanced Use Lease for Grand Forks Air Force Base**

University of North Dakota Center for Innovation Foundation

Launch Date: August 2012 Award: \$486,750 Matching & Leveraged Funds: \$0

This grant provides funding to advance opportunities identified in the "Joint Distributed Common Ground System" feasibility study by submitting an Enhanced Use Lease application to the U.S. Air Force. If the application is approved, the U.S. Air Force and Grand Forks County will enter into negotiations for an Enhanced Use Lease at the Grand Forks Air Force Base.

Obtaining an Enhanced Use Lease would allow Grand Forks County to begin development activities on approximately 200 acres of underutilized land at the Grand Forks Air Force Base, which could include training and maintenance facilities as part of a UAS business park at the Grand Forks Air Force Base. This base realignment grant provides funding for the Enhanced Use Lease application process as well as the negotiation process, should the U.S. Air Force approve the initial application.

# **Airspace Integration Team UAS National Test Site Application**University of North Dakota

Launch Date: November 2012 Award: \$500,000 Matching & Leveraged Funds: \$0

Congressional language in a defense spending bill and the Federal Aviation Administration (FAA) Reauthorization bill require the FAA to create six UAS test sites in the United States. The test sites will provide a controlled environment where limited integration of UAS into the national airspace will occur. The six test sites will serve as a blueprint for full integration of UAS into the national airspace.

In addition to providing considerable scientific benefits, the six national test sites are sure to become economic engines that attract significant private sector activity. The UAS industry is estimated to be a multi-billion dollar annual industry. As a result of the Congressional action, North Dakota's Airspace Integration Team has refocused its efforts on successfully navigating the formal selection process administered by the FAA. The Airspace Integration Team will remain committed to establishing a compelling case for North Dakota as a national test site, and this grant provides funding to facilitate those efforts.



# Limited Deployment Cooperative Airspace Project

Unmanned Aircraft Systems (UAS) have had a tremendous impact on U.S. military strategy and operations. There is also vast potential for UAS applications in civilian industries such as energy and agriculture. Before UAS can be fully integrated into the national airspace for civilian usage, it must be demonstrated that UAS can operate safely and in harmony with other aircraft in the national airspace.

The 2011 Legislature allocated \$4 million for Limited Deployment Cooperative Airspace Projects (LDCAP) that bring the University of North Dakota and North Dakota State University together in partnership with MITRE, the research arm of the Federal Aviation Administration; NASA-Langley Research Center; Draper Laboratory; the North Dakota National Guard; and Appareo Systems. As of June 30, 2012 the Centers of Excellence Commission has approved two projects.

The goals of LDCAP include establishing a controlled experimental environment where live field tests may be performed and evaluated. The data generated from the field tests will be used to identify and address critical safety concerns regarding the full integration of UAS into the national airspace.

















#### **Limited Deployment Cooperative Airspace Project**

University of North Dakota

Launch Date: October 2011 Award: \$2.7 million Matching & Leveraged Funds: \$3.2 million

The University of North Dakota is collaborating with MITRE, NASA-Langley, Draper Laboratory and the North Dakota National Guard to investigate the viability of Automatic Dependent Surveillance-Broadcast (ADS-B) "sense and avoid" capability for UAS. The ability of a UAS to "sense and avoid" other aircraft is a critical safety concern. ADS-B technology allows an aircraft, manned or unmanned, to broadcast essential information about its location and to gather similar data from other nearby aircraft, allowing pilots to make necessary adjustments to safely avoid other air traffic.

The University of North Dakota and its collaborators are also testing whether radar data can be used to feed Traffic Information Service-Broadcast (TIS-B), which provides "ADS-B-like" surveillance for aircraft not equipped with ADS-B technology.

# **Automatic Dependent Surveillance-Broadcast Miniaturization Program**North Dakota State University

Launch Date: November 2011 Award: \$1.3 million Matching & Leveraged Funds: \$2.424 million

North Dakota State University is collaborating with Appareo Systems to research and design a miniaturized radio chip that uses ADS-B technology to broadcast an aircraft's GPS position, altitude and other relevant information to air traffic control and other aircraft. The availability and utilization of this data is expected to enhance safe operations of all aircraft, manned and unmanned, in the national airspace.

The radio chip under development by North Dakota State University and Appareo will offer reduced power consumption, weight and cost as compared to current commercially available ADS-B radio chips. These advancements increase the viability of broad implementation of ADS-B technology as part of a larger strategy allowing for the eventual full integration of UAS into the national airspace.

"LDCAP is an extremely valuable test which addresses research questions surrounding ADS-B and ground-based radars as a sense and avoid capability."

- Frank Jones, NASA-Langley Research Center

#### PROGRAM PARTNERS

AAG, Inc.

Access Energy, LLC

Aerosim Agri ImaGIS

Akzo-Nobel Aerospace Coatings

Aldevron

Alliance Pipeline, Inc.

Altravax

Appareo Systems, LLC

Arkema, Inc. Ashland, Inc. Avenue Right Avianax, LLC

Basin Electric Power Cooperative

Bayer Material Science BenchMark Energy Bobcat Company

Boeing Boldmethod

**BOSH Global Services** 

Catalyst Clincial Research, LLC

Caterpillar Remanufacturing Drivetrain

Clear Springs

Clinical Supplies Management

ComDel Innovations Computer Modeling Group Connecticut Center for Advanced Technology

Continental Resources, Inc.

Corsair Engineering

CorsiTech

Crew Training International
Cutbank Creek Produce

Denbury, Inc.

DenYon Energy

Elinor Specialty Coatings

Eltron Research & Development, Inc.

**FARRMS** 

Fisher & Associates

General Atomics Aeronautical Systems

General Dynamics
General Electric
GeoOptics, Inc.

Goodrich

Great Northern Power Development

**Great Point Energy** 

Flint Ethanol

Headwaters/Great River Energy-Blue

Hess Corporation
High Plains Equipment
Impact Foundation

Infinity Development Partners, LLC

InnerGeo, LLC Insitu, Inc. IntegenX

Intraglobal Biologics, Inc.

Jeffrey Donohoe Associates, LLC

KBR, Inc.

Killdeer Mountain Manufacturing

Krisara Engineering

Kuraray Chemicals, Americas

L-3 Communications LM Wind Power Lockheed Martin Marathon Oil Corp.

MaxWest Environmental Systems, Inc.

MDU

Merlin RAMCo, Inc.

Monsanto

Navigator Development Group, Inc.

Next Healthcare, Inc.

Nissan Chemical America Corp.

North Dakota Biodiesel

North Dakota Farmers Market &

**Growers Association** 

North Star Organic Farms

Northrup Grumman Corporation

**Novadigm Therapeutics** 

Operational Security Services, Inc.

Pedigree Technologies

Poudre Valley Environmental Sciences, Inc.

**PPG** Industries

Pratt & Whitney Rocketdyne, Inc.

Praxis Strategy Group

Presco, LLC
Rapid Engines
ReconRobotics
Red Trail Energy
Riverbound Farm
Rockwell Collins

Schiltz Goose Farms, North, Inc.

SDS International, Inc.

SeaTec, LLC SGC Energia Shell Chemicals

Simlat Somahlution

SpaceAge Synthetics
Spiritwood Station

St. Mary Land and Exploration Company

Starkey Laboratories, Inc.

Superior Edge

Technology Applications Group

Tesoro

Thompson Farm

TIORCO

Tri-State Aviation
Triton Systems, Inc.

United States Automotive Partnership United Technologies Research Center Unmanned Applications Institute Int'l.

URS Corporation V2 Aerospace, Inc.

Western Research Institute Whiting Petroleum Corp.

Wholesale Supply Company, Inc.

Wynntryst, LLC Xcel Energy

Centers of Excellence	University, College or related Foundation	Launch Date	Awards (in millions)	Match & Leveraged Fu Received (in millions	
Center for Innovation	UND	Jan 2005	\$0.800	\$3.565	
Center for Advanced Electronics Design & Manufacturing	NDSU	Feb 2006	\$3.000	\$14.005	
Dakota Precision Ag Center	LRSC	Feb 2006	\$0.850	\$1.890	
National Center for Hydrogen Technology	UND EERC	Feb 2006	\$2.500	\$58.606	
National Energy Center of Excellence	BSC	Feb 2006	\$3.000	\$7.292	
Center for Surface Protection	NDSU	May 2006	\$4.000	\$8.682	
Center of Excellence for Agbiotechnology: Oilseed Development	NDSU	May 2006	\$3.500	\$12.000	
Enterprise University*	VCSU	May 2006	\$1.000	\$5.140	
Petroleum Safety & Technology Center	WSC	May 2006	\$0.400	\$1.183	
Unmanned Aircraft Systems Center of Excellence	UND	May 2006	\$2.500	\$15.838	
Institute for Technology & Business	DSU Strom Center	Oct 2006	\$1.150	\$5.179	
Center of Excellence in Life Sciences & Advanced Technologies	UNDRF	March 2007	\$3.500	\$4.005	
Technology Incubator	NDSU	March 2007	\$1.250	\$5.038	
Beef Systems Center of Excellence	NDSU	Oct 2007	\$0.800	\$2.000	
Center for Biopharmaceutical Research & Production	NDSU	June 2009	\$5.015	\$6.262	
Center for Integrated Electronics Systems	NDSU	June 2009	\$2.050	\$3.510	
Center of Excellence for Passive Therapeutics	UNDRF	June 2009	\$2.650	\$6.554	
Center of Excellence in Space Technology & Operations	UND	June 2009	\$1.000	\$0.165	
Petroleum Research, Education & Entrepreneurship Center	UND	June 2009	\$3.000	\$6.604	
SUNRISE BioProducts Center of Excellence	UND	June 2009	\$2.950	\$3.854	
Center for Sensors, Communications & Control	NDSU	Jan 2011	\$2.800	\$0.014	
Entrepreneurial Center for Horticulture	DCB	June 2011	\$0.400	\$0.915	
Center for Advanced Technology Development and Commercialization	NDSU	Nov 2012	\$3.900	\$0.000	
Enhancement Grants  Center for UAS Research Education & Training	UND	June 2010	\$2.754	\$1.358	
Research 1 Expansion	NDSU	Jan 2011	\$4.000	\$0.293	
North Dakota UAS Airspace Initiative	UND	March 2011	\$0.100	\$0.007	
UAS Software & Curriculum Development	UND	March 2011	\$0.600	\$0.193	
Certificate Programs for Full Motion Video & Activity-Based Intelligence Analysis	UND Center for Innovation	June 2011	\$0.746	\$0.025	
Grand Forks Air Force Base Realignment Business Transition Program	UND	June 2011	\$0.200	\$0.055	
Materials & Nanotechnology Center	NDSU	Sept 2011	\$1.000	\$0.000	
V2 Aerospace, Inc. Technical Assistance	UND Center	Sept 2011	\$0.370	\$0.103	
Law Enforcement and Public Safety Agency Small UAS Course	for Innovation UND	May 2012	\$0.230	\$0.048	
Centers of Research Excellence	OND	Way 2012	<b>\$0.250</b>	ψ0.0+0	
Center for Technologically Innovative Processes & Products	NDSU	Aug 2012	\$0.320	\$0.000	
Center for Life Sciences Research & Applications	NDSU	Nov 2012	\$1.350	\$0.000	
Base Realignment Grants					
Integrating UAS into the National Airspace, Phase II	UND	Dec 2011	\$0.255	\$0.151	
Global Hawk Sensor Operator Part Task Trainer	UND	Dec 2011	\$0.878	\$9.787	
Joint Distributed Common Ground System	UND	Dec 2011	\$0.126	\$0.046	
Enhanced Use Lease for Grand Forks Air Force Base	UND	Aug 2012	\$0.487	\$0.000	
Airspace Integration Team UAS National Test Site Application Proposal	UND	Nov 2012	\$0.500	\$0.000	
Limited Deployment Cooperative Airspace Proje	ect				
Limited Deployment Cooperative Airspace Project	UND	Oct 2011	\$2.700	\$3.200	
Automatic Dependent Surveillance-Broadcast Miniaturization Program	NDSU	Nov 2011	\$1.300	\$2.424	
GRAND TOTALS			\$69.931	\$189.991	

<sup>\*</sup>Enterprise University concluded its operations and returned \$200,545.51 of its original \$1 million Centers of Excellence Award to the North Dakota general fund.

The Centers of Excellence program is a key component of North Dakota's technology-based economic development strategy. It has generated significant economic benefits by leveraging the research and intellectual capabilities of the state's universities and colleges with the resources of private sector companies.

Total economic impact: \$635 million

More than \$4 raised for every \$1 of awarded funds spent

1,082

jobs created

115

private sector partners

24

businesses created or expanded



#/

Community Services | Economic Development & Finance | Tourism | Workforce Development

# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

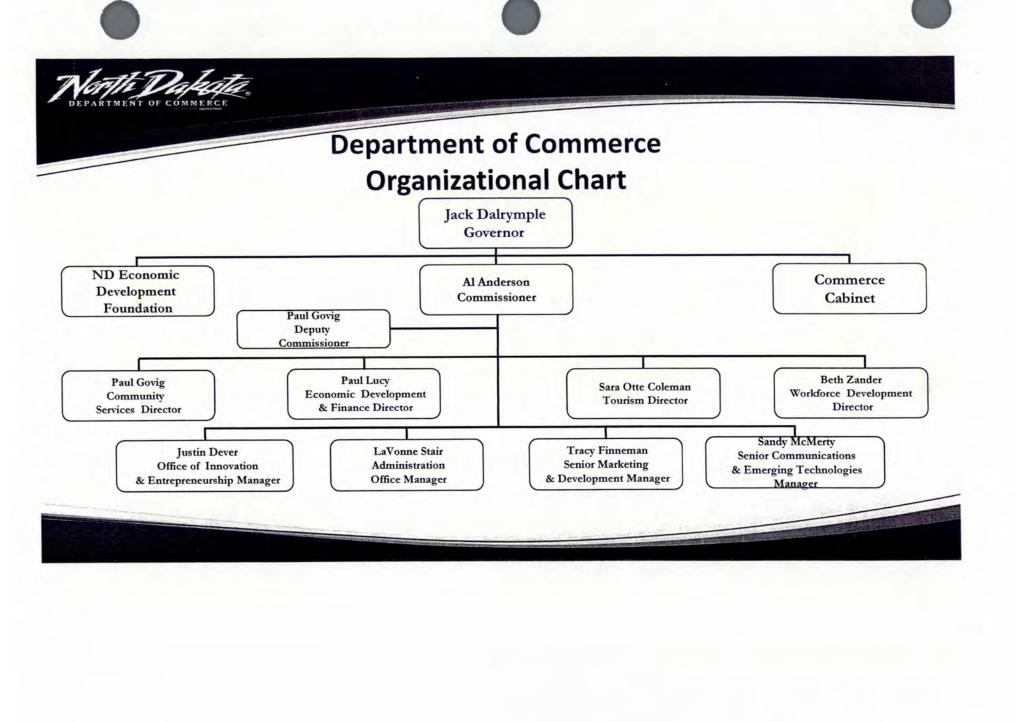
- 1. 8:30 am Alan Anderson, Commissioner
  - Overview of the Department of Commerce
- 2. 8:40 am Wally Goulet, Chairman, ND Economic Development Foundation
  - Role of the ND Economic Development Foundation
  - 2020 and Beyond
- 3. 8:50 am Paul Govig, Director, the Division of Community Services
  - Discussion of Community Services Programs and Budget followed by questions
- 4. 9:00 am Sara Otte Coleman, Director, the Division of Tourism
  - Discussion of Tourism Programs and Budget followed by questions
- 5. 9:10 am Beth Zander, Director, the Division of Workforce Development
  - Discussion of Workforce Development Programs and Budget followed by questions
- 6. 9:20 am Paul Lucy, Director, the Division of Economic Development & Finance
  - Discussion of Economic Development Programs and Budget followed by questions
- 7. 9:30 am Justin Dever, Manager, Office of Innovation and Entrepreneurship
  - Discussion of Innovation and Entrepreneurship Programs and Budget followed by questions
- 8. 9:40 am Research North Dakota
  - Mark Nisbet, Centers of Excellence Commission Chairman
  - Dr. Phyllis E. Johnson, UND Vice President for Research & Economic Development
  - Dennis Anderson, NDSU Associate Vice President for Business Development and Industrial Relations
- 9. 10:10 am Al Palmer, UAS Airspace Integration Team
  - Discussion of UAS Test Site funding followed by questions
- 10. 10:20 am Paul Govig, Deputy Commissioner
  - · Overview of Partner Programs
- 11. 10:30 am Partner & Public Testimony
- 12. 11:45 am Conclusion



# **Commerce Overview**

## IN THIS SECTION:

- Alan Anderson's Testimony
- Budget Spreadsheet
- Organizational Charts
- Marketing & Communications Program Update
- Site Selection Magazine Investment Profile of ND
- 2012 Statewide Planning Survey Results



### DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

# ALAN ANDERSON - COMMISSIONER, ND DEPARTMENT OF COMMERCE

I am Al Anderson, Mr. Chairman and members of the committee, good afternoon. Commissioner of the North Dakota Department of Commerce, and I am here before you today in support of SB 2018, the 2013-15 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.

The North Dakota economy has made tremendous strides these past few years. North Dakota's gross domestic product (GDP) has had the fastest growth in the nation over the past five years, including growing 13.1% in 2011 compared to the nation's growth of 3.9%. North Dakota's per capita personal income was less than 85% of the national average in 2000 and is now well above the average at 113.7%. A decade ago, North Dakota was focused on creating and recruiting jobs into the state and now with over 66,000 new jobs we are in a position of having the lowest unemployment in the nation with two available jobs for every unemployed person.

However, we still have opportunities to continue to grow and diversify our economy. Much of our success has been tied to two cyclical industries - energy and agriculture. Fluctuations in ag and energy prices could have a devastating impact on our economy if we do not take the opportunity to grow the other sectors of our economy. We also need to address infrastructure challenges out west if we are to make the most of our opportunities related to energy.

### Requested Information

You have specifically requested information concerning:

- Budget-specific information relating to:
  - o 2011-13 appropriation
  - Estimated 2011-13 spending and status of one-time funding items

Page 1 of 5

- o 2013-15 budget needs
- o 2013-15 one-time funding needs
- Major variances
- Identify any known or potential changes in the level of federal funding to be received by the department during the 2013-15 biennium, the effect of these changes, and the department's plan to address these changes.

#### **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 2011-13 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 2011-13 ap	propriation included:
American Indian Business Development Office	\$50,000
2020 and Beyond	\$50,000
Nekoma Project	\$600,000
IDEA Center Grant	\$300,000
Minot Base Realignment Grant	\$325,000
Centers of Research Excellence	\$12,000,000
Tourism Large Infrastructure Grants	\$750,000
Workforce Enhancement Grants	\$1,500,000
Electronic portfolio pilot project	\$150,000
Flood impacted grants/loans	\$235,000,000
Federal fiscal stimulus	\$24,496,750

#### 2013-15 Budget Needs and Variances

The next column lists the 2013-15 recommendation. The fourth column on the spreadsheet includes a listing of the major variances between the 2011-13 appropriation and the 2013-15 recommendation.

#### Commerce Administration

Commerce Administration is recommended to receive an additional \$631,498. The budget removes discretionary fund carryover authority of \$713,693 and the one-time funding items of \$50,000 for the American Indian Business Development Office and \$50,000 for the 2020 and Beyond study. The budget recommendation includes an additional \$498,852 for the North Dakota Census Office which was recently relocated to the department. There are also additional funds for salary and benefit increases.

Office of Innovation & Entrepreneurship

The Office of Innovation & Entrepreneurship shows an increase of \$5,798,631. The budget removes Technology-Based Entrepreneurship Grant carryover authority of \$626,078 and one-time funding items including \$600,000 for the acquisition of the Stanley R. Mickelson Antiballistic Missiles Site near Nekoma; \$325,000 for a Minot base realignment grant; and \$300,000 in funding for the IDEA Center. The budget recommendation replaces \$12 million in Centers of Research Excellence funding with \$12 million for Research North Dakota. The budget recommendation adds \$100,000 in additional funding for the Innovate ND program. \$1.5 million is provided for base retention grants to match community funds used for activities to retain the three air force bases within the state. A total of \$5 million is provided for activities related to an Unmanned Aircraft Systems National Test Site. This includes \$1 million that will be used to continue to pursue Federal Aviation Administration designation as a test site and another \$4 million from the State Investment and Infrastructure Fund for operations of the test site, if the state is designated. The budget includes \$1 million for the North Dakota Planning Initiative which will provide assistance to communities in developing appropriate plans to handle the growth they are experiencing. There are also funds for benefit increase and salary costs.

North Dakota Planning Initiative

Governor Dalrymple proposed one-time funding for a North Dakota Planning Initiative within the Commerce appropriation bill. The budget request is for \$1,000,000 and does not include any FTEs. The North Dakota Planning Initiative will serve three primary functions: preparation for long-term growth (25% of total request), technical assistance (contracted service – 25% of total request) and planning grants to local government entities (50% of total request).

In a statewide planning survey with 191 cities and counties responding, we learned 23 respondents have no community-wide plan in place; and 78 respondents intend to update whatever plan they have in place in the next 12 months. This includes communities across the state, large and small. From Wahpeton to Amidon and Tioga to Cavalier.

The planning and coordination efforts Commerce has undertaken in the last biennium helped us better understand the challenges that lie before our communities. We will need the funding outlined in the Governor's budget request to take the next step and provide assistance to these communities that helps them plan for long-term growth, access technical assistance and tap into grant dollars to assist with planning development.

Tourism Division

The Tourism Division has an increase of nearly \$2 million. This includes an increase of \$575,000 in the amount available for large tourism infrastructure grants and an additional \$1.5 million for tourism marketing and research. There are also funds for benefit increase and salary costs.

Workforce Development Division

The Workforce Development Division has an increase of \$5,700,402. This includes an increase of \$500,000 for one-time Workforce Enhancement grants, additional \$600,000 for Operation Intern, and one-time \$5 million for childcare facilities grants. There are also funds for benefit increase and salary costs.

Economic Development & Finance Division

The Economic Development & Finance Division budget has a net decrease of \$2,020,771. This includes the removal of \$1,518,859 in APUC carryover authority and the removal of a one-time \$1,000,000 in funds for the Small Business Technology Investment Program administered by the ND Development Fund. There are also funds for benefit increase and salary costs.

Division of Community Services

The Division of Community Services has a net decrease of \$267,796,136 – mostly comprised of decreased spending authority for federal funds. This includes a reduction of spending authority for Disaster Community Development Block Grants (described as flood impact grants/loans) of \$223,217,134; federal fiscal stimulus funds of \$23,669,980; and other federal grants of \$13,570,305. Carryover authority is also removed for child care grants of \$92,737 and blend pump grants of \$729,555. Additions include \$193,215 in general funds for the HOME Program and funds for benefit increase and salary costs.

#### 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:

- \$350,000 for a transportation study. This study will be done in cooperation with the
  Upper Great Plains Transportation Institute to update their previous reports for
  transportation infrastructure needs for county and township roads in the state.
- \$12 million for Research North Dakota. These are match dollars for research, development and commercialization projects at the state's research institutions.
- \$5 million for the Unmanned Aircraft Systems (UAS) National Test Site.
- \$1.5 million for base retention grants.
- \$1 million for the North Dakota Planning Initiative.
- \$1,325,000 for large tourism infrastructure grants.
- \$2 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.
- \$5 million for childcare facility grants.
- \$11,782,866 in federal funds for flood impacted grants/loans (Disaster CDBG)
- \$796,770 spending authority for federal fiscal stimulus

### Requested Carry-over Authority

SB 2018 includes requests for carry-over authority. These requests are for programs that may commit funds in the current biennium, but in order to provide adequate accountability we would like to continue to provide the funds on a reimbursement basis into the next biennium. These requests include:

- Agricultural Products Utilization Commission grants (Section 15)
- Discretionary Funds line item (Section 16)
- Technology-based Entrepreneurship Grants (Section 17)
- USS North Dakota promotion (Section 18)
- ABM Site Acquisition and Minot Base Realignment grants (Section 19)

#### 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.

A copy of the report we provided to the joint Industry, Business & Labor Committees is included behind my testimony. This report provides highlights of the activities of the department over the past two years.

#### Marketing & Communications

In consideration of the limited time, we are providing written testimony on the Marketing & Communications programs. I would encourage you to review this testimony, as well as take a look at the Site Selection Magazine Profile of the state that was a result of their efforts. Tracy Finneman, Senior Marketing and Development Manager, and Sandy McMerty, Senior Communications and Emerging Technologies Manager, are available for any questions.

That concludes my overview of the Department of Commerce. I would welcome any questions you may have at this time.

#### Departme Commerce January 18, 2013

	2011-2013 Appropriation		2011-2013 Estimated Expenditures		2013-2015 Recommendation			Major Variances
Commerce Administration	\$	10,341,623	\$	10,300,000	\$	10,973,121	\$	631,498
One-time: American Indian Business Development Office	\$	50,000			\$			4.3
One-time: 2020 and beyond	\$	50,000			\$	-		
One-time: Transportation study	\$	-			\$	350,000		
Innovation & Entrepreneurship	\$	15,939,692	\$	15,900,000	\$	21,738,323	\$	5,798,631
	\$	600,000	7	37375731355	\$			-3-17-71-1
One-time: Nekoma project	\$	300,000			\$	4		
One-time: IDEA Center Grant	\$	325,000			\$	4		
One-time: Minot Base Realignment Grant	\$	12,000,000			\$	12		
One-time: Centers of Research Excellence	\$	12,000,000			\$	12,000,000		
One-time: Research North Dakota	\$				\$	5,000,000		
One-time: Unmanned aircraft system	\$				\$	1,500,000		
One-time: Base retention grants	\$				\$	1,000,000		
One-time: North Dakota planning initiative	\$	10,409,212	\$	10,250,000	\$	12,399,663	\$	1,990,451
Tourism	\$	Control to the control	Ψ	10,200,000	S	1,325,000		
One-time: Tourism large infrastructure grants	\$	5,788,691	\$	5,400,000	\$	11,489,093	\$	5,700,402
Workforce Development				5,400,000	\$	2,000,000	4	0,1,001,00
One-time: Workforce Enhancement fund	\$				\$	2,000,000		
One-time: Electronic portfolio pilot project	\$				\$	5,000,000		
One-time: Childcare facility grants		9,049,232	\$	7,350,000	\$	7,028,461	\$	(2,020,771)
Economic Development & Finance	\$				\$	60,937,404		(267,796,136)
Community Services	\$	328,733,540		75,000,000	\$	11,782,866	Ψ	(207,750,150)
One-time: Flood impacted grants/loans	\$				\$	796,770		
One-time: Federal fiscal stimulus	\$	24,496,750	1		Þ	796,770		
Total	\$	380,261,990	\$	124,200,000	\$	124,566,065	\$	(255,695,925)
Constant Francis	\$	48,790,286	5 \$	48,500,527	\$	56,325,031	\$	7,534,745
General Funds	\$	321,868,602				54,224,372		(267,644,230)
Federal Funds	\$	9,603,102				14,016,662		4,413,560
Special Funds	Ψ.	3,000,102	- 4	7,000,102				
Total	\$	380,261,990	) \$	124,200,000	\$	124,566,065	\$	(255,695,926)







removes discretionary fund carryover authority of \$713,693 removes one-time \$50,000 for American Indian Business Development Office removes one-time \$50,000 for 2020 and Beyond study adds \$498,852 for the North Dakota Census Office adds one-time \$350,000 for transportation study adds funding for salary and benefit increases

#### Innovation

removes Tech-Based grant carryover authority of \$626,078 removes one-time Nekoma funding of \$600,000 removes one-time IDEA Center funding of \$300,000 removes one-time Minot base realignement grant funding of \$325,000 removes one-time CORE funding of \$12,000,000 adds one-time Research ND funding of \$12,000,000 adds \$100,000 to the Innovate ND program adds one-time \$1,500,000 for base retention grants adds one-time \$5,000,000 for UAS test site adds one-time \$1,000,000 for ND Planning Initiative adds funding for benefit increase and salary costs

#### **Tourism**

removes USS North Dakota carryover authority of \$86,266 removes one-time \$750,000 for infrastructure grants adds \$1,500,000 for tourism marketing and research adds one-time \$1,325,000 for infrastructure grants adds funding for benefit increase and salary costs

#### WFD

removes one-time \$1,500,000 for Workforce Enhancement Fund adds one-time \$2,000,000 for Workforce Enhancement Fund adds \$600,000 to Operation Intern adds one-time \$5,000,000 for childcare facilities grants adds funding for benefit increase and salary costs

#### ED&F

removes APUC carryover authority of \$1,518,859 removes one-time ND Development Fund transfer of \$1,000,000 APUC line decreased general funds by \$500,000 and increased special funds by \$1,000,000 adds funding for benefit increase and salary costs



removes childcare grant carry-over authority of \$92,737 removes blender pump carry-over authority of \$729,555 removes one-time \$235,000,000 for flood impacted grants/loans removes one-time \$31,496,750 for federal fiscal stimulus reduces federal fund grant authority of \$13,570,305 adds \$193,215 for the HOME program adds one-time \$11,782,866 for flood impacted grants/loans adds one-time \$796,770 for federal fiscal stimulus adds funding for benefit increase and salary costs



#### Wally Goulet Testimony on Senate Bill 2018 Jan. 18, 2013

#### Good morning.

Mr. Chairmen, members of the committee, my name is Wally Goulet. I am vice president and general counsel for National Information Solutions Cooperative and chairman of the North Dakota Economic Development Foundation.

Thank you for the opportunity to talk to you this morning. I'll be giving you a brief overview of the North Dakota Economic Development Foundation as well as some information about 2020 and Beyond.

## North Dakota Economic Development Foundation

The North Dakota Economic Development Foundation is a private foundation established by the Legislature in 2001 to provide private-sector guidance and oversight of the state's economic development efforts. The Foundation established and maintains a strategic plan for economic development. Twenty-five business leaders from all corners of the state serve on the Foundation. We meet quarterly to monitor progress toward economic development goals, to discuss major business and economic issues, and to offer suggestions for improving North Dakota's business climate.

The Foundation developed the first statewide strategic plan for economic development in 2002. In 2010, the Foundation revised and updated this plan with input from economic development directors and community leaders. We analyzed current economic data and trends, conducted a sectoral analysis and evaluated the state's five targeted industries. This process resulted in the current 10-year economic development strategic plan for North Dakota.

# Five Essential Strategies for Growth

The plan advocates continuing the current development strategy focused on five targeted industries. Those are:

- 1. Advanced manufacturing
- 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.

 Maintain a positive business climate that supports private sector investment, growth and job creation.

- 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 where innovative, tech-savvy companies can thrive.
- 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.

#### **Progress**

Tremendous progress has been made since the Department of Commerce and the Foundation were created a decade ago. Between 2001 and 2011:

- North Dakota's gross state product has more than doubled from \$19 billion to \$40.3 billion. Over this time period, North Dakota had the fastest growing economy in the nation.
- 64,500 jobs have been added. This is an increase of nearly 20% when the nation as a whole lost jobs.
- Average wages have increased over \$16,000 from \$25,707 to \$41,778, growing faster than the national average.
- Per capita personal income has increased over \$20,000; moving North Dakota from 38<sup>th</sup> in the nation to 7<sup>th</sup> and now over 113% of the national average.
- North Dakota's exports have quadrupled from \$800 million to nearly \$3.4 billion.
- North Dakota's population has increased 60,566 to a record population of just below 700,000. In 2012, North Dakota had the fastest growing population.

## 2020 and Beyond Overview

Last session, the legislature appropriated \$50,000 and directed the ND Economic Development Foundation to contract with the Greater North Dakota Chamber to conduct the 2020 and Beyond Initiative to expand North Dakota's vision for the future.

A steering committee and an advisory committee were established with members from across the state. The steering committee included six legislators: Senators Tony Grindberg, Lonnie Laffen, & Mac Schneider and Representatives Ron Guggisberg, Scott Louser, and Don Vigesaa.

In 2012, public input sessions were held across the state. Over 1,700 ideas and suggested were gathered at town hall meetings and through an online portal. These ideas were considered by the steering committee in the development of the report.

The vision North Dakota 2020 & Beyond focuses on:

- · the value of our PEOPLE,
- our unique quality of PLACE and
- our diverse OPPORTUNITIES.

#### Common ideas identified included:

#### People

- · Child Care Availability
- · Affordable Housing
- · Job and Career Development
- · Outdoor Recreation
- Education

#### Places

- · High-Speed Internet
- · Infrastructure Upgrades
- · Rural Health Care Access
- · Main Street Revival

#### Opportunities

- Access to Colleges and Universities
- · Capital for Business Start-ups
- · Exports
- Sensible and Predictable Regulations for Business
- · Fair and Balanced Tax Policy

The North Dakota 2020 and Beyond recommendations are grouped in 13 categories:

- Arts & Culture Grow and nurture creativity in North Dakota.
- Business Establish North Dakota's business climate as one of the best in the nation.
- Conservation & Environment Protect North Dakota's valuable resource of land and environment.
- Education Build North Dakota to become the #1 state in education.
- Energy & Agriculture Continue to position North Dakota as an admired energy and agricultural leader.
- Health Keep North Dakota healthy to increase our productivity, slow rising health care costs and ensure a better quality of life.
- Housing Provide access to quality housing for all North Dakotans.
- Image Foster the image that North Dakota is a vibrant, progressive state with a great family and business environment.
- Recreation Establish North Dakota's reputation as an attraction.
- Transportation & Safety Build a statewide transportation system that
  meets the needs for North Dakota's growing population and industries, and
  provides a safe place for workforce, families and visitors.

- Statewide Planning Support North Dakota's state, regional and local planning efforts from a reliable state-funded source.
- Technology Grow technology infrastructure to ensure North Dakota is a model for connectivity.
- Workforce Develop North Dakota's workforce to meet the needs of our changing economy.

The ND Economic Development Foundation received the report several weeks ago. Over the coming months, the foundation will be working to incorporate aspects of 2020 and Beyond into the strategic plan and performance measures.

Thank you for the opportunity to visit with you this morning. I would be happy to answer your questions.



# Office of Marketing & Development Organizational Chart

Tracy Finneman Senior Marketing & Development Manager

> Brianna Ludwig Marketing Specialist (Half-time)



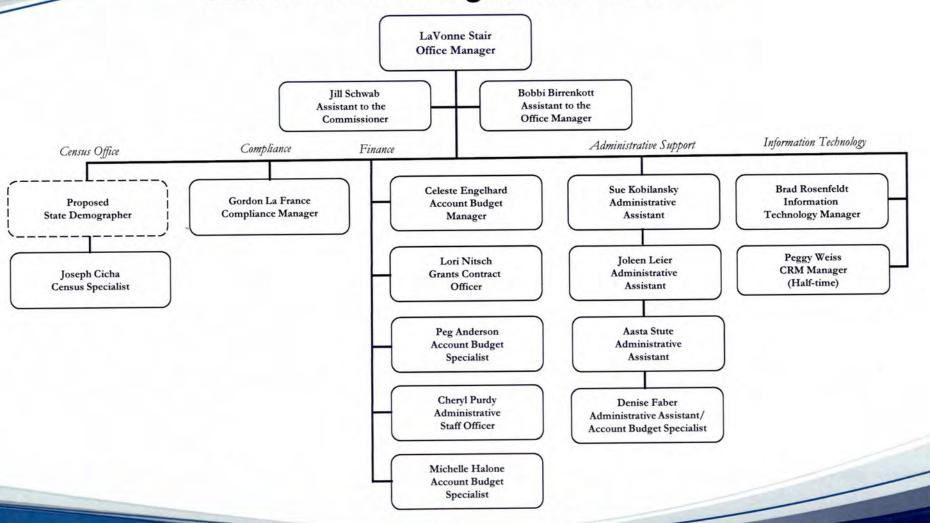
# Office of Communications & Emerging Technologies Organizational Chart

Sandy McMerty Senior Communications & Emerging Technologies Manager

Kim Schmidt Public & Media Relations Manager Jesse Bradley Communications Manager (Contract)



# **Administration Organizational Chart**



# DEPARTMENT OF COMMERCE TESTIMONY ON SB2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

MARKETING & COMMUNICATIONS PROGRAM UPDATE
Submitted by Tracy Finneman, Senior Marketing and Development Manager;
and Sandra McMerty, Senior Communications and Emerging Technologies Manager

Chairman Holmberg, members of the committee, please accept this submitted testimony on behalf of Tracy Finneman, Sr. Marketing and Development Manager, and Sandra McMerty, Sr. Communications and Emerging Technologies Manager in support of SB2018. Our role is to provide information on the results regarding our marketing and communications efforts at Commerce.

The Commerce marketing and communications program serves three primary functions: public information, image enhancement and coordination.

First, we work to inform our partners in economic and community development organizations, along with the general public, about Commerce programs and services and how they can access them. This includes holding ourselves accountable by distributing the results of these activities to policy makers and citizens so they understand how public tax dollars are being used.

Secondly, we enhance North Dakota's image through promotion and communication efforts that focus on North Dakota as a great place to live, work, play and be in business. As the keeper of the North Dakota brand, Commerce understands the importance of people's perceptions about our state. Whether it is attracting workforce, business or media attention, our state needs to proactively work to ensure messages reflect the positive work, business and family environment that exist in North Dakota.

Lastly, the Governor has looked to Commerce to take on the role of coordinating agency on a number of key issues and challenges over the past biennium. Our staff has provided planning, coordination, outreach and communication to arm our citizens with information they needed on a variety of topics that ranges across multiple state agencies.

We use a variety of tools to garner results in these areas. A few important strategies you may have seen in action include:

- News releases, newsletters, news conferences, media inquiries and story development:
  - To date this biennium, Commerce generated 121 news releases, including releases for all our programs and services. We write and distribute five different electronic newsletters on varying cycles, and coordinate news conference with partners whenever a program or services rises to that level of importance.
  - Coordination for other agencies was provided on multiple events through staffing,
     communications and promotion, as well as specific media training and marketing efforts
     developed for the Succeed 2020 effort.

- Below are a few of the efforts and agencies that Commerce has worked with in a coordinating agency during the biennium:
  - EFFORTS: Infrastructure Development Meetings; NDDisasterInfo.com; event coordination for pipeline, education and housing topics; Succeed 2020 (provided marketing and education services); North Dakota 2020 and Beyond; Vision West, Western Infrastructure Studies, Microsoft Digital Alliance.
  - AGENCIES: ND Department of Transportation, ND Water Commission, ND Housing Finance Agency, ND Department of Trust Lands, ND Highway Patrol, ND Health Department, Bank of North Dakota, Upper Great Plains Transportation Institute, ND Division of Emergency Services, ND Pipeline Authority, ND Transmission Authority, ND Department of Public Instruction, ND Department of Career and Technical Education.
- Media response and media outreach:
  - On average, we respond to media inquiries three out of five business days a week; nearly 200 media contacts a year. Commerce has become a resource for local media on "slow news days," meaning that we are able to pitch positive stories about Commerce programs and services as well as interesting success stories about individuals and businesses across the state. This pitching effort results in positive media stories that enhance our state's image and promote a favorable workforce and business climate.
- Digital communications and social media:
  - Commerce maintains digital and social contact with its many audiences through a variety of tools including websites, digital newsletters, blogs and social media efforts such as Twitter, Facebook and others. We currently leverage almost 10,000 influencers, and their connections, through our social networks to continuously spread positive North Dakota messages and work with other agencies to enhance their social media efforts.
  - Commerce is currently in the process of updating its six main websites to ensure they remain user-friendly and enhanced to adapt to the varying mobile environments used by our audiences.
- Partners in Marketing grant program:
  - The Partners in Marketing grant program makes available \$250,000 for local economic development organizations to marketing their communities and regions for primary sector business and workforce recruitment. Funds are fully committed for the current biennium and are assisting 17 city and county economic development organizations statewide.

All of these efforts work to garner results for North Dakota. Here are three quick examples of results that have had impacts in the past biennium:

- 1) An 8-page spread in Site Selection Magazine that featured North Dakota as having an "Abundance Mentality," highlighting a number of our successful businesses, excellent business and tax climate and opportunities for businesses interested in our state.
- 2) A June 2012 story in USA Today enhancing our image by highlighting North Dakota's economic success and how it benefits the entire nation. A quote from USA Today:

"The story is a little different in North Dakota. The entire state is prospering — both in the booming oil patch and elsewhere from a long-productive agriculture economy. North Dakota's GDP growth benefits the entire country by supplying oil that brings energy prices down across the USA. An oil worker pays Social Security taxes that are sent to a Florida retiree, who buys an early-bird special meal from a waitress, who pays her child's day-care provider from her wages and tips."

3) Coordination with multiple state agencies has created greater awareness of pipeline growth, challenges to education, and the need for affordable housing across the state, as well as created a user-friendly website (NDDisasterInfo.com) to assist citizens impacted by flooding with needed support.

In conclusion, the Commerce marketing and communications program works diligently to provide public information, image enhancement, and coordination with a focus on results for North Dakota and our partners. Our willingness to assist and do what is right for our state can be seen throughout our efforts.

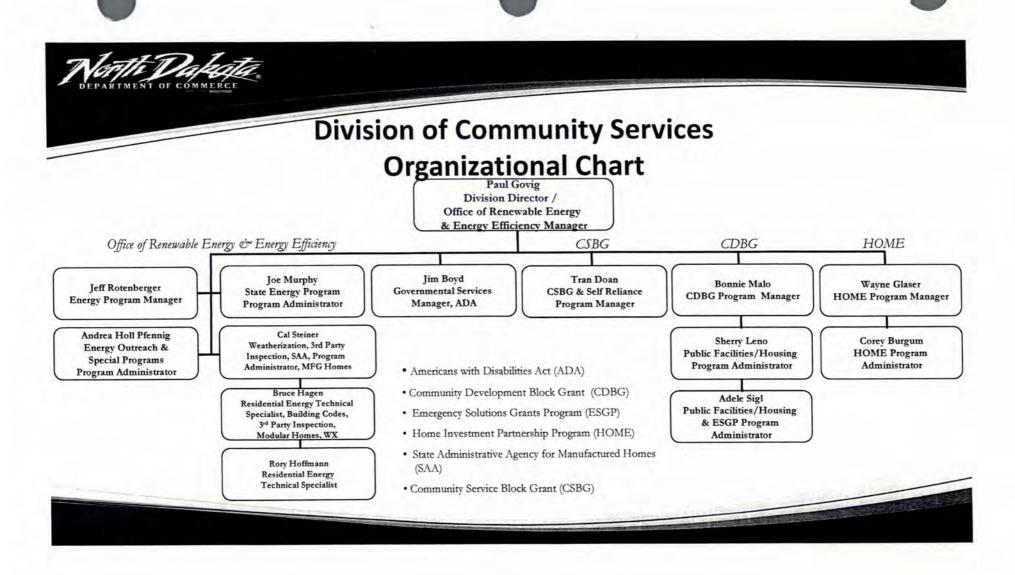
#### **2012 STATEWIDE PLANNING SURVEY RESULTS**

Cities with no community-wide plan in place (23 total respondents to survey):

NE region:	NW region:	SE region:	SW region
Calvin	Max	Arthur	Bowman
Kramer	Parshall	Ashley	Golva
Lakota	Sherwood	Berlin	Reeder
Maddock	Watford City	Ellendale	
Rolette	Westhope	Fullerton	
		Gwinner	
		Hazelton	
		Tuttle	
		Wing	
		Wyndmere	

Respondents who intend to update whatever plan they have in place in 2013-2014 (78 total respondents to survey):

NE region:	NW region:	SE region:	SW region:
Bottineau	Alexander	Ashley	Amidon
Calvin	Arnegard	Casselton	Beach
Cooperstown	Bowbells	Dazey	Belfield
Fessenden	Crosby	Edgeley	Bowman
Grand Forks	Dunn Center	Fargo	Carson
Harvey	Glenburn	Fullerton	Dickinson
Kramer	Hazen	Jamestown	Elgin
Mayville	Killdeer	Kindred	Flasher
Minto	Manning	Kulm	Fort Yates
Newburg	Max	Lincoln	Golva
Northwood	Minot	Linton	Hebron
Towner	Mohall	Spiritwood	Hettinger County
Turtle Lake	Palermo	Valley City	Mandan
Velva	Parshall	Verona	Mott
	Ross	Wishek	New England
	Sherwood		New Salem
	Stanley		Richardton
	Surrey		
	Tioga		
	Washburn		
	Watford City		
	Westhope		
	Williston		





## **Community Services**

#### IN THIS SECTION:

- Paul Govig's Testimony
- Division Budget Charts
  - Funding Source
  - o Line Item
  - o Program Area

# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

#### PAUL GOVIG - DIRECTOR OF THE DIVISION OF COMMUNITY SERVICES

Good morning Mr. Chairman and members of the committee. I'm Paul Govig, Director of the Division of Community Services.

The Community Services Block Grant (CSBG) program requires a public hearing and so we incorporate that requirement into this meeting. The CSBG program's primary purpose is to assist communities to implement locally designed anti-poverty programs. The CSBG program, delivered through the 7 state-wide Community Actions agencies, provides various services including Head Start, Weatherization, commodity food distribution, Energy Share and housing programs to low income households and persons.

We, in cooperation with the Community Action Agencies, prepare a funding plan for the U.S. Dept. of Health and Human Services and this plan requires a hearing. Therefore, Mr. Chairman, would you please open up the hearing for any public comments on the Community Services Block funding plan.

We expect the program to be funded in the range of \$3.2 million in each of the next 2 years.

The total appropriation request for the biennium for the Division of Community Services is \$60,937,404. In the 2011-2013 biennium, the division's budget was just under \$329 million. We received spending authority of \$235 million during the 2011 Special Legislative Session in anticipation of federal Community Development Block Grant Disaster Recovery funding. The actual amount of funding that was received from the federal government was \$11.7 million.

I'd like to refer you to the pie charts I've included in your handouts. The first chart is the "Funding Request by Funding Source".

- 97% consists of federal or special funds.
- 3% or \$2,042,710 comes from the general fund. Last biennium, the general fund request was \$3.9 million.

The second chart, "Funding Request by Line Item", shows where the dollars will be spent.

- 9 out of every 10 dollars we receive will in turn be provided to local organizations in your communities (city/county governments, Community Action Agencies and Regional Councils).
- 4.9% will be used for salaries and wages.
- 2.3% will be used for operating expenses.

The third pie chart is the "Funding Request by Program Area" 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 and Admin.

The Community Development Block Grant (CDBG) program normally invests from \$15 to \$25 million in development projects during a biennium. In calendar year 2012, the program provided \$1,800,000 for 7 economic development projects, \$2,500,000 for 10 housing projects, \$2,700,000 for 30 public facility projects and \$5,100,000 for disaster/flood recovery. The following are a few examples of the diverse type of community projects we get involved with all across the state:

- \$600,000 for infrastructure development for Horsch Anderson facility near Mapelton.
- \$777,000 to Legacy at Central Plaza. This project involves the conversion of the former junior high into 44 one and two bedroom affordable housing units in Williston.
- \$70,000 to Hebron for lagoon sludge removal.
- \$49,000 to Rolette for courthouse improvements.
- \$14,000 to Fort Ransom for a flood improvement study.

The HOME Investment Partnership program is a federal affordable housing block grant the Department of Commerce receives from the U.S. Department of Housing and Urban Development (HUD). The state of North Dakota receives approximately \$3 million annually. These funds are used to provide affordable housing opportunities to low-income persons, those at or below 80% of the median family income.

The HOME program provides financial assistance for:

- · Development of affordable multifamily housing projects;
- Single-family housing rehabilitation for low-income homeowners;
- · Security deposit assistance; and
- Down payment and closing cost assistance for low-income home buyers.

Recent examples of some HOME projects include:

- Provided \$285,000 to Williston Senior apartments for a 40 unit affordable housing development in Williston.
- Provided \$333,641 to Prairie Hills Townhomes for a 36 unit affordable housing development in Dickinson.
- Provided \$700,000 to Washington Townhomes for a 32 unit affordable housing development in Minot.

It should be pointed out that the Governor has included in SB 2018, an additional \$193,215 to fund operating expenses for the program for the biennium. The additional operating funds are needed because of federal reductions to the program and the fact that the affordable housing real estate transactions continue to get more and more complex and therefore require more and more staff time to successfully develop and complete.

The Office of Renewable Energy and Energy Efficiency is also involved in a wide range of activities throughout the state. Some recent examples of activities include:

 Last year, 949 homes occupied by low income families received weatherization assistance and 307 homes received furnace repair.

The state received approximately \$9.6 million (stimulus dollars) from the Department of Energy for the Energy Efficiency and Conservation Block Grant program (EECBG).
 Most of the funds were used for energy efficiency upgrades to local government buildings. 101 communities or counties received funds to enhance the energy efficiency of their buildings. The largest grant was \$389, 230 for New Salem and the smallest grant was \$6,497 for Zap. The average grant was just over \$92,000.

The Governor has proposed that .5% of the funds that are transferred to the Resources Trust Fund be provided as grants to political subdivisions to improve the energy efficiency of non-federal public buildings. The Office of Renewable Energy and Energy Efficiency has delivered similar programs in the past like the Local Government Energy Conservation program and the Energy Efficiency Conservation Block Grant program previously mentioned. Reducing energy costs and/or operating costs is important to units of local governments and so considerable demand still exists for energy efficiency upgrades to local government buildings.

The Self Sufficiency program area includes the Community Service Block Grant program which has previously discussed and our homeless prevention programs. We provided over \$1,000,000 during the last biennium to 27 homeless shelters, including shelters in Bismarck, Dickinson, Fargo and Grand Forks. On any given night, the shelters serve approximately 1,000 men, women and children.

The final program area is the Technical Assistance and Admin. This includes the Renaissance Zone program which we manage. The purpose of the program is to revitalize communities in our state and encourage development through income and property tax exemptions. We now have 55 cities with zones. Besides Lehr, Lansford and Ryder, all of you are from communities with Renaissance Zones. 1,178 Renaissance Zone projects have been approved and 925 have been completed.

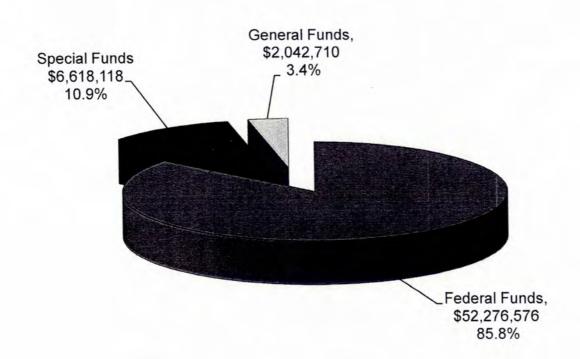
This program area also includes the manufactured home installation program. The program was implemented in 2006. The purpose of the program is to ensure the proper installation of manufactured homes; thereby, reducing problems with the new homes. Manufactured homes have been and will continue to be part of the solution to the extremely tight housing market in the 17 oil and gas producing counties. We have 3 individuals that are involved with this program and they have been working very hard to deliver this program in a timely and efficient manner.

In closing I'd just like to acknowledge that we would not be able to do our job without the hard work and dedication of the 8 Regional Councils and the 7 Community Action Agencies. These organizations are valuable partners of ours and provide excellent service to a wide range of clients all across the state.

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 make North Dakota a great place to live, work and be in business.

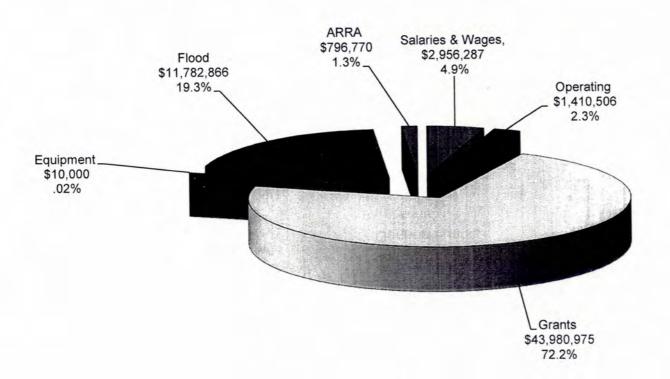
# Division of Community Services 2013 - 2015

Funding Request by Funding Source



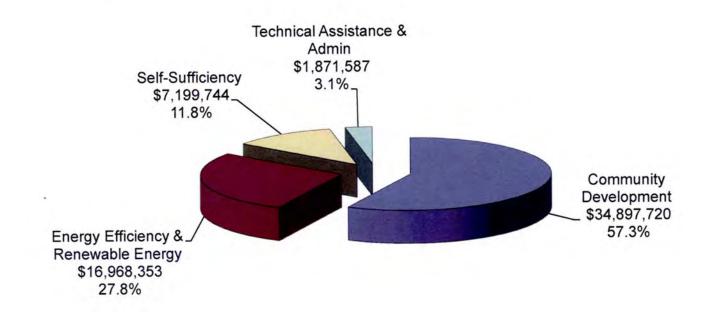
# Division of Community Services 2013 - 2015

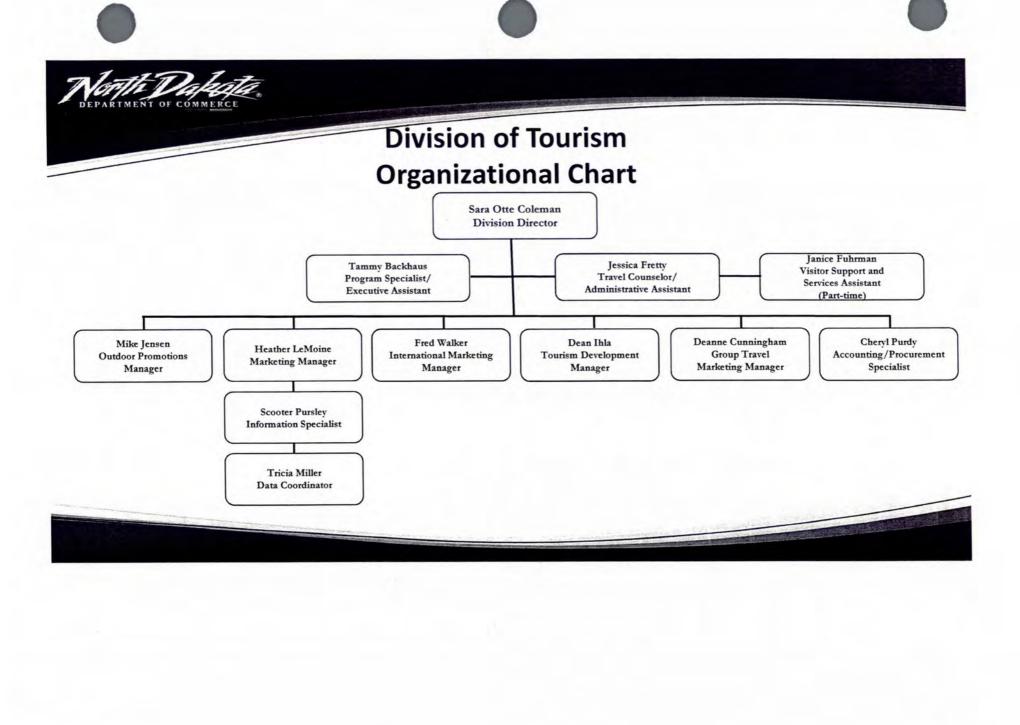
Funding Request by Line Item



# Division of Community Services 2013 - 2015

Funding Request by Program Area







## **Tourism**

#### IN THIS SECTION:

- Sara Otte Coleman's Testimony
- North Dakota Travel & Tourism Industry Facts

# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

#### Sara Otte Coleman - Director, Tourism Division

Chairman and members of the committee, I am Sara Otte Coleman, Director of the Tourism Division of the Department of Commerce.

In the Tourism Division, we primarily work to invest in marketing programs which attract new business from out-of-state visitors and retain residents' travel dollars by encouraging them to travel in-state. We also work to expand what we offer for traveler experiences.

Today I will brief you on some of the results we have realized from our efforts and discuss a few program highlights. I will then address the Governor's budget which includes additional dollars for tourism marketing and infrastructure development.

#### **Tourism in North Dakota Attracts Guests**

For the past five years, traveler spending in North Dakota has grown faster than the national average. Tourism continues to be one of the state's leading industries, and has been since North Dakota State University started tracking it in 1990. Visitors are interested in the activities our great outdoors offer and are expressing increased demand for agri-tourism and energy tours. It isn't just oil that attracts people to North Dakota. Take the couple from California who fell in love with the Pioneer Trails Museum in Bowman. They moved to North Dakota and now work out of the museum doing field studies and digs that are open to the public. Or Jessie Veeder, who moved back to Watford City a few years ago, and has become a bit of a local celebrity. Jessie is using her talents as a writer and singer to create a brand for herself and the Watford City area. She and her husband hope to offer a guest ranch experience to visitors soon. Then there's Sara Watson, who returned from Colorado to showcase her culinary skills in Fargo. She and her husband now serve their own style of North Dakota cuisine at the Café Muse in the Plains Art Museum and at their own storefront, Mosaic Foods.

While tourism in North Dakota is certainly known for its events like the Medora Musical and the State Fair; it is also made up of 883 hotels, lodges and campgrounds, 646 attractions and more than 500 festivals and events. Tourism pumps millions of dollars into every county in North Dakota.

The scenery and fun displayed in our advertising and earned media pieces not only attract visitors, it also helps create a positive image for our state, which helps attract workforce and bring families to our state. Our photography has been requested and used in countless business and physician recruiting documents, articles about the state and websites as far away as Australia. The events and businesses serving visitors also improve our residents' quality of life.

**Tourism Investment Pays Back** 

Our advertising effectiveness research shows that despite our decreased buying power due to increasing costs, the North Dakota Legendary ad campaign is delivering a strong return on investment (ROI) and is having a positive impact on the state's image. Longwoods International, an internationally-known tourism research firm just completed the study on our 2012 campaign and it shows money invested in tourism advertising is an excellent investment, in-fact, it is self-sustaining.

- \$1.9 million in media advertising resulted in \$231.6 million in increased visitor spending

   a \$119 return on investment for every \$1 spent on advertising.
- \$1.9 million in media advertising resulted in \$17.8 million in taxes paid by visitors a \$9 return for every \$1 invested.
- Awareness of the campaign in our target markets improved by 14% and the image benchmarks were all drastically better ranked by those who saw our advertising compared to those who had not.
- One of the image benchmarks in the Economic Development Foundation's strategic plan (50% top ranking) has been met thanks to Tourism marketing.

According to the U.S. Travel Association's report on the Impact of Travel on States' Economies, North Dakota's tourism industry has sustained growth in traveler expenditures and industry wages and employment while other states are economically rebounding. The 2012 report shows that through 2010, North Dakota led the nation in growth of travel expenditures, up by 15%. The travel-generated payroll in North Dakota saw a 7.6% increase and in terms of travel-generated taxes to the state, North Dakota experienced a 6.2% growth to \$344.7 million. North Dakota actually dropped slightly (.4%) in travel-generated employment.

NDSU research ranks tourism as North Dakota's third-largest industry with a \$4.8 billion in spending 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.

We also just received our report from IHS Global Insight who gathers economic impact data and delivers a Tourism Satellite Account. North Dakota's tourism - including the key industries of accommodations, entertainment, retail, dining and transportation -has grown 23.5% since 2008. The report details will be available soon and will show us where we have seen the strongest growth.

A Tourism Satellite Account uses tax data and information from the U.S. Bureau of Economic Analysis and Bureau of Labor Statistics. Data is not subjective and can be offered at the county-level. This data is very useful for local tourism and development officials. The 2012 numbers will be available in March.

#### **Tourism Program Highlights and Results**

Leisure Travel Marketing Continues to Out-Perform

 Research and travel metrics show that visitor interest and traffic in North Dakota is high and growing. Through third-quarter 2012, state park and national park visitation was up 15% and 12% respectively. Canadian border crossings were up 30%, and deplanements in North Dakota were up 19%.

 Through digital marketing and social media, we have reached a unique digital audience of more than 4.7 million in 2012. With click-through-rates (CTR) on North Dakota online ads and the open-rates of our branded emails far above industry norms.

 We recognized the 10<sup>th</sup> year of the Legendary brand with our industry partners at our April travel industry conference and produced a brand book which celebrates the tremendous qualities and characteristics of the state.

We are currently working on a new travel website and have strategic goals to funnel
increased traffic to in-state partners. It will also allow us to improve the online presence
for North Dakota.

Leisure travel marketing is the primary focus of our advertising, however, we recognize
the increased traffic by business travelers and note they are part of the travel
industry and our partners serve them and help foster business-leisure travel growth.

#### Public/Media/Social Media Relations Building the Brand

Public relations efforts enhance North Dakota's image, garnering more than 270 positive stories in 131 media outlets in the past year.

A recent Facebook-promoted post campaign for "10 Years of Legendary and 10,000 Fans" garnered 2,953 "likes," 811 shares and the Travel Fan Page gained 414 new fans. Engaged Users who clicked on the post totaled 7,471.

 The editor of National Parks Traveler, Kurt Repanshek, visited North Dakota in 2012 and has, to date, written 19 stories about the state's national historic sites. In addition, this also helped to foster relationships with National Park staff.

 A Twitter campaign in June of 2011 increased followers from 3,500 to 6,300 and also allowed ND Tourism to become a verified (credible) account. We are one of only 11 state tourism entities to have a verified account.

 This year, Medora and the North Dakota Badlands received a six-page feature in the May/June issue of Midwest Living.

#### **Outdoor Promotions a Key Focus**

 The Tourism Division coordinated with Game & Fish last fall to host writers from Field & Stream, resulting in a five-page feature of North Dakota duck hunting in the November 2012 issue.

Brad Durick Outdoors has become the most successful cat fishing operation in North
Dakota and he credits the speed of his business growth to North Dakota Tourism and the
marketing grants he's received. In fact, in attending an Omaha sport show with our
office, he was able to book his entire June schedule.

 Greater participation among partners at sport shows have led to more stories and bookings. North Dakota had 16 booth partners in 2012, including Woodland Resort and the cities of Harvey and Devils Lake. Each has reported increased bookings and media exposure.

Professional angler Jim Carroll was sponsored by North Dakota Tourism this year and
worked the North Dakota booth at a Milwaukee show. More than 240 additional people
stopped by the booth last year to "talk to the pro" and Carroll's boat, wrapped to display
our brand, was seen by thousands of people at tournaments in Ohio, Michigan, Minnesota

and Wisconsin – and the miles in between. The partnership also enabled two episodes of the popular fishing show "The Next Bite" and online videos about hunting and fishing in North Dakota.

#### **Group Travel Sees Increased Interest in North Dakota**

- In 2011, North Dakota and Amtrak partnered for a familiarization tour that included Amtrak providing round-trip accommodations, meals and tickets for seven tour participations. Through this partnership we were able to save money and generate group tour interest from three companies in Vermont, Michigan and Virginia. A tour from Vermont brought a group to North Dakota in 2012 and that visit resulted in an estimated direct spend of more than \$10,000 with room nights, meals, transportation, shopping, attraction fees and receptive operator fees.
- A North Dakota Group Tour Guide was developed with itineraries crisscrossing the state.
   It was sent to more than 1,000 motor coach industry leaders.
- The Travel Alliance Partners group provided a report this year on their tour traffic to North Dakota. Those accommodations and tour days show an economic value of \$107,275. And the Travel Alliance Partners group is one of 900 tour operators with North Dakota itineraries.

#### International Marketing Growing

- Consistency in attending shows and hosting familiarization tours (FAMs) for our international markets has resulted in increased awareness and attention. FAMs have produced \$1.47 million worth of earned media in the past 18 months.
  - o 12 individual or group FAMs from 6 countries in 2012
  - o 17 FAMs from 5 countries in 2011
- A partnership with BRAND USA the international marketing arm for the U.S. helps North Dakota expand its advertising reach through website participation and magazine advertising. Their central website and magazine promote making U.S. travel planning easier for the international traveler.
- A multi-state guide has been developed for shows in Australia and New Zealand as well
  as the Nordic region for the first time in 2013. Ten-thousand REAL AMERICA copies
  will be distributed showcasing North Dakota with South Dakota, Montana, Wyoming and
  Idaho.
- We have also created 1-, 2- and 3-minute videos showcasing North Dakota and numerous activities.

#### Traveler Services are Responsive

- The Tourism Division annually fields thousands of phone calls for travel information.
   Email requests for information have increased 178%. We have embraced online travel counseling as well, by monitoring Trip Advisor and other online travel review sites.
- The tourism staff provides information and routes calls for people not only interested in traveling the state, but also those looking for information about living and working in North Dakota.
- During the 2011 floods, our travel counselors were able to provide up-to-date information to travelers about travel conditions, closures and detours – providing an invaluable service to in-market travelers.

Support Staff Linking All Operations

- Tourism Division personnel are always looking for ways to create efficiencies, including changing Travel Guide and state map fulfillment. This biennium, a switch to mailing First Class instead of Priority has saved 30% in postage.
- · We provide industry communication through newsletters, emails and an industry Facebook page.
- Future new programs include a Ride North Dakota motorcycling-and-scenic-byways partnership.

Tourism Development is in Demand

- In the past biennium, 49 tourism grants totaling \$1,089,600 were awarded in four unique grant programs: marketing, event marketing, expansions and large infrastructure projects.
  - This included \$750,000 that the legislature appropriated for the new large infrastructure program.
  - A total of 144 projects applied for \$5.23 million.
- Passage of HB 1142, the Agritourism Limited Liability Legislation has resulted in 22 businesses registered with the tourism division - seven being new businesses established within the past three years. We are also hosting education and networking opportunities for operators and potential operators.
- Forty-two new hotels have opened in North Dakota in the past two years, adding 3,500 rooms to the state's inventory. While much of this growth has happened in western North Dakota, new hotels have opened or are under development in 11 communities east of US Highway 83.
- Hotel growth continues with 38 properties adding another 3,600 rooms in development for opening in 2013.
- The hotel accommodation and revenue figures in North Dakota have led the nation in recent years. But we are now starting to see decreases in occupancy rates which will likely lead to lower room rates. This is somewhat concerning with the number of new rooms still to open and makes it imperative that we continue strong marketing efforts to regain the leisure traveler.

#### Partner Collaboration

The marketing resources and services available to partners continues to grow and includes news releases, media pitches, cooperative advertising, free listings in the Travel Guide, unlimited referrals from and online information on the official state travel website, free photos, social media assistance and posts, research, representation at sport, travel and trade shows, and continuing education. In 2012, we customized email and online display ads in addition to traditional media to help partners draw in more visitor dollars. As an example, in the last biennium, a unique sponsorship of the UND hockey series with rivals at the University of Minnesota coordinated partners from Devils Lake, Grand Forks and Medora and was successful on-air and online.

Opportunity

While we can no longer claim to be America's most affordable state to visit, we are claiming newfound attention. With North Dakota's strong economy in the news, many want to come and see for themselves what the buzz is about. We have a tremendous opportunity to convert this interest into visitation, and then convert visitors into residents to help with workforce shortages. The additional \$1.5 million the Governor has requested for our budget will help us extend our marketing in an effort to regain market shares from our regional competitors and build positive image. We also have a tremendous opportunity to expand our tourism offerings. These new or expanded attractions will provide new entertainment and recreation for visitors and residents, for years to come. The new \$1.3 million in the proposed budget will be used to continue the large infrastructure grants. This program was started last biennium when you entrusted us with \$750,000 for this purpose. Annie's House at Bottineau Winter Park is an example of an infrastructure investment. This adaptive ski facility will be only the second of its kind in the U.S. and is one of six projects funded, out of 16 applications.

I hope you can see the impact that we've made and the importance of investing in both our marketing programs and tourism development projects. This is an industry that impacts every county in North Dakota and one that's an investment in the quality of life for North Dakotans. Increasing our reach will help continue to grow North Dakota's third-largest industry.



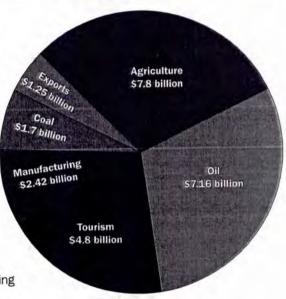
### **North Dakota Travel and Tourism Industry Facts**

#### **Tourism Creates Jobs and Revenue in 2011**

- Non-resident spending contributed \$4.8 billion to North Dakota's economy, making tourism the third-largest industry after agriculture and oil.
- 33,351 jobs were created by travel and tourism economic activity.
- Approximately \$943 million in total wages and salaries were generated by travel and tourism.
- One out of every 12 jobs is attributed to tourism in North Dakota.

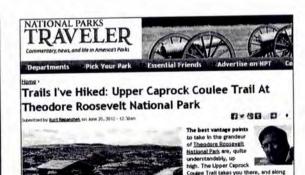
#### **Promotion Improves Image and Attracts Guests**

- Public relations efforts garnered more than 270 positive stories in 131 media outlets in 2012.
- Digital and social media and promotions reached a unique audience of more than 4.7 million.
- 17.2 million people visited North Dakota, an increase of 12.7% from 2008.
- 60% of visitors are non-resident travelers.
- North Dakota was the 10th-most visited U.S. state by Canadians in 2011, spending 1.5 million nights (an 11% increase over 2010) and more than \$242 million.



## Advertising North Dakota returns on investment

- Every \$1 invested in advertising the state returned \$119 in visitor spending, including \$9 in tax revenue.
- Advertising generated 1.4 million trips to North Dakota.
- Advertising-generated visitor spending totaled \$231.6 million.
- Advertising's impact on North
   Dakota's overall image generated its
   highest performance to date 50%
   of both regional U.S. and Canadian
   travelers call North Dakota "a place
   l'd really enjoy visiting,"



Kurt Repanshek is the founder and editor-in-chief of National Parks Traveler. He visited in June 2012 and to date has written 23 stories about North Dakota.

#### Visitors Increase Local and Statewide Dollars

- Each North Dakota visitor generates about \$174 in expenditures.
- Total tourism expenditures reached \$3 billion in 2011, an increase of 23.5% from 2008.
- North Dakota's 53 counties all recorded tourism growth from 2008 to 2011.
- Tourism generated \$571 million in federal, state and local taxes in 2011.
- Tax revenue generated by the tourism industry lessens the annual tax burden by \$943 for every North Dakota household.
- North Dakota led the nation in growth of travel expenditures in 2008, 2009 and 2010. It was up 15.8% in 2010, compared to the national average of 8%.

Source: Longwoods International; IHS Global Insight; Statistics Canada; North Dakota State University; U.S. Travel Association



### **North Dakota Travel and Tourism Industry Facts**

2012 Industry Growth					
Quarterly Stats	3rd Quarter	YTD			
State Parks Visitors	8%	15%			
National Parks Visitors	4%	12%			
Attractions Visitors	35%	23%			
Visitor Centers Visitors	8%	11%			
Lodging Tax Revenue	22%	26%			
Deplanements	15%	19%			
Canadian Border Crossing	14%	30%			
Tourism-Generated Taxes	20%	25%			

#### **Travel Demand and Infrastructure Growth**

- North Dakota's hotel occupancy rates have been higher than the U.S. average since 2007.
  - North Dakota continues to lead the nation in hotel profitability with double-digit increases in Revenue Per Available Room (RevPAR) in 2009, 2010 and 2011. RevPAR is up 13.2% over 2011 through third quarter of 2012.
- Traffic into the state via auto crossings at Canadian borders and airport deplanements continues double-digit, year-over-year growth.
- National park sites, state parks, attractions and visitor centers all increased visitation in 2012.

#### **Attractions and Accommodations Expanding**

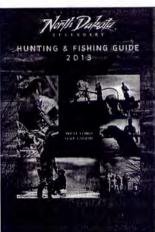
- In the past biennium, 49 tourism grants totaling \$1,089,600 were awarded, out of 144 projects applying for \$5.23 million.
- Five major tourism projects receiving tourism development grants opened in 2012. Hotel development is booming:
  - 42 new hotels have opened in the past two years adding 3,500 rooms to the state's inventory. While growth has happened in western North Dakota, new hotels also have opened or are under development in 11 communities east of U.S. Highway 83.
  - 38 properties are expected to open in 2013, adding another 3,600 rooms.
- AgriTourism interest remains high with travelers and visitor options and recreational
  packages are identified gaps in service an opportunity for future growth. Since the
  2011 passage of limited liability legislation, seven new agritourism businesses have registered with the Tourism Division for
  promotion, bringing the registered total to 22.

#### **Opportunities for Tourism Partners**

- North Dakota Tourism offers many partnership opportunities:
- Group tour marketing
- Sport show representation
- International marketing
- · Brochure distribution
- · Niche marketing
- Legendary merchandise
- Video/photo access
- NDTourism.com partner-managed listings
- · Cooperative advertising offering reduced-rate ad buys
- Marketing and media research
- · Distribution of partner press releases
- Digital strategy: website, blog, e-marketing, social media listings
   Publications: Travel Guide, Hunting & Fishing Guide
   Annual matched-grant programs: marketing, events, infrastructure







#### Centers of Excellence Testimony for Senate Bill 2018

# Mark Nisbet, Chairman, Centers of Excellence Commission January 18, 2013

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 Centers of Excellence and Research Excellence program, the monitoring of the current centers, and the proposed Research North Dakota program.

#### **Building on Success**

We have provided you with copies of the 2012 Centers of Excellence and Research 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, 2012, the centers have spent \$44.1 million of the awarded funds and have leveraged over \$189 million from the private sector and other sources.

We commissioned North Dakota State University 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 \$635 million.

The program has lead to the creation of 1,082 direct jobs with an estimated annual payroll of \$69.2 million. Twenty-four 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 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 eleven centers in April, 2012, that had been in existence for three full fiscal years. Of these eleven, the Commission had determined that nine were on track to meet their desired economic impact, that the Center of Excellence in Life Sciences and Advanced Technologies needed improvement in order to achieve its desired economic impact, and that the Enterprise University did not meet its stated goals, but it did have a significant impact on the community of Valley City and positively impacted Valley City



State University. The VCSU Enterprise University was successful in helping launch Eagle Creek Software Services in Valley City, but was not been able to develop additional partnerships. The Department of Commerce worked with VCSU personnel, as well as local economic developers, in an effort to help them find additional partners to attract to Valley City. VCSU has returned \$200,000 of their \$1 million grant to the general fund. The Commission will be reviewing the centers again in the upcoming months to make another determination based upon the most recent data collected.

#### Research North Dakota Proposal

Governor Dalrymple recommends in his budget that we take a break from establishing new Centers of Research Excellence and instead focus on a Research North Dakota program. Research ND builds upon the successes of the Centers of Excellence and Research Excellence program and will utilize the improved research capabilities of UND and NDSU. Through Research ND, the Centers of Excellence Commission would award grants for research, development and commercialization projects that are done in collaboration with private partners. The return to the state will be in the form of new economic activity that will occur related to the commercialization of new technologies. This will lead to a growing and more diversified economy.

In order to access funding, personnel at a research university will develop proposals in cooperation with a private company. These proposals will then undergo an internal review process at the university to determine which proposals are ready to be forwarded to the Department of Commerce and ultimately to the Centers of Excellence Commission. The department reviews proposals for completeness and compliance and conducts due diligence to assist the Commission in determining the likelihood of a successful project. The applicants, including the university personnel and representatives from the private partner, will provide a presentation to the Commission and the Commission will then decide to approve or deny the proposal.

The focus of Research ND will be on projects related to the target industries including advanced manufacturing, energy, value-added agriculture, and technology-based businesses. This will include emerging technologies such as unmanned aircraft systems and the life sciences. This program will be used to support existing North Dakota businesses, startup businesses, and businesses that are willing to relocate commercialization activities within the state. The program will require a one-to-one cash match, similar to the matching requirements in the Oil & Gas, Lignite, and Renewable Energy research programs of the Industrial Commission.

I encourage your support for the Research North Dakota proposal included in SB 2018. I would be happy to answer any questions you may have.

Mr. Chairman and members of the committee, thank you for the opportunity to speak with you about this proposal for funding of Research North Dakota. My name is Phyllis Johnson, and I am the Vice President for Research and Economic Development at the University of North Dakota.

Since the inception of the Centers of Excellence, or COE, program, the University of North Dakota and its associated foundations have received ten COE grants that have fostered relationships with private sector businesses and created jobs and economic activity in North Dakota. The nearly \$20M we have received through the Centers of Excellence program has resulted in more than \$91M in matching funds and leveraged funds from sources other than state appropriations.

Our work with the Centers of Excellence is an important part of UND's overall research program. In fact, research at UND results in direct, indirect, and induced economic impacts of \$2.05 for every dollar of money invested in research, and in FY2012, resulted in the creation of nearly 1800 jobs in our state.

Funding for the Research North Dakota program will enable us to continue working with private sector companies who can benefit from collaborating with university researchers to solve problems and develop new products for their companies. This will contribute to the diversification of the North Dakota

1-6

economy, making it even stronger and more resilient. And, the Research North Dakota program will enable UND to continue providing students with an exceptional education and preparing them to be skilled, contributing employees in our state. In fact, Wayne Seames, a Distinguished Chester Fritz Professor of chemical engineering, articulated this well in the most recent issue of our research magazine: "for UND faculty, research is an important teaching tool for the advanced education of scholars and researchers. The companies we work with recognize and value this aspect of the research we conduct with them and for them." I'd like to share a few of our success stories with you.

Systems led to partnerships with 25 companies and research institutions. Two large companies L3 & Northrup Grumman established offices here to work more closely with us, and one new company was started. We have partnered with NDSU in these efforts, as well as ND companies such as electronics manufacturer Appareo, and North Dakota is now well positioned to be one of six national test sites to be designated this year by the Federal Aviation Administration. These UAS test sites will provide critical information enabling the FAA to create a regulatory environment for integration of UAS into the national airspace, thus creating further opportunities for economic growth. Another research partner,

9

Avianax, is an early-stage biotech company that is developing therapeutic antibodies produced in goose eggs, based on patents from UND. It is likely that they will have their first commercial product within the next year, antibodies that will prevent avian influenza in commercial poultry flocks. The United States Department of Agriculture has already indicated a desire to contract for 40 million doses as soon as the product is approved, and commercial poultry producers worldwide will create additional demand. These antibodies are produced in goose eggs. Avianax has a facility built for this purpose at Tolna, ND, and intends to add additional goose facilities in the area to support commercial production. A recent report to the Grand Forks Economic Development Corporation identified Avianax as a significant opportunity for value-added agriculture in the region. Avianax is also developing therapeutics for human disease to produced from goose eggs, but commercialization of human drugs is a much longer process.

The SUNRISE BioproductsCenter of Excellence is best known for its development of biofuels represented by a portfolio of five patents for which we are in licensing discussions, including a patent for biodiesel and biobased jet fuel that don't gel in the cold. The SUNRISE project includes research on other biobased products in addition to fuel. Among their twelve private sector partners is Marvin Windows, which has a manufacturing plant in Grafton. SUNRISE researchers have studied

the use of several biobased chemicals that can be used in making window frames, particularly how environmental factors affect the stability of fungicides in window frames. Steven Fisher, a UND alum and an engineer on Marvin's R&D team, observed that "it's like having a company laboratory in Marvin's backyard without having to own it or run it. It's a pattern that's been shown to really work, and I'd like to keep it up" he said. (see Fall 2012 UND Discovery magazine)

The Petroleum Research, Education, Entrepreneurship Center of Excellence began in 2008. This project received \$3M in COE funding and \$6.5M in initial matching funds. Since then, they have received an additional \$6.4M in external grants to build on their earlier work. They are working with 11 companies in the petroleum industry and several other universities. Research on Enhanced Oil Recovery shows that it is possible to improve oil recovery from the Bakken from 2-3% of the Oil in Place to at least 6% and possibly as much as 25%. These researchers will be conducting additional field tests on enhanced oil recovery during this coming summer. They have also shown that the Bakken formation is larger than currently thought, accounting for producing wells that were believed to be outside the Bakken. These researchers are also working on water treatment technology and they've done field tests that show brackish water, frack water, and production water with very high levels of total dissolved solids can be

cleaned quickly and in large volumes, so this has the potential to solve a major problem.

These are some examples of the kind of partnerships and impact that UND has been able to achieve with funding from the Center of Excellence Program. We expect such successes to continue with the Research North Dakota program.

The University of North Dakota supports the proposed appropriation for Research North Dakota of \$12M for the upcoming biennium. Reducing the required match to a 1:1 cash match will make it easier for UND to work with partners outside the university. We are committed to continued partnership with the private sector to grow business and the North Dakota economy and prepare the workers of tomorrow to better serve our state.

## NDSU NORTH DAKOTA STATE UNIVERSITY

STUDENT FOCUSED • LAND GRANT • RESEARCH UNIVERSITY

## **North Dakota State University**

Testimony on SB 2018: Research North Dakota Grant Program

> Dennis K. Anderson, M.Sc. Associate Vice President

**NDSU** 

OFFICE OF RESEARCH, CREATIVE ACTIVITIES AND TECHNOLOGY TRANSFER

January 18, 2013

#### **Introductory Comments**

- Good morning, Mr. Chairman, members of the committee, and Commissioner Anderson. Thank you for the opportunity to speak to you today about SB2018.
- My name is Dennis Anderson. I am an Associate Vice President in NDSU's Office of Research, Creative Activities, and Technology Transfer (RCATT) and one of my roles at NDSU is to work with the private sector to establish new R&D projects including those involving the private sector and funded through the COE and CORE programs.
- I report to Dr. Philip Boudjouk, VP of NDSU-RCATT. VP Boudouk is unable to be here today, so he requested that I represent him and NDSU and provide testimony in favor and support of SB2018, particularly the Research ND Grant Program

NDSU

#### **Introductory Comments**

- NDSU is very excited about the Research ND Grant Program it is an outstanding program that creates public-private partnerships that will broaden and enhance the overall economic diversity in N.D. – particularly in targeted industry clusters.
- Research ND Grant Program is a prized program in that it enables ND research universities to work with and for the private sector to perform commercially-relevant, market-driven R&D and commercialization activities.
- Put another way, the Research ND Grant program permits the private sector to access the state-of-the-art research facilities, equipment, expertise and experience of faculty and staff of ND research universities.

#### **Introductory Comments**

- Research ND Grant program not only builds upon the prior successes and achievements of the COE/CORE program that precedes it.... BUT – Research ND goes above and beyond the COE/CORE program to foster new opportunities for research universities to partner with private sector to benefit North Dakota.
- In that regard, Research ND Grant program closely mirrors the business and research model that NDSU established for its COE and CORE centers, that is, private sector-driven, research, development, and commercialization of technologies and products.
- So.... the founding principles of Research ND are the same ones that NDSU follows in its COE/CORE R&D partnerships with the private sector.

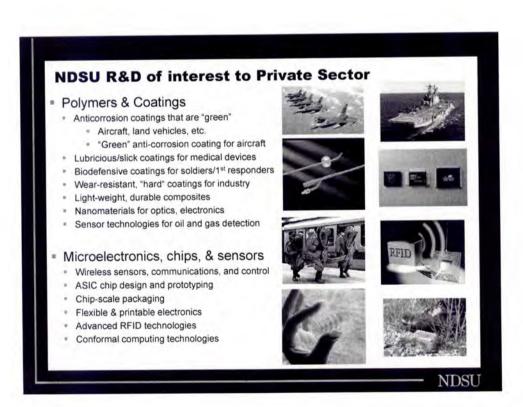
**NDSU** 

#### **Introductory Comments**

- And.... we find that this model works well it produces outcomes and achievements that are highly valued by the private sector.
- I would like to provide you with some background information on NDSU's research, development, and commercialization activities involving the private sector and why NDSU supports the Research ND grant program as specified in SB2018.

#### NDSU R&D of interest to Private Sector Agriculture and ag-biotechnology Biopharmaceuticals, genomics, & bioinformatics Chemistry Computer-assisted science and technology Energy-related simulation and modeling · Oil & gas exploration & extraction Materials R&D Nanotechnology for energy-related materials Renewable specialty chemicals from plants Cellulosic → bio-based plastics Oxidative catalysis of crop oils Chemical feedstocks for plastics Liquid silanes (for making silicon used in):

PV devicesAdvanced batteries



## NDSU COE/CORE Research Centers Platforms for Market-driven, Commercially-relevant R&D with Private Sector Partners

- 9 centers/projects all with significant private sector involvement in R&D to broaden and promote economic diversity in N.D., particularly in high tech
- 25+ private sector partners; averaging 2+ R&D projects/partner
- Centers/projects perform private sector-driven research, development and commercialization of private sector partner's technologies, products, etc.
  - Agricultural biotechnology crop oils for fuel and new chemicals, plastics, etc.
  - Functional polymers and coatings for anticorrosion, antifouling, lubrication
  - Electronics design and manufacturing including ASIC chip design for UAS
  - Integrated electronics & embedded systems (hardware & software R&D)
  - Life sciences → genomics, biopharmaceuticals, bioinformatics, bioactive materials











NDS

#### Business & R&D Model for NDSU COE/CORE Centers: Bridging the "Valley of Death" from Lab to Market

- Private sector is involved at the very beginning
- Private sector-driven R&D
  - Private sector-defined
  - Market-driven
  - Commercially-relevant
- Focused on commercialization of technologies & products
- Outcomes:
  - Attract new companies to N.D.
  - Stimulate creation of startups and spinoffs in N.D.



MINGIT

#### NDSU COE/CORE Centers deliver Results!

R&D & Commercialization Partnerships with Private Sector: In-test or Deployed Technologies and/or Products

Mg-based, non-toxic anticorrosion primer coating for airplanes

Akzo-Nobel - #1 in world





MicroObserver unattended ground sensors to protect assets, borders, etc.

Textron & Killdeer Mtn. Mfg. (manufactured in ND by Killdeer)



**TEXTRON** Systems Killdeer Mnt. Mfg.

Antifouling/fouling release marine coatings for ships PPG Industries - #2 in world





#### NDSU COE/CORE Centers deliver Results!

R&D & Commercialization Partnerships with Private Sector: In-test or Deployed Technologies and/or Products

Safe RFID tagging Triton Systems-ND

technologies for munitions

**Antimicrobial and insecticidal** coatings

Triton Systems-ND (manufactured in ND by Sioux Manufacturing & Triton-ND)

"Hard" coating technologies for construction and energy applications

Electro-mechanical technologies for skidsteer applications

















## NDSU COE/CORE Centers deliver Commercial Results for Private Sector Partners!

#### Leverage Federal/State/Private Funding for Commercialization:

Federal R&D \$\$ & N.D. R&D \$\$ → New Tech & Products for Commercial Customers

NDSU Killdeer Mtn. Mfg.

MicroObserver sensor system: New vending machine tech

NDSU 🗪 🐺 Bobcat. 🗪

RFID technologies: New applications

NDSU - tsind -

Biodefensive antimicro coatings:

New biomedical coatings

NDSU



**TEXTRON** Systems

Marine coatings for ships: New coatings for optics

**NDSU** 

## NDSU COE/CORE Research Centers Platforms for Market-driven, Commercially-relevant R&D with Private Sector Partners

- Promoted continuation and/or expansion of R&D and technical operations in N.D.
  - COE-CSP → Caterpillar Reman
  - COE-CSP → Marvin Windows & Doors
- Promoted R&D and commercialization that results in deployed products and technologies
  - COE-CSP → 4 technologies undergoing further commercialization
  - COE-CAEDM →1 technology fully commercialized and now marketed
- Created R&D and business relationships with new companies
  - MidAmerica Aviation and MOOG

INVISTA Arkema

PPG

- Amity and AGCO
- CertainTEED

- Promoted startups in N.D.
  - COE-CSP → Elinor Specialty Coatings, LLC
- Attracted companies to N.D.
  - Triton Systems, Inc. → New production and development center in NDSU-RTP

# Research North Dakota Grant Program Funding N.D. research university to perform research, development, and commercialization activities related to private sector partners will:

- Permit N.D. research universities to use state-owned facilities and equipment, utilize university personnel, and access other capabilities to assist the private sector in its market-driven, commercial activities
- Enable N.D. research universities to help the private sector be more competitive and profitable by assisting with creation of new technologies and/or products or improve or enhance existing products or technologies
- Assure that private sector will have access to R&D and commercialization capabilities of N.D. research universities











NDSU

#### **Research North Dakota Grant Program**

Funding N.D. research university to perform research, development, and commercialization activities related to private sector partners will:

- Build upon the successes of the COE/CORE program, but will do so in a far broader and more comprehensive manner
- Stimulate formation of R&D and business relationships with existing & new companies and thus broaden and diversify the economy of N.D.
  - Promote startups and spin-offs in N.D.
  - Enable expansion of company's business & operations in N.D.
  - Attracts new companies to establish operations in N.D.











# Thank you!

# **North Dakota State University**

Testimony on SB 2018: Research North Dakota Grant Program

> Dennis K. Anderson, M.Sc. Associate Vice President

**NDSU** 

OFFICE OF RESEARCH, CREATIVE ACTIVITIES AND TECHNOLOGY TRANSFER

January 18, 2013

NDSU



# **UAS Test Site**

IN THIS SECTION:

• Al Palmer's Testimony

# UAS Integration into the National Airspace System (NAS)

Mr. Chairman and members of the Committee my name is Al Palmer. I'm here testifying today as the Chairman of the North Dakota Airspace Integration Team (AIT) in support of the \$5,000,000 proposed within the Department of Commerce budget to support the State's efforts to receive designation by the Federal Aviation Administration (FAA) as a Unmanned Aerial System (UAS) national test site (NTS) and to fulfill the requirements of that designation. I serve on a volunteer basis in my role as AIT Chairman, appointed by the Governor and our Congressional Delegation to further our State's efforts to receive the NTS designation. My full time position is the Director of the UND Unmanned Aircraft Systems Center of Excellence in Grand Forks.

A little background on what has led us to this request: The FAA governs all airspace access in the United States. Currently UAS are authorized to be flown only by public entities. These public entities must receive a special provision or waiver from the FAA called a Certificate of Authorization (COA) in order to fly in defined boundaries within the National Airspace System (NAS). Commercial uses of UAS are not allowed in the NAS.

On February 14, 2012 President Obama signed into law the Federal Aviation
Administration Modernization and Reform Act. This legislation requires the FAA to choose six
(6) UAS national test sites. These NTS's will provide controlled environments where limited integration of UAS into the national airspace will occur. The test sites will become prime locations for industry to research, develop and deploy UAS and new technologies developed. Additionally, the UAS national test site allows for the development of standards and serve as a blueprint for the eventual full and safe integration of UAS into the NAS. Congress also called for the full integration of UAS into the NAS by September 30, 2015. This includes the commercial use of UAS in the NAS. The North Dakota Air Integration Team has assessed this opportunity and spent countless hours dedicated towards garnering North Dakota's selection as one of the national test sites. The Air Integration Team is fully committed to continue to support this effort.

It is anticipated the FAA selection process will begin in February 2013 with final selection in the summer of 2013. The FAA has stated that it does not anticipate that any of the six national test sites will receive funding from the FAA.

According to Association of Unmanned Vehicle Systems International (AUVSI) President & CEO Michael Toscano: "Unmanned aircraft will be the next big revolution in the aerospace industry, and the creation of these test sites will mark the beginning of what will one day be a common occurrence, manned and unmanned aircraft safely flying together in the same airspace".

In a 2012 study, the Teal Group estimates that the global UAS market will nearly double over the next decade from current annual expenditures of about \$6.6 billion to \$11.4 billion. These expenditures include UAS research, development, testing, evaluation, and procurement expenditures. If UAS operations and maintenance expenditures are broadened and civilian and commercial applications are added, these totals will be even greater.

Becoming one of these six (6) UAS national test sites is an extremely competitive process amongst numerous states across the country. The six (6) national test sites are sure to become economic engines that attract significant private sector activity. If North Dakota receives the NTS designation the State will be positioned to be a world leader in this exciting new UAS industry and ultimately benefit from all the associated economic activity. North Dakota's action in developing a UAS test site capability creates the opportunity to develop the State's commercial UAS industry along with the attraction and development of new primary sector business that will develop to serve this emerging industry.

The UAS industry offers very high-paying research, technical and management jobs and should produce considerable scientific benefits. To date the reported non-military UAS economic impact for activities in North Dakota (2008-2011) is \$27M, providing 231 jobs and \$8.3M in direct payroll contributions. There are currently 15 companies and organizations operating in North Dakota. Conservative future impact numbers developed by the AIT's research forecasted that with the NTS designation North Dakota could see an additional 250 new jobs created with an impact of between \$160M and \$213M statewide over the next 10 years. Please understand that these numbers are conservative projections.

A significant influencing factor in North Dakota's successful selection as one of six (6) UAS national test sites is statewide engagement and financial support. Economic sustainability of the UAS national test site will be critical evaluation factors in the FAA's selection process. The proposed Northern Plains Unmanned Aerial Systems National Test Site (NP UAS NTS) requires investment from the State of North Dakota to underwrite the start-up costs and labor associated with an effort of this magnitude.

The Legislature has supported UAS development activity in the state in recent years. It is that past investment which has positioned us as a frontrunner in this FAA NTS competition. UAS hold tremendous potential to keep the public safe, create lasting jobs, and boost local economies and further advance North Dakota as a leader in technology and innovation.

There are currently dozens of non-military uses of unmanned systems that North Dakota and the world can benefit from, including the use for agriculture applications, law enforcement & disaster operations, search & rescue, environmental research, infrastructure monitoring (i.e. electrical lines, pipelines, highways, etc.), mapping and many more.

North Dakota's efforts to pursue the NTS designation are provided through the Airspace Integration Team (AIT). This is an appointed group of volunteers made up of ND aviation professionals and experts from across the state. As mentioned earlier the AIT was formed in cooperation between the Governor and our Congressional delegation.

It is now time to take this effort beyond the volunteer status and bring it up to a level with a full-time director to lead the effort to receiving the designation and ultimately guiding the process for implementing the Northern Plains Unmanned Systems National Test Site plan. The Director will fall under the oversight of an authority which may include the Lieutenant Governor, North Dakota Aeronautics Commission, University of North Dakota Odegard School of Aerospace

Studies, North Dakota Department of Commerce, and the North Dakota Adjutant General's Office.

The FAA has stated that they will not be providing funding to support the NTS activities implemented by the designated states. The executive budget through the Commerce budget is requesting \$1,000,000 to support the efforts to continue pursuing the NTS designation and assure success. An additional \$4,000,000 would also be provided if North Dakota receives the FAA NTS designation. These resources will be used to establish the UAS national test site and fund operations while efforts continue to develop the commercial UAS industry in North Dakota. Particular focus of the funding will be applied in the areas of operations, airspace management research & engineering & technology, training & education and business & finance. The NP UAS NTS will consider all options to minimize costs and leverage existing North Dakota resources, such as using existing capabilities at UND and the Odegard School's existing research, education, training, flight operations expertise and infrastructure.

As I stated earlier, funding for this activity is not anticipated from the FAA. Without State resources to support an NTS initiative, North Dakota's prospect to achieve designation would be dramatically diminished! Therefore the Airspace Integration Team, in conjunction with the Governor encourage you to support the Unmanned Aircraft Systems Program proposed in the North Dakota Department of Commerce budget.

I would be happy to answer any questions.



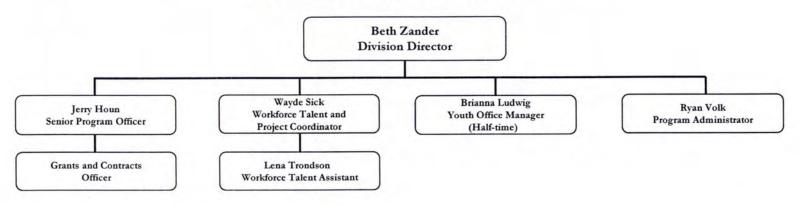
# **Workforce Development**

# IN THIS SECTION:

- Beth Zander's Testimony
- Workforce Development Strategic Plan
- Electronic Portfolio Pilot Project Executive Summary
- Workforce Enhancement Grants Summary



# Division of Workforce Development Organizational Chart



# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

### BETH ZANDER - DIRECTOR OF THE 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.

The Division continues to engage in activities to help the state address its workforce needs. Our key activities include the following:

- Coordination of state strategic planning for workforce development. We formed the North Dakota Workforce Leadership Team in 2012 to develop and implement strategies to address the state's workforce needs. Our strategic plan, Strengthening Our Workforce, includes four primary goals that target preparing our future workforce, facilitating the connection between business and workforce, expanding and retaining workforce, and promoting North Dakota's learning and work opportunities. The strategic plan summary sheet is included in your documents. The North Dakota Workforce Leadership Team is comprised of representation from my division, Career and Technical Education, Department of Human Services, Job Service North Dakota, Adult Education, and the North Dakota University System. We meet regularly to implement plan strategies, consult on issues or opportunities, and share information.
- Coordination of workforce intelligence through a team of representatives from partner agencies. We also reach out to the economic development community to provide workforce intelligence and assistance.
- The AmeriCorps program, which supports volunteerism to fill unmet community needs, while keeping individuals connected to their communities and providing them with educational assistance.
- Operation Intern, a program enacted in 2007 to expand internship, work experience and apprenticeship positions with North Dakota employers.
- The Relocation Program, by which we reach out to people interested in moving to
  North Dakota for employment. We are beginning efforts to expand our connections
  beyond individual contacts, to other household members. We want to increase our pool of
  workers. But we also want to engage the whole family in moving to North Dakota for the
  long term, rather than sending one family member here temporarily, to make some
  money and return home.
- Workforce Enhancement Grants, enacted in 2007 to increase training responsiveness to employer needs through matching grants to the four designated training community colleges.
- During the current biennium, we developed an electronic portfolio pilot project in collaboration with Job Service North Dakota, North Dakota State College of Science, Valley City State University, and the NDUS Systems Office. This project is the result of legislation enacted last session and it will end in June. We provided a report to the

Page 1 of 3

Budget Section in advance of the legislative session, and the executive summary is included in your accompanying documents. Project members and students found the electronic portfolio to be an exciting tool for managing education and work information.

• We provide administrative support to the North Dakota State Commission on National and Community Service and the Faith & Community Based Initiatives Advisory Council. The missions of the two groups have similarities and we are pursuing uniting them for stronger, more effective results.

• The North Dakota Youth Office is designed to invite young people to stay in North Dakota by exposing them to the many ways to live, work and play in our great state. Tools such as the Youth Forward website, a collaborative North Dakota Youth Matters newsletter and video Career Conversations assist students, parents and educators in seeing the diverse, exciting opportunities at their doorstep.

Our participation in collaborations such as Succeed 2020, Early Childhood Education Council, Statewide Visioning Strategy Coordinating Committee for Public Health, ND Center for Nursing Workplace Planning, Workforce Development Council, meetings of the College Technical Education Council (CTEC) and TrainND, and a joint Society for Human Resource Management (SHRM)/Governor's workforce conference planned for next fall, reinforce our overall effort to bring together the many partners striving to ensure that North Dakota's workforce is sufficient and qualified to meet the needs of our growing economy.

It's clear that childcare issues are also workforce issues. Quality childcare allows parents
to go to work, confident that their children are in a safe, learning environment. We
partner with the Division of Community Services and the Department of Human Services
in efforts to expand quality childcare as a key component of workforce development.

We are requesting increased allocations in two areas, to expand ways in which we grow our workforce: Workforce Enhancement Grants and Operation Intern.

The Workforce Enhancement Grant program is funded at \$1.5 million for the current biennium and we are requesting an allocation of \$2 million for 2013-15. Funds are available to Bismarck State College, Lake Region State College, North Dakota State College of Science, and Williston State College for creation or enhancement of programs that address workforce needs of private sector companies. Approved grants must include dollar-for-dollar matching funds from the private sector. Current funds are fully committed and we continue to see high demand due to rapidly changing technology and strong need for skilled workers throughout the state. Match has exceeded the dollar-for-dollar requirement, demonstrating employer demand as well as the collaboration among colleges and industry.

The new or enhanced training made available this biennium includes mechatronics, high fidelity nursing simulation, energy programs, and precision agriculture. A summary of the 2011-13 grants within your accompanying documents shows the programs created or enhanced and the match provided.

Operation Intern emphasizes higher education internships in target industries. Matching funds equal to 50% of expenses up to \$3000 per school term for a maximum of two school terms per position are available to businesses for 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.

Work experience activities such as internships, cooperative experience and apprenticeships are critical components in North Dakota's workforce development. They serve as a pipeline of fulltime employees, mitigate risk in new hires, and engage students with employers. North Dakota is experiencing unprecedented demand for workers, and it is critical that employers recognize the value of internships in their recruitment toolbox.

We are requesting an increase in funding from \$900,000 to \$1.5 million, which will be applied to two components:

- Increasing the pool of matching funds from \$900,000 to \$1.28 million. The program provided matching funds to 109 businesses for 361 individuals in the current biennium. Seventy-nine percent of the employers utilizing the program are in the state's target industries, and 47% of them are utilizing Operation Intern for the first time. Funds allocated for 2011-13 were fully committed last summer.
- Operating funds to increase the utilization of internship activities as critical components of workforce recruitment, skill development and career exploration. We will provide employers with tools and one-on-one assistance to create or grow internship programs. We will embark on a promotional campaign to ensure that employers and students understand the benefits internships. And, we will create a strong partnership among the facilitators of internship activities throughout the state, such as higher education and Career and Technical Education. The partnership will collaborate to simplify processes, maximize promotion, and develop or enhance a shared website that will simplify the connection between employers and prospective interns. It will serve as a portal to career and internship information, support, and linkage to partner programs. Our vision is modeled after Indiana's statewide internship website, Indiana Intern.net, which highlights career opportunities and industries, posts promotional articles and success stories, and provides a labor exchange matching tool for internships.

Cooperative experience activities are akin to internships for high school students. We see potential for an expanded Operation Intern program to support cooperative experience in helping with an area of concern in our rural communities. That is, sole proprietors are nearing retirement or wanting to expand and are unable find replacements or partners in the business. By helping these sole proprietors to establish cooperative experience programs, we can expose local youth to occupational and business ownership opportunities they may not otherwise recognize.

We are also asking for an emergency clause on the appropriation so we can continue to offer the program during the upcoming spring and summer months.

Mr. Chairman, members of the committee, this concludes my testimony. I would be happy to answer your questions.



# STRENGTHENING OUR WORKFORCE

North Dakota's Strategic Plan for Workforce Development

Vision: An enterprising workforce that drives North Dakota's global competitiveness, has regional access to exemplary skill development, embraces lifelong learning and contributes to state and community vitality.

#### GOAL 1: PREPARE OUR FUTURE WORKFORCE

- STRATEGY 1: Engage students, parents, schools and businesses in a comprehensive career planning process Expand the use of RUReadyND.com, an online computer-based career development system, and a statewide grade 7-12 career planning curriculum.
- STRATEGY 2: Expand access to career and technical education and training

  Make more career and technical program options available to more students statewide, helping to meet workforce demands and increase school completion rates.
- STRATEGY 3: Increase employer use of internships and cooperative work experiences

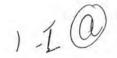
  Expand work-based learning through a core resource for information, promotion and assistance for internships and cooperative work experience activities.

## GOAL 2: FACILITATE THE CONNECTION BETWEEN BUSINESS AND WORKFORCE

- STRATEGY 1: Build partnerships for future workforce needs and opportunities

  Enhance linkages between employers, students, parents and schools for shared understanding of workforce needs and opportunities.
- STRATEGY 2: Create a site for displaying employer-provided training and education resources

  Provide an online inventory of employer-provided opportunities such as scholarships, training, internships, speakers, etc. for access by youth, parents and other career influencers.





#### GOAL 3: EXPAND AND RETAIN OUR WORKFORCE

STRATEGY 1: Provide communities and employers with tools to support efforts to meet their workforce needs

Assist communities and employers as they encourage new workers and their families to make North Dakota their home.

STRATEGY 2: Establish a pilot program utilizing federal demonstration grant funds to train unemployed, underemployed and dislocated workers in oilfield and construction trade occupations

Focus on securing employment with North Dakota employers experiencing worker shortages. The grant places priority on veterans and Native Americans.

STRATEGY 3: Ensure the continuing competitiveness of North Dakota's employers by enhancing the knowledge and skills of current workers

Offer frequent opportunities to communicate with employers regarding existing training, training needs and the return on investment resulting from training.

## GOAL 4: MAP WORKFORCE DEVELOPMENT ACTIVITIES FOR PLANNING AND PROMOTION

STRATEGY 1: Create an inventory of existing workforce development services and programs, and analyze for strategies and policy recommendations

Create a detailed map of the training, education and development activities available in North Dakota for identifying gaps and potential solutions, and promoting North Dakota's opportunities.

STRATEGY 2: Promote North Dakota's training and education opportunities

Market the value of North Dakota's career opportunities in-state and out-of-state to encourage current, new and future residents to work, stay and play in North Dakota.

#### North Dakota Workforce Leadership Team













Our purpose is to identify North Dakota's current and emerging workforce needs and work collaboratively to develop and implement strategic, goal-oriented action plans that strengthen our state's workforce.

#### Electronic Portfolio Pilot Project Executive Summary

NDCC 54-60-27 established a pilot project for an electronic portfolio (eFolio) system. Product features identified in the legislation include 'a multimedia system that enables users to showcase education and skills, and allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, and experience.'

The eFolio Pilot Project Committee includes representation from the North Dakota University System including North Dakota State College of Science (NDSCS), Valley City State University (VCSU), and the NDUS System Office; Job Service North Dakota (JSND) and the North Dakota Department of Commerce. The committee selected the MyeFolio.com system for the pilot project. MyeFolio.com is a product of Avenet, LLC.

While the majority of the pilot project goals have been implemented, project activities will continue through June 30, 2013. The points listed below were developed to assist with the 2013 legislative process.

#### Conclusions

- Features of electronic portfolio tools and their current level of functionality make them most beneficial to the education realm.
  - Tools are used for a variety of functions, including coursework assignments and assessment, maintaining education records, and storing proof of skill achievements.
  - Secondary and post-secondary students are engaged in activities that produce documents, videos and other artifacts of their education, resulting in high quality portfolio
  - Students receive instructor assistance while developing their portfolios.
  - Students are taught the value of the tools for maintaining a record of their lifelong learning and achievements.
  - o Pilot project users who have not received classroom instruction on the use of the tool have been less inclined to complete their electronic portfolios, and when they do complete them, portfolios are less robust than those created by students.
- Electronic portfolio tools vary in functionality, offering a range of uses for education systems. As a result, K-12 and post-secondary institutions (public and private) have begun using a variety of tools to meet their respective needs. The state could benefit from standardization or compatibility among tools. However, even if a standardized electronic portfolio is made available, specialized needs within certain programs or courses may require the use of different portfolio solutions.
- The electronic portfolio products reviewed during the pilot all appear to require modification to achieve the reporting functionality, employer-job seeker matching capability, and employer-economic developer search capability identified in legislation.
- Integration with systems should be taken into consideration. The electronic portfolio products reviewed during the pilot require development to provide integration with higher education systems including ConnectND, Active Directory, library, learning management, and other systems. Integration provides capabilities such as 'single sign on' and can lead to stronger user adoption and reduced support.

Recommendations

- Implementation of a standardized tool (or interface capability among tools) in North Dakota could reduce duplicative costs, but may not address all of the unique requirements for electronic portfolio use in the state.
- Standardization or interface capability would provide users with a single, seamless
  method of maintaining lifelong records. This increases likelihood that the tool would be
  utilized and that records would be kept up to date.
- If statewide implementation is pursued, it should be rolled out through education, with phased-in development of other desired features, such as job matching. Discussion and planning with education would be necessary in this regard.

#### Costs

Avenet, LLC provided a non-binding cost estimate of \$1.5 million for the next biennium. The estimate covers two general cost areas in relation to the pilot legislation:

 Ongoing costs for open access to North Dakotans and individuals seeking work in North Dakota (licensure, software maintenance and upgrade, technical assistance, etc) at approximately \$1 million (\$500,000 per year).

 Initial development costs necessary to meet the needs of employers and economic developers, and integration costs for efficiency in higher education is estimated at approximately \$500,000.

The above cost estimate does not include the technical administration costs associated with a statewide system. In addition to licensing and development costs for an electronic portfolio system, consideration must be given to the technical staff resources that would be required for project management and technical coordination; user administration, software training and help desk support; and product development, system security, and maintenance.

Some of the longer term changes, such as integration requirements, may be necessary for K-12 as well.

A statewide portfolio implementation would likely require issuance of a request for proposals (RFP).

#### Workforce Enhancement Grant Program 2011-2013 Biennium

#### Bismarck State College

 High Fidelity Simulation for Dakota Nursing Program, \$150,000 Funds to be used for purchase of high fidelity simulation equipment for simulation labs in the nursing and emergency technology programs. The equipment is to enhance the current labs and provide hands-on training geared toward much more complex medical scenarios (both inhospital and ambulance based patient care).

Degree and non-degree programs

o Available match: \$167,000

Enhanced Energy Labs, \$225,420

Funds will provide equipment for three energy industry related programs in order to address the demand for skilled workers: Instrumentation and Control, Mechanical Maintenance, and Renewable Generation. Equipment will be housed on BSC's main campus in the Bismarck Public Schools Career Academy (a shared facility) and the BSC Mechanical Maintenance facility in Mandan. This project enhances BSC's ability to offer hands-on training to more students at one time and expose them to more uniform training.

Degree and non-degree programs.

Available match: \$232,240

Precision Agriculture Program Enhancement, \$50,000 Funds will be used to enhance the precision agriculture component of curriculum for student in the Agriculture Industry and Technology program (Associate in Applied Science Degree) and the Farm and Ranch Management program (Associate in Applied Science Degree). Additional precision agricultural equipment and software will be needed; curriculum will need to be developed or enhanced; and training provided for faculty.

Degree programs

Available match: \$90,170.

BSC Total: \$425,420

## Lake Region State College

Precision Agriculture, \$288,600 Funding to develop curriculum, equip and deploy training to employees housed in agriculture implement dealerships, ag producers and other ag businesses. Includes training on GIS spatial imagery equipment, so that businesses can troubleshoot and assist customers with the high tech nature of modern farm equipment. Training modules address varying computer systems among the businesses and will be adapted to employer needs. The project has long-term potential for delivery of credit courses, certificates of mastery and degrees.

Non-degree programs

Available match: \$288,600

LRSC Total: \$288,600

#### North Dakota State College of Science

#### Mechatronics Training Initiative, \$375,000

Funds are being used to develop a mechatronics training initiative. The field of mechatronics is a fusion of electrical / electronic control systems, computer technology, and mechanical systems. This proposal is designed to offer an Associate in Applied Science Degree in Mechatronics Technology by offering course modules and lab activities. It also provides current workforce with opportunities to upgrade skills.

- Degree and non-degree programs
- o Available match: \$418,421
- Transportation and Manufacturing Torque Certification, \$50,000
   Funds will be used to ensure safe operation and improve the durability of vehicles and equipment in the transportation, heavy-duty / diesel and manufacturing industries, technicians need to understand the importance of torque in fastening procedures. With these industries transforming as new technologies and new materials this training will assist with the changing in skills needed to maintain and repair cars, trucks, recreational vehicles manufacturing equipment and agricultural equipment. The skills needed are changing such that The National Coalition of Certification Centers (NC3) now recommends torque certification for all new technicians.
  - Degree and non-degree programs
  - Available match: \$96,278

NDSCS Total: \$425,000

### Williston State College

Oilfield Training Programs, \$375,000
Funds are being used for two areas of training in the oil industry. The project includes hands on training for current and potential workers to have a clear understanding of safety in rig-up and rig-down activities for various frac jobs. The second area, Petroleum Technology degree and certificate programs, trains individuals to maintain the oil wells as lease operators or pumpers. This project will assist in developing the program in a quick-to-market format via three short-term certificate courses.

Degree and non-degree programs

Available match: #375,000

Pending Request: Mobile Equipment Training: \$32,500

WSC Total Awarded to Date: \$375,000

Total Funds Committed During 2011-13: \$1,514,020



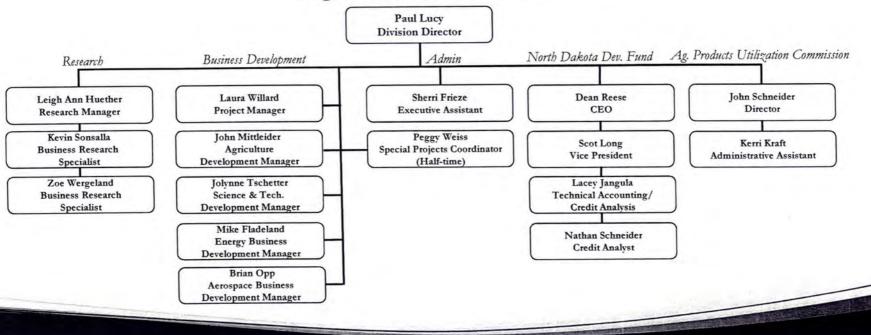
# Economic Development & Finance

## 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 SB 2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, 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 funding to be invested specifically into childcare services businesses. This childcare loan program is the only diversion from the primary sector business investment focus of the Development Fund.

The new childcare loan program began on July 1, 2009. As of December 31, 2012 there has been \$1,010,082 committed to childcare based loans to support 19 childcare operations. The childcare loan fund currently has a fund balance of just over \$550,000 This program has seen steady demand since its inception. The childcare loan program presently, through legislation, has a sunset clause of June 30, 2013. We are requesting a change in our Commerce agency bill to remove the sunset to allow the Development Fund to continue to make childcare loans as the fund continues to be replenished by repayments from existing and future loans.

The Development Fund received an additional appropriation in the 2011-2013 biennium in the amount of \$1,000,000 to be used for funding start-up primary sector technology-based businesses. The funding program is called the Small Business Technology Program. The Fund has received inquiries regarding the program, but no funds have been committed to date.

The ED&F budget is not requesting any additional appropriation for the Development Fund.

1-5

Regarding primary sector business investment activity; from July 1, 2011 to December 31, 2012, the Development Fund has funded 36 new projects for a total of \$8,537,069.

On June 30, 2013, the Development fund is projecting to have a cash balance of approximately \$8,811,347.34. The Development Fund has averaged approximately \$6.0 million in new loans/investments per year over the past 3 years, and averaged approximately \$4.5 million per year of loan/investment collections. The Development Fund covers all operating expenses, averaging \$401,808 per year, from its loan/investment returns.

If the Development Fund maintains the prior year's averages, it is estimated there will be approximately \$6.2 million available to make loans/investments in the final year of the 2013-2015 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 \$31 million in legislated general fund appropriations, but has also returned funds to the general fund of approximately \$2.7 million. In turn, the Development Fund has invested \$94.2 million in 546 projects involving 519 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 3.40 times more dollars than it has received in general fund appropriations.

The North Dakota Development Funds has averaged 26 projects a year since its inception and an average total funding per year of \$4.4 million. The average outstanding portfolio of the Fund from 1999 to 2012 has been \$19,875,210 (loans & equity). The Fund has averaged \$1,086,349 per year in average income and has had an average administrative expense of \$279,263. The average annual net income to the Fund after expenses has been \$818,769.

During the 2011-2013 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.

A copy of the North Dakota Development Fund's annual report is included in the testimony packet.

# **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 20011-2013 biennium, APUC has awarded \$1,267,863 to 31 projects (including sponsorships). The breakdown into the various program areas are as follows:

- Basic and applied research = \$272,652
- Farm Diversification = \$0

- Marketing and Utilization = \$830,182
- Prototype Development = \$105,500
- Technology = \$0
- Technical Assistance = \$35,529
- Nature Based Agri-Tourism = \$21,000
- Sponsorships = \$3,000

APUC is currently one of the last state granting sources for companies looking to fund intangible costs necessary to move projects forward, but have difficulty in accessing capital to fund. This includes 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:

- Crunchfuls Inc. Marketing and Utilization APUC funds were used to assist with the
  development of a supplement bar utilizing North Dakota grown dry beans, peas, lentils,
  and chickpeas (DPLC). The DPLC's bar would be focused on bringing new and
  nutritious foods, like healthy recovery snack bars, to the Soldier Fueling Initiative
  Program for military subsistence.
- Dakota Sun Garden Nature Based Agri-tourism APUC supported this family operation by helping to defray the costs for marketing of the gardens and winery located near Carrington. Funds also assisted in the building of visitor attractions, and the development of a unique wine variety.
- Northern Corn Development Corp –APUC provided financial assistance for professional services involved in the business planning efforts to convert flared gas from oil wells into nitrogen fertilizer and other products. It is the intent of this planning effort to add value to crops raised using this fertilizer by claiming a reduction of greenhouse gas emissions.

The APUC general fund request for the 2013-2015 biennium is \$1,208,252. This reflects a \$500,000 decrease in general fund appropriation. The proposed budget also reflects an increase to APUC's special fund spending authority from \$738,284 to \$1,738,284.

It is also worth noting that a portion of APUC's past and present budget comes from dollars received from the agricultural fuel tax refund. The proposed budget bill proposes to eliminate a majority of these funds as a funding source for APUC. During the 2009 legislative session the legislature approved the transfer of 5% of the state mill and elevator's net income to the Agricultural Fuel Tax Fund to support APUC project funding.

We are also requesting continuing appropriation for the Agricultural Fuel Tax Fund or newly named Agricultural Products Utilization Fund.

The most recent APUC Grant Report (2010-2012) is included in the testimony packet.

# **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. This team brings background and knowledge to the following target industries.

Value-Added Ag

Technology Based Business/Science & Technology

o 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 rural North Dakota community lost a long-time employer in their community. ED&F staff has worked with an in-state entrepreneur to put together a finance package and coordinate state agency assistance to support their efforts to acquire the vacant facility and start-up a new company to replace the company that closed.
- Assisting out-of-state companies moving operations into North Dakota
  - EXAMPLE: The largest commercial provider of vendor credentials for the Department of Defense was searching for a location to site a development center. ED&F staff worked with the company and community to identify business finance and incentive offerings, and facilitate connections with appropriate government officials to support the company's needs. The company selected North Dakota to site their facility and hired 35 new employees their first year.
- Linking existing in-state businesses to new business opportunities
  - EXAMPLE: ED&F staff has worked with an out-of-state company interested in learning about contract manufacturer suppliers in North Dakota. ED&F staff hosted the company to visit/tour North Dakota manufacturers. The company continues to have discussions with a manufacturer that is expected to lead to a production contract.
- Community & Company Capacity Marketing
  - EXAMPLE: The ED&F Research staff created and maintains an online system to assist communities to market their available buildings/properties as well as list all relevant community data to support on-line inquiries. 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
  - 112 companies certified or recertified for Primary Sector status
  - 13 companies certified or recertified for Seed Capital Investment Tax Credit
  - 4 companies certified for Agricultural Business Investment Tax Credit status
  - 14 Angel Funds certified to be eligible for the Angel Fund Tax Credit
    - 6 were re-certifications and 8 were newly certified angel funds
  - 1 company certified as a Microbusiness
- · Targeted marketing and business recruitment
- Community & stakeholder support services
- Liaison services between the private sector and State government and other public sector
- University linkage 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 and other efforts 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 2017 as a result of the location and expansion of these projects in the state.

- 2,300+ jobs (direct and indirect)
- \$600+ million dollars of personal income
- \$125+ 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 .

- 84 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.

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 visited:

- 38 Communities
- 31+ Primary Sector companies

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.

We are occasionally asked why North Dakota continues to have an aggressive business development effort considering the state's positive economic situation. There are a number of reasons to do so, but I want to highlight a couple here.

- The 2010 Census identified 41 counties that lost population from 2000 to 2010.
- 22 counties are still projected to lose population between 2010 to 2025
- We need to continually diversify the economy. As industries evolve and new industries
  develop, we don't want to miss out on developing industries in North Dakota that could
  potentially be a primary driver in the national and world economy.

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.



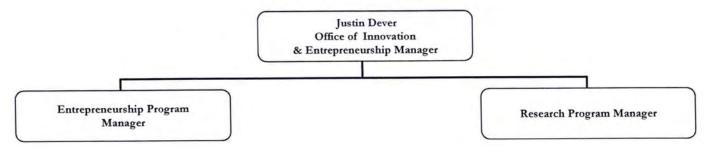
# Office of Innovation & Entrepreneurship

# IN THIS SECTION:

- Justin Dever's Testimony
- Map of Innovate ND Startups
- Mark Nisbet's Testimony
- Centers of Excellence Report



# Office of Innovation & Entrepreneurship Organizational Chart



# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 JANUARY 18, 2013, 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 morning. 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 SB 2018.

The Office of Innovation and Entrepreneurship was formed in 2007, to oversee the Centers of Excellence and Innovate North Dakota programs. In 2009, the legislature added a technology-based entrepreneurship grant program, which is also managed by this office. The Office of Innovation and Entrepreneurship includes 3 staff members: myself as manager, an Entrepreneurship Program Manager and a Research Program Manager that oversees the Centers of Excellence and Centers of Research Excellence program.

#### Innovate North Dakota

Innovate ND was launched in the fall of 2006 to assist new and existing entrepreneurs with ideas for product or service innovations. Coaching, training, and incentives are provided that help them develop their concepts for a pitch to investors, and ultimately, for success in the marketplace. The vision of Innovate ND is to grow a statewide entrepreneurial community, an ecosystem if you will, that is supported by educational content, technical expertise and business resources to encourage, promote and support innovation.

Over 450 Innovate ND alumni now have a business plan and educational tools they can use to further develop their business idea and take it to market. In addition, 135 ideas are now successful, operating businesses in North Dakota and contribute to our state's economy. (A map of the location of these 135 businesses is included in your packet.) A few examples include:

- DogIDs.com (Fargo and past Innovate ND winner);
- LightsOn (Bismarck, 3 time participant and past Innovate ND winner);
- Marathon Fundraisers (Grand Forks, 2 time participant);
- · Toilet Boot (Minot, 2 time participant and past Innovate ND winner); and
- MyGuides (Dickinson, 3 time participant).

Innovate ND is unique from other venture competitions around the country because of the educational tools and technical assistance provided to the entrepreneurs in the program. Tools include detailed guides to develop a business plan and financial statements; training to develop an investor pitch; and hands-on workshops with nationally recognized entrepreneurial educators.

Four entrepreneurial centers provide technical assistance and partner with the Innovate ND program. The centers include: Center for Innovation (Grand Forks), the NDSU Tech Incubator (Fargo), the IDEA Center (Bismarck) and the Severson Entrepreneurship Academy (Minot). Each of these centers has coaches on staff who assist entrepreneurs with their idea and business development. In addition, the Strom Center (Dickinson) and Bismarck State College (Bismarck) also support the program and intend to become more active partners.

In 2013, Innovate ND will invite its key stakeholders to participate in a strategic visioning process that identifies recommendations to further enhance the program over the next 2-3 years.

The governor's budget request for Innovate ND is \$500,000 and will be used for educational content, technical assistance to participants and program administration. This reflects a \$100,000 increase which will support year-round technical assistance and educational content for entrepreneurs rather than the current 9-month program. Since the program's inception, more than \$400,000 has been raised from private sector sponsors to provide the prize money and in-kind services awarded through the venture competition.

Innovate ND is one of our state's most important strategies to grow our entrepreneurial community and thereby continue to diversify North Dakota's economy. I ask for your support of the Innovate ND program budget.

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 program, Commerce worked with the entrepreneurial centers across North Dakota and 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.

During the current biennium, we have awarded \$816,572 to entrepreneurial centers and may hold up to three additional rounds before the end of the biennium, depending on the availability of funds. 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.

24 startup businesses have been impacted with project funding of up to \$10,000 per entrepreneur. Examples include:

- Bismarck-based Safe Pursuit, LLC, which their Talon device enables law enforcement officers to quickly, easily and safely bring fleeing vehicles to stop;
- StopSensor was developed by Larry Mosbrucker of New Salem and helps drivers precisely align trailers for loading and unloading; and
- Myriad Devices out of Fargo creates mobile solutions for clients.

Entrepreneurial centers have also utilized the funding to develop programs to aid entrepreneurs. Examples of programs include:

- EB-5 Regional Center which helps facilitate foreign investment in North Dakota businesses;
- North Dakota Life Sciences Entrepreneur Outreach Network; and
- Federal and State Technology Partnership Program which helps businesses successfully apply for Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants and commercialize their technologies.

### Centers of Excellence & Research Excellence

This office also carries out critical functions for the Centers of Excellence and Research 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. A competitive Centers of Excellence grant program was launched in 2005 and was refocused into the Centers of Research Excellence program in 2011. The program has received approximately \$72 million in legislative appropriations over the past four bienniums. To date, funding has been provided to 25 Centers of Excellence & Research Excellence and an additional 16 research, infrastructure and economic development projects.

As of June 30, 2012, the centers have spent \$44.1 million in state funds. These state funds have leveraged a total of \$189 million in private sector and other funds. According to a recent study conducted by NDSU, the Centers of Excellence & Research Excellence program has had a total economic impact of over \$635 million. The program has lead to a direct job creation of 1,082 people with an annual payroll of over \$69 million – an average of \$64,000 per job.

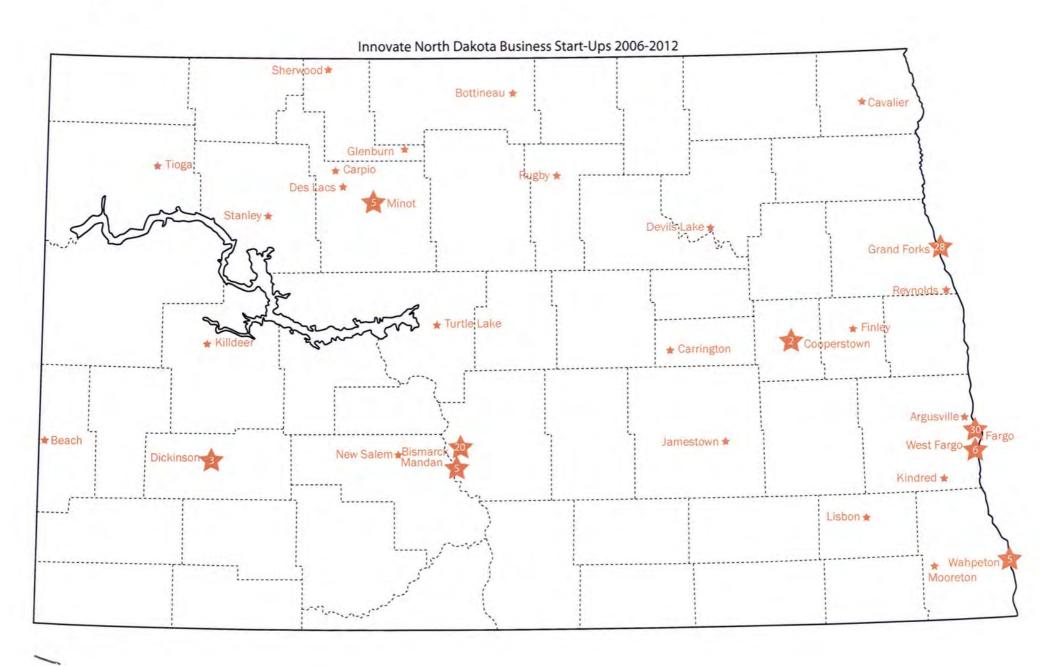
The Executive Budget Recommendation does not include funding for additional Centers of Research Excellence during the 2013-15 biennium.

#### Research North Dakota

Governor Dalrymple has recommended \$12 million in funding for a Research North Dakota program. This program will build on the successes of the Centers of Excellence & Research Excellence program. Instead of establishing new research centers, Research ND will focus on utilizing existing research assets at UND and NDSU to perform research, development and commercialization projects in collaboration with private partners. Research ND will pay for up to half of the university's cost in conducting the work with the other half provided by a cash match. A similar application and approval process will be used with the Centers of Excellence Commission making award determinations.

Mark Nisbet, chairman of the Centers of Excellence Commission, is also here and will provide more in depth information about Centers of Research Excellence and the proposed Research ND program. We have also asked Dr. Phillis Johnson, the UND Vice President of Research and Economic Development, and Dennis Johnson, NDSU Associate Vice President for Research and Industrial Relations, to provide some comments about the program.

Mr. Chairman and members of the committee, that concludes my testimony and I am happy to entertain any questions.





# **Partner Programs**

# IN THIS SECTION:

- Paul Govig's Testimony
- ND Trade Office
- ND Small Business Development Centers
- Rural Development Council and Center for Technology & Business
- Dakota MEP

# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 JANUARY 18, 2013, 8:30 A.M. SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

# PAUL GOVIG - DIRECTOR, THE DIVISION OF COMMUNITY SERVICES

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
- North Dakota Trade Office

### Small Business Development Centers (SBDC)

The Small Business Development Centers 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.

Full time consultants are located in Minot, Bismarck, Grand Forks, Fargo, Jamestown, Dickinson, Williston and Wahpeton. Part time business advisors are located in Underwood, Crosby, Tioga, Watford City, Tri-County Regional Council, Grafton, Bowman, Beach, Devils Lake and Belcourt.

The proposed budget is \$767,044 which is the same as last biennium.

# Rural Development Council/Center for Technology and Business

The Department of Commerce contracts with the Center for Technology and Business to deliver the services of the Women's Business Development Office and the Rural Development Office. These programs are involved with computer education, rural outreach, rural housing, childcare and the North Dakota Young Professionals network.

During the past year, the Center for Technology and Business had the following results:

- 13 new business starts.
- 69 jobs created.
- 1.861 clients trained.
- 39 clients counseled.
- Delivered courses to 329 students.
- Delivered courses to 362 parents.

The proposed budget is \$205,000 which is the same as last biennium.

1-8

### American Indian Business Development Office

The purpose of the office is to enhance the business opportunities available to Tribes and tribal members and improve the business climate on the reservations by:

- Facilitating partnerships between American Indian and non-American Indian businesses.
- Facilitating local community and business development on each reservation.
- Enhancing tourism development on the reservations.
- Facilitating effective partnering within and off the reservations to enhance community and economic development.
- Providing a link to government and private resources and programs.

The North Dakota Department of Commerce works closely with Scott Davis of the Indian Affairs Office to deliver this program. In addition, Al Nygard of Al Nygard Consulting was granted a contract to handle the actual day to day operations of the initiative.

The proposed budget is \$100,000 which is \$50,000 less than last biennium.

## Dakota Manufacturing Extension Partnership (MEP)

Dakota MEP is committed to maximizing enterprise performance. They provide companies with services and access to public and private resources that enhance growth, improve productivity and expand capacity. They work with companies willing to invest in their future, to make improvements in the short term and to position themselves to be long-term competitors both domestically and internationally.

Dakota MEP is a leadership organization that provides value to those companies dedicated to creating new opportunities for their people and organizations. They strive to maximize enterprise performance including growth, innovation, productivity and profitability. Working with partners who share their mission-they specialize in helping companies develop best practices and supporting strategies which enable them to better compete today and tomorrow.

MEP has nine staff members. The proposed budget is \$950,000 which is the same as last biennium.

### North Dakota Trade Office

The North Dakota Trade Office works to expand trade partnerships between North Dakota and the world. The Trade Office facilitates business between North Dakota's global companies and their clients through programs and services including the annual Big Iron Farm Show's International Visitors Program.

The Office is a public-private partnership dedicated to expanding trade through advocacy, education and expertise. The Trade Office and its network of International Business Resources provide a full range of services to assist North Dakota's emerging and experienced global businesses throughout the export process.

The Trade Office has 14 employees. The proposed budget is \$2,613,400 which is the same as last biennium.

Information about the economic impact of the North Dakota Trade Office is included in the testimony packet.

#### EXECUTIVE SUMMARY

#### PROPOSED USE OF FY 2014 AND FY 2015 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, which is used by states to fight poverty and address the needs of low income people. For FY 2014 and FY 2015, it is estimated that ND will receive approximately \$3,257,579 each year. No state funds are required to match the federal funds.
- Ninety-one percent of the State's allocation is passed through from the State to the Community Action Agencies.
- All 53 counties in the 8 regions of the state are served through the 7 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 2011, Community Action Agencies expended \$2,919,919. Those funds were leveraged with \$15,375,950 in regular federal, state, local and private resources.
- In 2011, more than 24,000 individuals, from over 12,800 low income families, received at least one CAA service or participated in at least one program provided by a CAA. Of the people served, 5,255 were seniors; 6913 were children; 6594 were people that lacked health insurance; and 3,167 people had some form of disability.





#### **SUMMARY OF**

## THE PROPOSED USE OF 2014 AND 2015

### COMMUNITY SERVICES BLOCK GRANT FUNDS

**JANUARY 2013** 

Prepared for the Public Legislative Hearing
Before The
Senate Appropriations Committee
January 18, 2013
8:30 AM
Harvest Room, State Capitol

#### TABLE OF CONTENTS

I.	Pro	ogram Description	
	A.	Origin of the Program	1
	В.	Purpose	2
	C.	State Responsibilities	3
	D.	Subgrantee Responsibilities	8
Π.	Di	stribution and Use of FY 2014 and FY 2015 CSBG Funds	
	A.	Authorization	9
	B.	Allocation	10
	C.	Distribution	11
	D.	CAA's Use of Pass-through Funds	12
	E.	Program Statistics	13
	F.	Use of Administrative and Discretionary Spending Authority	21

#### COMMUNITY SERVICES BLOCK GRANT LEGISLATIVE REVIEW REPORT FY 2014-2015

#### 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 1970s, 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 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 (DCS), 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 3 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:

- 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:
    - 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.
- 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 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;
  - 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;
  - 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.
- 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.
- 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.
- 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.
- 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:
  - 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 CSBG.

- 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.
- To hold at least one legislative hearing every three years in conjunction with the development of the State plan.
- 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.

- 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.
- 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:

- 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;
- Maintain records on clients served by CSBG-funded activity, including income eligibility documentation and the nature of services provided;
- 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;
- Submit required CSBG reports for annual reporting to the Office of Community Services, Department of Health and Human Services;
- 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 FY 2014 and FY 2015 Funds

#### A. Authorization

CSBG funds are allocated among the 50 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 1 percent (.0025) of the annual federal CSBG appropriation. Reauthorization legislation increased the amount to one-half of 1 percent (.005) for small states.

For FY 2013 we are currently under a Continuing Resolution as no appropriations have yet been determined by the Congress. The FY 2013 appropriation is expected to be the same as FY 2012 funding based on the initial FY 2013 Continuing Resolution. The projected amount for the FY 2013 grant year, as explained on the Continuing Resolution, is \$3,257,579.00. We do not know if there will be increases or decreases in funding for FY 2014 and FY 2015. 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 FY 2014 and FY 2015 will remain at about the same level as the amount indicated for FY 2013. Table I illustrates the history of CSBG funding that was anticipated to be received and actually allocated since FY 2005.

	CSBG FUNDING LEVEL	LS
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	3,208,702
2012	3,208,702	3,257,579
2013	3,257,579	

**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 of North Dakota's annual CSBG allotment to officially designated CAAs. The State cannot expend more than the greater of \$55,000 or 5 percent of each Fiscal year's CSBG allotment for CSBG administrative expenses incurred at the state level. The remaining 5 percent 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 2012, the State, in coordination with the seven CAAs, revised the funding formula for distribution of CSBG funds to the CAAs. That funding formula incorporates 2010 census data, provides a 91 percent pass-through award to the seven CAAs, with the greater of \$55,000 or 4 percent of the funds utilized for State administrative expenses and the remaining 5 percent for special projects. The formula will be implemented for 2014 funds.

Table II, below, lists the allocation of North Dakota's projected FY 2014 and FY 2015 CSBG allotments based on the State CSBG funding formula and anticipated funding levels.

TABLE II PROJECTED ALLOCATION OF FISCAL YEARS 2014 AND 2015 COMMUNITY SERVICES BLOCK GRANT FUNDS				
FY 2014 FY 2015				
CAA Funding (91%)	2,964,397	2,964,397		
State Administration (4%)	130,303	130,303		
Special Projects/Discretionary Funds (5%)	162,879	162,879		
TOTAL	3,257,579	3,257,579		

#### 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 FY 2012 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 2010 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 37.78 percent 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. 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 2012 census data. The formula will be for 2014. 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 \$1,120,000 is required by the distribution formula in order to provide base funding under the new funding formula. A total State allotment of \$1,230,769 would be required to provide a pass-through funding level of \$1,120,000. In the event that the State's FY 2014 or FY 2015 allotments would be less than \$1,230,769 each year, DCS will reduce or eliminate the 5 percent Discretionary fund set-aside and pass-through up to 96 percent of the CSBG funds received.

The State may utilize 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.

CAAs receiving supplemental funding is contingent upon adequate State administrative and/or discretionary CSBG funding and CAAs having CSBG carryover of 20 percent or less from the previous grant year.

Projected CSBG distributions to the seven CAAs for FY 2014 and FY 2015, 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 FY2014 & FY2015			
Region	% of Allocation	Allocation	
II	13.06%	387,389	
Ш	11.30%	335,175	
IV	14.06%	416,745	
V	20.70%	613,511	
VI	9.54%	282,667	
VII	16.50%	488,998	
VIII & I	14.84%	439,912	
TOTALS	100.00%	2,964,397	

Proportional share of CSBG pass-through based on projected FY13 CSBG allocation - funding formula used to derive the % - based on a base allocation for each region and percentage of low income people residing in the service area.

#### 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 percent 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

#### 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.

#### 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 2011, which is our most recent data:

#### National Goal 1: Low income people become more self-sufficient.

<u>Employment - National Performance Indicator 1.1</u> - 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:

Indicator	Participants Enrolled in Programs	# Expected to Achieve Outcome	# Achieving Outcome	% Achieving Outcome in 2011
A. Unemployed and obtained a job	451	151	86	56.95%
B. Employed and maintained a job for at least 90 days	335	253	260	102.77%
C. Employed and obtained an increase in employment income and/or benefits	368	228	41	17.98%

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:

Indicator	Participants Enrolled in Programs	Participants Achieving Outcome in 2011
A. Obtained pre-employment skills/competencies required for employment and received training program certificate or diploma	187	105
B. Completed ABE/GED and received certificate or diploma	205	140
C. Completed post-secondary education program and obtained certificate or diploma.	158	107
<ul> <li>D. Obtained care for child or other dependent in order to gain or maintain employment.</li> </ul>	270	270
E. Obtained access to reliable transportation and/or driver's license in order to gain or maintain employment.	365	280
F. Obtained health care services for themselves or a family member in support of family stability needed to gain or retain employment.	328	309
G. Obtained safe and affordable housing in support of family stability needed to gain or retain employment.	826	598
H. Obtained food assistance in support of family stability needed to gain or retain employment.	3529	3382

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 2011
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	772	854	708	\$1,002,424	82.90%
В.	# and % demonstrating ability to complete and maintain a budget for over 90 days	595	540	492		91.11%
C.	# and % opening an Individual Development Account (IDA) or other savings account	288	236	218		92.37%
D.	# and % who increased their savings through IDA or other savings accounts and the aggregated amount of savings	284	263	244	\$80,580	92.78%
E.	# and % capitalizing a small business with accumulated savings	12	9	4	\$13,205	44.44%
F.	# and % pursuing post- secondary education with savings	48	41	33	\$47,057	80.49%
G	# and % purchasing a home with accumulated savings	25	19	15	\$25,387	78.95%

#### 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:

	Indicator	# of Projects or Initiatives	# of Opportunities and/or Community Resources Preserved or Increased
A.	Safe and affordable housing units created in the community.	1	4
В.	Safe and affordable housing units in the community preserved or improved through construction, weatherization or rehabilitation achieved by community action activity or advocacy.	28	1,950
C.	Accessible and affordable health care services/facilities for low income people created or saved from reduction or elimination.	10	128
D.	Accessible safe and affordable child care or child development placement opportunities for low income families created or saved from reduction or elimination.	4	417
E.	Accessible before and after school program placement opportunities for low income families created or saved from reduction or elimination.	3	234
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.	7	45

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:

Indicator	# of Program Initiatives or Advocacy Efforts	# of Community Assets, Services or Facilities Preserved or Increased
A. Increase in the availability or preservation of community facilities.	3	3
B. Increase in the availability or preservation of community services to improve public health and safety.	12	69

<u>Civic Investment - National Performance Indicator 2.3</u> - The total number of volunteer hours donated to Community Action.

Indicator	# of Volunteer Hours	Value of Volunteer Hours Based on Minimum Wage (\$7.25/hr)
# 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.

Indicator	# of Volunteer Hours
# of volunteer hours donated by low income individuals to Community Action Agencies statewide	42,081

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:

Indicator	# of Low Income People
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.	178
B. # of low income people acquiring businesses in their community as a result of community action assistance.	4
C. # of low income people purchasing their own homes in their community as a result of community action assistance.	8

### 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.

	# of Organizational Partnerships
Indicator	***************************************
# of Organizations Community Action Agencies Work with to Promote Family and Community Outcomes	1,000

#### 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.

Indicator	Resources in CAAs		
A. Number of Nationally Certified ROMA Trainers	1		
B. Number of staff attending trainings	346		
C. Number of board members attending trainings	31		
D. Number of Certified Family Development Specialist staff	31		

## Goal 6: Low income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive environments.

<u>Independent Living - National Performance Indicator 6.1</u> - The number of vulnerable individuals receiving services from Community Action that maintain an independent living situation as a result of those services.

Indicator	# of Vulnerable Individuals Living Independently
A. Senior Citizens	5,193
B. Individuals with Disabilities	2,461

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:

Indicator	# Seeking Assistance	# Receiving Assistance
A. Emergency Food	31,462	31,462
B. Emergency fuel or utility bills	5,083	3,708
C. Emergency rent or mortgage assistance	4,308	2,526
D. Emergency car or home repair	580	562
E. Emergency Temporary Shelter	282	274
F. Emergency Medical Care	292	142
G. Emergency Legal Assistance	85	67
H. Emergency Transportation	1,506	1,369
I. Emergency Disaster Relief	10	10
J. Emergency Clothing	1,371	1,371

<u>Child and Family Development - National Performance Indicator 6.3</u> - 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:

Infant & Child Indicators		Participants Enrolled in Programs	Participants Expected to Achieve Outcome in 2011	Participants Achieving Outcome in 2011	% Achieving Outcome in 2011	
1.	Infants and children obtain age appropriate immunizations, medical and dental care.	872	836	829	99.16%	
2.	Infant and child health and physical development are improved as a result of	3,830	3,809	3,799	99.74%	
3.	Children participate in pre-school activities to develop school readiness skills.	981	887	953	107.44%	
4.	Children who participate in pre-school activities are developmentally ready to enter Kindergarten or first grade.	786	599	616	102.84%	

	Indicators	Participants Enrolled in Programs	Participants Expected to Achieve Outcome in 2009	Participants Achieving Outcome in 2009	% Achieving Outcome in 2009
Yo	uth Indicators	_			_
1.	Youth improve social/emotional development.	6	3	5	166.67%
2.	Youth avoid risk-taking behavior for a defined period of time.	36	36	36	100%
3.	Youth have reduced involvement with criminal justice system.	36	36	36	100%
4.	Youth increase academic, athletic or social skills for school success by participating in before or after school programs.	50	51	50	98.04%
Ad	lult Indicators			,	
1.	Parents and other adults learn and exhibit improved parenting skills.	1,475	1,261	1,229	97.46%
2.	Parents and other adults learn and exhibit improved family functioning skills.	1,080	719	734	102.09%

<u>Family Supports (Seniors, Disabled and Caregivers) - National Performance</u> <u>Indicator 6.4 - Low income people who are unable to work, especially seniors, adults</u> with disabilities and caregivers, for whom barriers to family stability are reduced or eliminated as measured by one or more of the following:

Indicators	# of Participants Enrolled in Programs	# of Participants Achieving Outcome in 2011
A. Obtained care for child or other dependent	291	65
B. Obtained access to reliable transportation and/or driver's license	343	64
C. Obtained health care services for themselves or family member	3,061	2,810
D. Obtained and/or maintained safe and affordable housing	832	515
E. Obtained food assistance	3,819	3,495
F. Obtained non-emergency Low Income Home Energy Assistance (LIHEAP) energy assistance	265	125
G. Obtained non-emergency Weatherization energy assistance	1,475	1,300
H. Obtained other non-emergency energy assistance	327	327

Some services provided to low income individuals and/or families - National Performance Indicator 6.5 -

The CAAs distributed 3,153,216 pounds of food in 2011. This amount includes 201 deer and 148 elk 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 12,662 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 24,593 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 5 percent of the State allocation, or \$55,000, for program administration, and up to 5 percent for discretionary expenditures related to the CSBG program.

In the CSBG funding formula that was developed in FY 2002 for use beginning in FY 2003, DCS decreased the amount of CSBG State Administration funds it will retain under the funding formula to 4 percent 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.

#### For Senate Appropriations Committee Minutes

It was moved by <u>Savry Lobinson</u>, seconded by <u>Sen Karen Krubsbail</u>, 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 Senate Appropriations Committee files for future reference.

#### For Senate Journal

Mr. President: On Friday, January 18, 2013, the Senate Appropriations Committee held a hearing on the community services block grant moneys anticipated by the Department of Commerce during the period beginning October 1, 2013, and ending September 30, 2015. If any member of the Legislative Assembly desires copies of the minutes and testimony presented to the Senate Appropriations Committee during the block grant hearing, the Senate 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.





72 EAST MUSEUM DRIVE
DICKINSON, NORTH DAKOTA 58601
701.483.4988 | 800.279.7391
F: 701.483.9261
E: INFO@VISITDICKINSON.COM

Convention & Visitors Bureau

www.visitdickinson.com

Testimony of Terri Thiel, Executive Director of the Dickinson CVB

Senate Bill: 2018

January 17, 2013

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 2013-2015 biennium marketing and ask that you also include an additional \$.5 million for marketing and research and additional \$3.7 million for large infrastructure grants to attract, retain and entertain visitors.

As national attention grows for North Dakota because of our business climate, the opportunity to reach more possible visitors also increases. Funding the ND Tourism Division provides not only a return on investment of \$119 visitor spending, per \$1 spent on paid media (2012 Longwoods Intl.), but also the broader positive image of North Dakota as a place to not only experience events and attractions, but also as a possible place to relocate in the future. Quality of place begins with the initial impression and experience for the visitor. Additional funding for marketing and research expands that opportunity.

The ND Tourism Division continues to do an excellent job with the staff, marketing materials and research that they have, however the reach that can be achieved with additional marketing can bring in not only additional dollars to the local communities and the state, but also new families to experience the local attractions and events that are located throughout North Dakota.

In western North Dakota, the energy development is obviously exploding. The workers, which are also considered "new visitors" in our industry, are eager to find things to see and do in an area of the country that is for the most part very unfamiliar to them regarding the leisure experiences that they are seeking when they on their off days. Many times their families come to visit them and are looking for things to also see and do. While most of the focus for ND

In place Ithe WESTERNEDGE Tourism is to market to areas to bring people into the state and the responsibility of locals to help those who are already in-state, many of the smaller communities do not have the resources or funding that larger communities receive locally. Additional in-state marketing has been discussed at informal meetings as a possible way to reach the energy workers and their families as they explore their new surroundings.

Please support Senate Bill 2018, with an additional \$.5 million for marketing and research and \$3.7 million for the Tourism Infrastructure and Expansion Grant Program.

Sincerely

Terri Thiel

**Executive Director** 

# North Dakota Tourism Alliance Partnership

P.O. Box 2599 Bismarck, ND 58502 (701) 355-4458 FAX (701) 223-4645

2012-2013 MEMBERS

America's Best Value Inn & Suites

Basin Electric
Power Cooperative

Bismarck-Mandan CVB

Buffalo City Tourism

Destination Marketing Association of North Dakota

Devils Lake CVB

Dickinson CVB

braham oln Foundation

Greater Grand Forks CVB

International Peace Garden

Lewis & Clark Fort Mandan Foundation

Minot CVB

Municipal Airport Authority of the City of Fargo

Newman Outdoor Advertising

Norsk Hostfest Association

North Dakota Association of Rural Electric Cooperatives

North Dakota Tourism Division (ex-officio)

Odney

Ramada Grand Dakota Lodge

Dakota Foundation

Medora Foundation

Williston CVB

Testimony of Bill Shalhoob Tourism Alliance Partnership Chairman SB 2018

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 SB 2018. TAP is a coalition of tourism-related industries, including CVBs, 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, and all tourism metrics show continued growth. Visitation at parks, attractions and visitor centers are all up over 10 percent to date. In addition, airport arrivals are up 19 percent and Canadian border crossings are up 30 percent.

Tourism is currently a \$4.8 billion industry in North Dakota, employing more than 36,000 people annually, more than mining, construction, transportation or accounting. While these results are exceptional, a greater potential remains for the tourism sector. A continued influx in the state's population and an increased interest in rural tourism, agritourism, city offerings and outdoor recreation provide an outstanding opportunity for North Dakota's tourism industry. Taking advantage of this opportunity begins with the marketing budget for the Tourism Division. The Governor's budget recommendation of an additional \$1.5 million to enhance tourism-related marketing and research for the state gets us closer to our goal but still, it falls short of what the North Dakota tourism industry needs to be competitive. If this committee wanted to increase the amount appropriated, it would be greatly appreciated.

North Dakota's tourism budget has been relatively flat since 2003, while advertising costs increased by about five percent each year. Please refer to the attached table 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 \$8.3 million per year spent by Minnesota as the next lowest amount, and are drastically behind the \$11.6 million spent by South Dakota and the \$17.8 million spent

in Montana. 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. Please refer to the table below for a comparison of the region's state tourism budgets.

State	2011-2012 Budget	Rank 7 <sup>th</sup>	
Montana	\$17.8 million		
Wisconsin	\$15.1 million	10 <sup>th</sup>	
South Dakota	\$11.6 million	21 <sup>st</sup>	
Wyoming	\$11.1 million	23 <sup>rd</sup>	
Minnesota	\$8.3 million	30 <sup>th</sup>	
North Dakota	\$4.6 million	41 <sup>st</sup>	

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 2009-2011 biennium, we created a system for an infrastructure grant pilot program through the Department of Commerce and the Tourism Division. This program focused 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 nearly \$500,000 was awarded in infrastructure grants. During the last biennium, the Tourism Division received requests for over \$5.2 million dollars for tourism projects and, of these requests, the budget allowed them to fund \$1.1 million. The Governor's budget includes \$1.3 million for large infrastructure grants to attract, retain and entertain North Dakota citizens and visitors to the state. We hope this program can be allowed to continue to develop with an appropriation that will allow us to measure the results.

The world is learning about North Dakota due to our strong economy. We need to continue to invest in marketing ourselves to capitalize on this new attention and position ourselves as a "must see" destination. In addition, we need to invest in the infrastructure to keep our visitors in state and returning for future vacations. We have an opportunity to take advantage of our position with more marketing dollars.

Tourism marketing is one part 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 \$1.9 million investment in advertising in 2012 returned more than \$17.8 million to the state and local general funds. This same advertising campaign also returned \$231.6 million in visitor spending.

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 letters of support to my testimony. Thank you for your consideration, and I would be happy to answer any questions.

#### State Spending Summary Tourism Division Budget History per Biennium

	2003-2005	2005-2007	2007 - 2009	2009-2011	2011-2013
Executive Recommendation	\$5.1 million	\$7.9 million, including \$238,000 in new money and \$3.9 million for Lewis and Clark marketing—of which \$2.9 million would be generated by the 1 percent lodging tax	\$8.2 million, including \$3 million in additional general funds to replace dollars potentially lost with 1 lodging percent tax	\$9.3 million, including an increase of \$912,000 for tourism marketing and \$100,000 to promote U.S.S. North Dakota	\$9.5 million, including an \$86,000 increase for tourism marketing (did not include \$2.1 million in one-time 2009- 2011 infrastructure grants)
Legislative Action	Increased the executive recommendation by \$2.9 million through a 1 percent lodging tax to be used for Lewis & Clark marketing in SB 2337 (sunset June 2007)	Earmarked dollars with no additional funds:  \$100,000 for Fort Lincoln \$100,000 for Lewis & Clark Interpretive Center  \$25,000 for Cowboy Hall of Fame \$50,000 each for Standing Rock and Three Affiliated Tribes  \$45,000 program dollars and \$100,000 salary and benefit dollars for Learning Based Vacation	Earmarked dollars with no additional funds:  \$ \$100,000 Lewis & Clark Interpretive Center  \$ \$10,000 earmarked for pageant promotion fund	Added \$2.1 million in one-time infrastructure grants:  \$250,000 for tourism marketing  \$1.5 million earmarked for Lewis and Clark Foundation infrastructure grant  \$500,000 earmarked for T.R. Medora Foundation infrastructure grant	Added \$750,000 for the Tourism Infrastructure and Expansion Grant Program
Appropriated	\$7,778,512	program \$8,027,878	\$8,260,408	\$11,570,000	\$10,250,00

Although the overall Tourism Division budget has shown growth each biennium, a majority of the growth was industry requests and/or earmarks for special projects, not increases for general tourism marketing efforts.



Testimony of Doug Hevenor Tourism Alliance Partnership Member SB 2018 January 18, 2013

Chairman Holmberg and members of the committee, my name is Doug Hevenor. As member of the Tourism Alliance Partnership (TAP), a member of the Turtle Mountain Tourism Association and the CEO of a Tourist Attraction in North Dakota, I am writing this letter asking for your support of the tourism portion of SB 2018.

The Governor's budget recommendation includes \$1.5 million from the general fund to enhance tourism-related marketing and research for the state. Also included are a one-time appropriation of \$2 million from the general fund for workforce enhancement grants and a one-time appropriation of \$1.3 million from the general fund for large infrastructure grants to attract, retain, and entertain North Dakota citizens and visitors to the state.

The Governor's budget also includes an allocation of \$5 million from the general fund to political subdivisions for new or expanded licensed childcare facilities.

ND Tourism is a vibrant and important segment of our State's economy that will continue to develop and grow. It is extremely important that ND Tourism receive the States enhanced financial support to move forward and market the State of North Dakota to a global audience.

Presently the ND Tourism funding remains very low compared too many neighboring States. Enhancements to the ND Tourism Budget would allow Sarah Otte Coleman and her staff to drive more visitors to our state, filling more hotel rooms, meeting spaces and restaurants in turn driving dollars into our State's economy.

I encourage you and your committee to support the tourism portion of SB 2018

Respectfully,

Doug Hevenor, CEO

10939 Hwy 281 Dunseith, ND 58329-9445 (701) 263-4390 www.peacegarden.com Toll Free (888) 432-6733 FAX (701) 263-3169

P.O. Box 419 Boissevain, MB ROK 0E0 (204) 534-2510



#### Jamestown, North Dakota

404 Louis L'Amour Lane PO Box 917 Jamestown, ND 58402-0917

January 17, 2013

To the Honorable Chairman Holmberg and Members of the Senate Appropriations Committee,

It is with deep respect that I write on behalf of Buffalo City Tourism in Jamestown, North Dakota in support of SB2018 to maintain and hopefully increase the funds allocated for ND's tourism industry.

It has been my pleasure to serve as the Executive Director of Tourism for the past 8+ years and although I am now in a count-down to my retirement, I have been awed by the growth of tourism while involved in this growing and prospering industry.

I wish you each had the time to sit but one day in our visitors center and listen to the guests from places like New York, California or even Germany, Italy and around the world as they extol the wonderful virtues of our beautiful state and our friendly people. It would be a day well-spent if you have any doubt at all about the value of tourism to our state.

Mr. Bill Shalhoob has already done an excellent presentation of the statistics and economic impact of tourism. I will not repeat his sage words.

I will simply say that increased funding to make us more competitive in the national market will return to ND in the form of new tax dollars, new residents and new businesses as 'the rest of the world' truly discovers the beauty of our state.

Additionally, the added boost across the state through infrastructure grants is truly exciting to all of us out in the field. We have so many dedicated volunteers, working as non-profits who would dearly love to expand, add and improve the current sites. OR, be able to add something new and exciting to their cities or towns. What an opportunity that would be!

Thank you for your time and attention and for serving the State of North Dakota.

Respectfully,

Nina Sneider

**Executive Director** 

Phone: 701-251-9145 Toll-Free: 800-222-4766 Fax: 701-251-9146

www.tourjamestown.com guestinfo@tourjamestown.com

## Testimony of Randy Hatzenbuhler President, Theodore Roosevelt Medora Foundation Senate Appropriations Committee on Education and Environment Division SB 2018 Department of Commerce Budget Hearing January 16, 2013

Chairman Holmberg and Members of the Committee:

My name is Randy Hatzenbuhler; I am the president of the Theodore Roosevelt Medora Foundation in Medora, North Dakota. I ask you to support of the SB 2018 for the Department of Commerce's funding for tourism in total, along with enhancements recommended by the Tourism Alliance Partnership (TAP) including \$2 million in additional new funding for tourism marketing and research, and \$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 is 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 \$2 million for marketing and research and \$5 million for the Tourism Infrastructure and Expansion Grant Program 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. The Tourism Infrastructure and Expansion Grant Program will help give tourism entrepreneurs and their ideas a chance at success.

Please support SB 2018 fully along with TAP's recommended budget enhancements.

Respectfully, Hatenbull

Randy Hatzenbuhler



#### Harvey Convention & Visitors Bureau

120 West 8th St. Harvey, ND58341 Phone: (701)324-2490 Website: www.harveynd.comHarvey JDA@harveynd.com

#### Sheila Jensen Chairperson

Shauna Faul Marci Eckart Kurt Steers Mike Waldoch

CVB Director Nicollette (Nicki) Weissman (701) 324-2490 HarveyJDA@harveynd.com

#### Harvey Convention & Visitors Bureau Letter of support from Nicollette Weissman For 5B 2018

We urge you to vote for Senate Bill 2018. Tourism is a very important industry in the state of North Dakota. ND Tourism helps support our efforts.

Harvey needs tourism to support the restaurants, gas stations, motels and parks, and the rest of the business in and around Harvey.

We have hunting, fishing, parks, a pool, and other activities to participate in the area. We need outside people to boost our economy.

The ND Tourism Department is a huge asset to the Harvey community. We do not have huge financial resources to accomplish our goals. The state advertises smaller communities like ours and we receive a huge benefit by partnering with the state. Therefore your vote for Senate Bill 2018 is essential for our Communities survival. If you have questions, feel free to contact us.

Chairperson - Sheila Jensen Marci Eckart Shauna Faul Kurt Steers Mike Waldoch

Micollette Weissman

Harvey Convention & Visitors Bureau Director

120 W 8th St

Harvey, ND 58341

701-324-2490

Fax - 701- 324-2674

Cell - 701-400-6735

www.harveynd.com

HarveyJDA@harvey.com

Phone: 701.663.6501 or 800.234.0518 Fax: 701.663.3745 www.ndarec.com

Testimony of
Dennis Hill
Executive vice president and general manager
North Dakota Association of Rural Electric Cooperatives

Before the Senate Appropriations Committee In support of the tourism portion of SB 2018

January 9, 2013

Mr. Chairman and members of the committee,

On behalf of the N.D. Association of Rural Electric Cooperatives, I'm writing in support of the tourism portion of SB 2018.

NDAREC is a member of the Tourism Alliance Partnership, because we support the growth and development of the tourism industry in our state. For decades, electric cooperatives across the state have been providing electric power to many of our state's final destination tourism attractions, such as Medora, the International Peace Gardens and our state park and recreation facilities.

In addition, NDAREC has partnered with the State's Tourism Department for some 20 years in the publication and distribution of the state's official Vacation Guide. In this partnership, NDAREC secures advertising for the Vacation Guide, shares those revenues with the Tourism Department, and also distributes some 90,000 copies of the Vacation Guide to the subscribers of North Dakota LIVING. This partnership makes it possible for a vast audience of North Dakotans to be made aware of the "Legendary" sites and experiences that are available right here in our own state.

Over the past two decades, we have seen tremendous growth in the tourism industry. The first Vacation Guide we published had 88 pages; the 2012 Guide was 160 pages. That's a strong visual reminder of how much this industry has grown and contributes to the economic vitality of our state.

Still, there is much more the state can do to help promote and develop the tourism industry in our state. The additional \$1.5 million in tourism funding provided in SB 2018 would be a major step in that direction. If more funding could be provided, that would make the industry even stronger. There is no doubt that our neighboring states provide a much higher level of funding for the tourism industry than our state provides. Since the industry is so competitive, we often can't compete with these bigger budgets in states that have developed more attractions.

We strongly encourage the legislature to provide a full measure of funding in support of this vital industry to our state's quality of life and economic vitality.



January 18, 2013

Dear Members of the Senate Appropriations Committee,

Please accept this letter as my testimony in favor of supporting the tourism portion of SB 2018. Tourism has seen tremendous growth in North Dakota in recent years. Visitation at parks, attractions and visitor centers are up over 10 percent to date. Canadian border crossings are up 30%, and this past year we saw an increase of 20% in Canadian traffic in our area.

Currently, North Dakota has one of the smallest budgets for tourism, ranking 41% among the 50 states. As a smaller convention and visitor's bureau in North Dakota, we depend on the cooperative advertising opportunities given to us by the state. We also rely heavily on the infrastructure grants that are given out at the state level for events, marketing and infrastructure. 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.

Advertising costs have been increasing at a rate of about five percent each year. The Governor's budget recommendation of an additional \$1.5 million to enhance tourism-related marketing and research for the state gets us closer to our goal but still, it falls short of what the North Dakota tourism industry needs to be competitive. If this committee wanted to increase the amount appropriated, it would be greatly appreciated.

The other area in which we need to start moving forward on is infrastructure. The cities of North Dakota have been expanding hotel rooms to compensate for the saturation of workers and visitors in their areas. In order to remain competitive, we must develop resources that will increase interest and also visitation. An infrastructure pilot program was created in the 2009-2011 biennium and the North Dakota Department of Commerce received over \$5.2 million worth of requests. With the budget they had, they were able to award \$1.1 million. There is a growing need and there is opportunity to expand the visitor experience in North Dakota. We hope this program can be allowed to continue to develop.

North Dakota has been top news due to our strong economy. We need to continue to invest in marketing ourselves and keep the momentum going strong. We also need to invest in infrastructure to keep our visitors in state and returning for future vacations. We have an opportunity to take advantage of our position with more marketing dollars – let's not lose the momentum.

Thank you for your time and consideration.

Sincerely,

Suzie Kenner, Executive Director



January 15, 2013

Hon. Ray Holmberg, Chair N.D. Senate Appropriations Committee 600 East Boulevard Avenue Bismarck, ND 58505

Dear Senator Holmberg & Committee Members:

I'm writing today in support of increased appropriations for the Tourism Division of the North Dakota Commerce Department. I've only been a working member of the tourism industry since June, but have already gained great respect for the Tourism Division, and the good things the people who work there do for the state on a very limited budget. In fact, one of my goals, going forward, is to work more closely with them and the other dedicated people involved in Destination Marketing around the state to further advance the idea that North Dakota is a great and diverse place to visit.

Operating on the far eastern end of the state, my co-workers and I appreciate just how much variety North Dakota has to offer. Of course, we encourage visitors who come here to stick around and enjoy the Red River Valley, but we also recognize that we are a gateway to the rest of the state. We go out of our way to make sure travelers know what kind of fun and excitement they're in for as they head west. We do this with virtually no financial help from the Tourism Division because, frankly, they just don't have enough money to go around. Don't misunderstand me—I'm not asking you to increase the Tourism Division budget so they can send money to Fargo. Rather, I believe you should increase that budget so the state's tourism experts (and they are experts) can do an even better job of telling the world there's a lot more to North Dakota than an oil boom.

Studies indicate that tourism marketing dollars come back to the state in significant multiples. Please give serious consideration to increasing the return by increasing the investment.

Sincerely,

Charley Johnson President/CEO

Fargo-Moorhead Convention & Visitors Bureau

> 2001 44th St. S. Fargo, ND 58103

800-235-7654 701-282-3653 701-282-4366 (fax)

info@fargomoorhead.org www.fargomoorhead.org



Chairman Holmberg and Committee members:

Please accept this written testimony, on behalf of the Greater Grand Forks Convention & Visitors Bureau (GGFCVB), as a request for your support of the tourism portion of SB 2018.

Tourism in North Dakota continues to grow, both on a national and international scale. As the state's third largest industry, it is imperative to give tourism the attention it deserves by focusing marketing efforts on increasing our reach to potential visitors. And as we all know, this requires adequate funding to accomplish.

A variety of research continues to illustrate how the state's efforts are showing tremendous return on investment. However, North Dakota currently ranks only 41<sup>st</sup> in funding tourism marketing programs. The untapped economic potential is undeniable and with an increased budget, North Dakota could vastly improve our position in the marketplace through simply growing the tourism industry.

There are many factors to consider when evaluating the funding. The following are a sampling of those:

- The days of long-term trip planning are no more, as an ever growing number of trips are planned on short notice. If North Dakota isn't in the marketplace and our competitors are, potential visitors can easily choose to travel to other locations.
- It is alarming to see how our competitors are outspending us in our target markets, which keep them in front of the consumer more frequently, such as:
  - Wyoming's spring media buy was just under six million dollars, which is three times that of
    our annual campaign. They spend more on television (\$2.8 million) than North Dakota
    Tourism spent across all media, and their online and magazine buys were also more than
    double North Dakota's.
  - South Dakota tourism also spent more than three times what North Dakota spent in paid marketing and many of those dollars are being spent in the same target markets like Minneapolis, St. Cloud, Eau Claire and Winnipeg.
- It is also important to note that Canadians visiting North Dakota are spending record amounts of money in our state. Sales tax collections continue to rise and Canadians are a big part of that. They are not just making small purchases while here, either; many are buying big ticket items such as electronics and home improvement materials. Why are they making these purchases here? 28% of our survey respondents say it is price and 25% cite the positive exchange rate. A

4251 Gateway Drive, Grand Forks, ND 58203 701.746.0444 (ph) 800.866.4566 (toll free) 701.746.0775 (fax) www.visitgrandforks.com



particularly important development for us occurred on June 1, 2012, when there was an increase to the exemptions allowed to Canadian travelers. After an absence from Canada of 24 hours, they may bring back \$200 worth of goods (formerly \$50) duty and tax free. After 48 hours, the personal exemption jumped from \$400 all the way up to \$800.

Again, I ask for your support of tourism in SB2018 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.



Testimony of Sheri Grossman President, Destination Marketing Association of North Dakota Senate Bill 2018 January 18, 2013

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 more than 15 years in this industry, I know how important it is to be competitive with our neighboring states. The annual budgets for our surrounding states are double and triple as much as the budget for North Dakota: South Dakota \$11.6M, Minnesota \$8.3M and Montana \$17.8M 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. 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!



January 16, 2013

Senate Appropriations Committee North Dakota State Capitol Bismarck, ND 58505

Chairman Holmberg and Appropriations Committee Members:

I write to you in support of SB 2018 which includes the appropriation for the Tourism Division of the Department of Commerce.

I urge you to support the Governor's 2013-2015 budget recommendation for the Tourism Division which includes \$1.5 million from the general fund to enhance tourism related marketing and research for the state; a one-time appropriation of \$2 million from the general fund for workforce enhancement grants; and a one-time appropriation of \$1.3 million from the general fund for large infrastructure grants to attract, retain and entertain North Dakota citizens and visitors to the State.

We could not be as successful as we have been without the Tourism Division's umbrella advertising efforts, research and other programs they implement. Two programs of particular importance to the Bismarck-Mandan Convention and Visitors Bureau are their cooperative advertising program and their ongoing research program.

Their cooperative advertising program enables us to advertise in larger markets that we can't afford to do on our own and it enables us to be positioned right alongside the Tourism Division's ad for the state which gives us more credibility and better recognition. It makes our money and the state's money go further. It is a win-win for all of us.

The data provided by the Tourism Division's ongoing research is vital to us in learning more about our visitors and potential visitors and in evaluating our own efforts. Most of us are not able to allocate the dollars for this important information that enables us to make more informed decisions about our own marketing efforts.

We are proud of the work our Tourism Division and Department of Commerce do for us in the industry.

I encourage you to support SB 2018 and vote to maintain the money allocated for the state's tourism industry.

ryHarzer 2 Terry Harzinski, Executive Director

Bismarck-Mandan Convention and Visitors Bureau



North America's Largest Scandinavian Festival

January 17, 2013

Senate Appropriations Committee North Dakota State Capitol Bismarck, ND 58501

Dear Committee Members,

I write in favor of an increase in state support for the North Dakota Tourism Department. I write, not to ask for a piece of the state's budget surplus, but to ask you to invest in a department that has provided a healthy return on the investment you have made in past budgets.

Norsk Høstfest relies on the help of many different resources for its success, especially the North Dakota Tourism Department. Their professional experience and knowledge is important to us. We need a strong and viable department that will help not only our event but other events across the state.

You know full well the important position of tourism in the state. We need to not only continue this investment but to increase it. Statistics indicate that for each \$1 spent in advertising, \$119 was returned in tourism revenue; an impressive return on our investment.

We need to maintain the money allocated by the Governor's budget recommendation for the state's tourism industry. I trust you will join me in my desire to make sure that North Dakota does not lose precious income to other states simply because we are not willing to invest enough to get our word out to potential visitors.

Thank you for your devotion to this great state through your service in the legislature.

Sincerely,

David Retten, President

Norsk Høstfest Minot ND 58701

Celebrating the Heritage and Traditions of the Scandinavian Countries NORWAY • SWEDEN • DENMARK • ICELAND • FINLAND

4



Testimony on behalf of North Dakota Senate Bill 2018
Friday, January 18, 2013
8:30 a.m.-11:45 a.m.

Harvest Room, State Capitol Building, Bismarck, ND
State Historical Society of North Dakota Foundation
Senate Appropriations Committee

Mr. Chairman and members of the committee, this testimony is being submitted by the State

Historical Society of North Dakota Foundation, in support of Senate Bill 2018, a bill to provide
an appropriation for the North Dakota Department of Commerce and the Division of Tourism.

We are excited about the great growth that tourism has shown in recent years in North Dakota, to where today it is our third largest industry, only behind agriculture and energy. Over the years, the North Dakota Tourism Division and the State Historical Society of North Dakota have worked closely in partnership to promote all that we have here, including the quality of life we offer. We must continue to grow tourism in our state, which in turn helps our communities and businesses, large and small, by providing it with the resources it needs to let the world know all that we have here.

One of those jewels that they will be promoting that will bring more visitors to our state is the expanded North Dakota Heritage Center. This will be a national and international destination and events center, part of a String of Pearls of heritage tourism opportunities across the northern border. A key feature of this Smithsonian of the Plains will be its Hub of History, which will

P.O. Box 1976, Bismarck, North Dakota 58502-1976 • Phone: (701) 222-1966 • Fax: (701) 328-3710

Located in the North Dakota Heritage Center • 612 East Boulevard, State Capitol Grounds, Bismarck, ND

Email: statehistoricalfoundation@btinet.net • Foundation: www.statehistoricalfoundation.com • Society: www.nd.gov/hist

serve as a launching pad to direct visitors to the many cultural, heritage, ecological, agricultural, sporting, and Main Street tourism attractions statewide, from Williston to Wapheton, from Walhalla to Wishek. The Hub of History will provide an anchor to direct visitors to our state's communities, small and large, helping their businesses grow. Not only will the expansion of the North Dakota Heritage Center create a world-class destination for travelers showcasing the accomplishments of our people, it also has the opportunity to be a gift to our citizens. This iconic museum will tell the world that we love our history, respect our elders and cherish our children.

The Tourism Division does an outstanding job of making every penny count, as evidenced by the great return on its investment in the advertising dollar. In 2012, it spent \$1.9 million on its "Arrive a Guest: Leave a Legend" advertising campaign, which returned \$18 million to the state and local general funds, and also brought in \$232 million in visitor spending for the year. That kind of return underscores the importance of providing the professionals at North Dakota Tourism with a marketing, research and overall budget that gives them the resources to continue working to bring great numbers of visitors to our state to see all that we have to offer.

We also strongly encourage that the \$5 million identified for the Tourism Infrastructure and Expansion Grant Program be fully funded. Through the State Historical Society of North Dakota's cultural grant program, we have seen how successful making these kinds of grants available to local communities and businesses can often make all the difference in turning a great idea and dream into a reality.

We respectfully urge you to vote in favor of SB 2018, so that the North Dakota Division of Tourism can continue to build on the outstanding work it is doing on behalf of our state.



1020 South Broadway PO Box 2066 Minot, ND 58701 T 800.264.2626 701.857.8206

January 15, 2013

Senate Appropriations Committee Chairman Holmberg

Dear Chairman Holmberg,

I am writing you today to express my support for SB 2018, regarding the appropriation for the Department of Commerce and the specifically the Tourism Division.

SB 2018 contains the Governor's 2013-2015 budget recommendations including \$1.5 million from the general fund to enhance tourism-related marketing and research for the state; a one-time appropriation of \$2 million from the general fund for workforce enhancement grants; and a one-time appropriation of \$1.3 million from the general fund for large infrastructure grants to attract, retain, and entertain North Dakota citizens and visitors to the state.

These funds are extremely important to the ND Tourism Department and the marketing that they do. We as the Minot Convention and Visitors Bureau have been able to partner with ND Tourism through their marketing programs, which have allowed us to get our message out into markets that we would not typically be able to be in without the cooperative efforts of Tourism. In addition the funds that are appropriated for infrastructure projects and grants have impacted our community directly by assisting some of our attractions such as the Roosevelt Park Zoo and the Scandinavian Heritage Park. Both of these attractions draw thousands of visitors to our community every year.

Tourism is economic development. All of these folks that come through our state and into our communities spend dollars in our hotels, restaurants, retail stores and gas stations. These dollars create jobs and grow businesses, in addition to the sales tax dollars generated by these visitors.

I ask you for your support for SB 2018 and the recommendations put forward by the Governor.

Sincerely, Newdy A. Have

Wendy Howe

# Testimony of David Borlaug, President, Lewis & Clark Fort Mandan Foundation In Support of SB 2018 Department of Commerce, Tourism Division Budget Senate Appropriations Committee Senator Ray Holmberg, Chairman

Chairman Holmberg and Committee Members, I am David Borlaug, President of the Lewis & Clark Fort Mandan Foundation, which maintains the State-owned North Dakota Lewis & Clark Interpretive Center and Fort Mandan at Washburn, ND in a unique public-private partnership for the past 15 years.

While our non-profit foundation works hard to attract visitors to our world-class sites, we rely heavily on the marketing program of the Tourism Division of the Department of Commerce. Regardless of how remarkable our exhibits may be, or the superlative programs offered by our interpretive staff, it is all for naught if out of state visitors are not aware of us.

While the bulk of our own marketing budget is spent in state on media advertising and billboards, we cannot possibly commit the funds necessary to reach broadly outside of North Dakota. That is exactly what the Tourism Division does, with the funds that you make possible.

Please accept the Governor's budget request and in fact consider enhancing those levels. For years, Tourism Division Director Sara Otte Coleman has shown how every dollar invested in promoting all that our state has to offer, has a return on investment that is exponential in its math.

What you do today will pay dividends for years to come, for the benefit of all of North Dakota, including many small town communities, which are home to rich cultural heritage tourism attractions. Thank you for recognizing this, and for your continued support of Tourism.

## Testimony of

## Economic Development Association of North Dakota

SB 2018

January 18, 2013

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.

North Dakota has a vibrant and well diversified economy, and currently enjoys prosperity through the many assets within the state. However, it has not always been that way for all communities and even with today's North Dakota economy, communities need to have assistance to move forward. The Dept. of Commerce has continued to provide that help through programs facilitated by the agency.

Economic developers and communities, large and small, have benefitted from the programs which you have heard about today.

Many of the programs included in this legislation - planning, research, tourism, child care, and workforce, to name a few - have helped North Dakota communities move forward and continue to be vibrant. Today you will hear from the economic developers from a few of these communities.

Thank you. I would be happy to answer your questions.



## Testimony of Economic Development Association of North Dakota SB 2018 January 18, 2013

### Chairman Holmberg,

Thank you for accepting this written testimony on behalf of Research North Dakota included in SB018. My name is Keith Lund, vice president of the Grand Forks Region Economic Development Corporation. This testimony is provided in my capacity as the vice president of the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community. The primary mission of EDND is to increase economic opportunities for residents of the State by supporting the creation of new wealth.

The North Dakota Department of Commerce has been an effective partner for economic development organizations throughout the State. EDND has a strong and collaborative relationship with the department and its staff.

Many of EDND's 2013 legislative priorities address key challenges facing the State due to strong growth of our economy. We support a pro-business climate, effective economic development financing programs, workforce attraction and retention initiatives and overall quality of life throughout the State.

While addressing the obvious challenges of today, a critical element to sustain North Dakota's economic growth is economic diversification. Initiatives aimed at commercializing new technologies and investing in research are important and necessary investments.

Universities with a strong research portfolio are critical assets that can be leveraged to drive private-sector research. According to a recent State report, prior state investments in university and private-sector research collaborations have contributed to the creation of 1,082 jobs at an estimated annual payroll of \$69.2 million in North Dakota.

Research North Dakota included in SB 2018 builds on the state's prior investment in research and commercialization and is strongly supported by EDND. The association encourages a **DO PASS** on the legislative proposal.

Best Regards,

Keith Lund

## **Divide County Job Development Authority**

PO Box 297 Crosby, ND 58730 701-899-2021 dcjda@nd.gov

Testimony of KayCee Lindsey
Divide County Job Development Authority
SB 2018, Section 25
January 18, 2013

Mr. Chairman and members of the committee, my name is KayCee Lindsey and I am here today in support of the Child Care Facility Grant Program. I am here on behalf of Divide County and the City of Crosby.

Daycare, as we all know, is a major economic concern in our area and state. Currently I am working with the City of Crosby to put up a daycare center building that will be leased to our local daycare. Our estimates show that it will cost roughly \$1,600,000 for only the facility, this does not include any site work, engineering/architect fees, or any equipment to operate the daycare. Currently, we only have room for 36 kids under two group licenses. Our main director will be obtaining her proper center license and certification this early spring. Since August of 2012 the current facility quit taking names to be put on a wait list, which included around 30 children. They are still turning away community members looking for daycare as they do not have the space available. This in turn is putting our local businesses through a hardship as they are struggling to find employees. The people are available to work if they have daycare for their children.

I am not certain if other cities are looking at helping with the daycare shortage problem, but I can tell you that the City of Crosby has really taken an initiative in working to put up a building large enough to hold over 100 children. I really commend the city on the support they are showing to help meet the demand of childcare and working towards helping our local businesses meet their employment demands.

My biggest concern is that a \$5,000,000 budget is not going to be sufficient for the amount of daycare that is needed statewide. I would encourage you to look at increasing that number as well as maintaining a cap of \$183,500 for facilities no larger than a group, but look to add a cap of at least \$400,000 for facilities that are becoming centers. I believe that the matching funds is a very great proposal, and would not recommend any changes to that.

I would like to thank you for time. I would be happy to answer any questions that you may have.





13 ½ E Divide Ave PO Box 1143 Bowman, ND 58623 701-523-5880 bowcodev@ndsupernet.com www.bowmannd.com

## Testimony of Ashley Alderson Bowman County Development Corporation SB 2018 (Childcare facilities funding) January 18, 2013

Chairman Holmberg and members of the committee, my name is Ashley Alderson and I am the Executive Director of the Bowman County Development Corporation. For the last three years, I have been working on the development of a new one million dollar childcare facility in our community which opened in November and have been very active on the issue of childcare facility need.

Bowman's new facility was made possible because of an oil company owner who wanted to give back to the community. Our business community saw the critical need for childcare and worked with us to develop a plan we could fund locally. However, with the negative cash flow of childcare facilities, it quickly became evident that financing was not an option and a donor was what we needed. Even today with a facility completely donated, this childcare center does not cash flow.

Our 4,000 sq. ft. facility with full basement is now licensed as a center for 50-100 children. It is a simple commercial grade building and has no extras or frills. This facility was initially estimated to cost \$450,000 which then moved to \$600,000 and when the bids came in, \$919,000. The total cost broke down as follows:

General Contractor: \$524,169

TOTAL: \$919,000 plus supplies & furniture

Ext. Concrete: \$13,788 Plumbing: \$35,345 Mechanical: \$50,075 Electrical: \$95,420

Fire Suppression: \$31,518 Fees & Soft Costs: \$136,635

Land: DONATED

I am pleased to see the recommendation for a facilities grant within SB 2018; however I feel that the dollars allocated are inadequate as arranged. The total match between local and state totals only \$250,000 which doesn't begin to build facilities, a not even modular group facility which was shown during the pilot program. As presented, this program is targeted toward 'group' licensed facilities which care for 18 children. Capacity could be better served re-arranging the numbers on a scale for groups and centers at different amounts based on program applications, keeping in mind that each community has different capacity needs.

For example:



### Current program (\$5million allocation)

\$187,500 state per facility (\$250,000 total project) for 20 "groups" = 360 children served

## Possible change (\$5 million allocation)

\$250,000 state per "group" facility (\$300,000 total project) for 10 "groups"= 180 children served (\$2.5 million)

&

\$625,000 state per "center" facility (\$700,000 total project) for 4 "centers"= 400 children served (\$2.5million)

Again, I feel that supporting facility development as recommended in SB2018 is vitally important to increasing childcare capacity. I would urge you to simply allow the exact program allocations to be raised and put on a scale for different size facilities to help communities better cover the costs of these facilities. Research has proven that adding financing to the cash flow of childcare operations is not feasible.

Thank you, I would be happy to answer any questions you may have. I can also be reached at 701-523-5880 or <a href="mailto:bowcodev@ndsupernet.com">bowcodev@ndsupernet.com</a>.





13 ½ E Divide Ave PO Box 1143 Bowman, ND 58623 701-523-5880 bowcodev@ndsupernet.com www.bowmannd.com

## Testimony of Ashley Alderson Bowman County Development Corporation SB 2018 (Planning initiative) January 18, 2013

Chairman Holmberg and members of the committee, my name is Ashley Alderson and I am the Executive Director of the Bowman County Development Corporation. I am here today to support the planning initiative component of the Department of Commerce Budget.

Bowman County and the City of Bowman have been working to keep up with the growth and change we are pleased to have in our area as well as learn from the development happening to our north.

Because of our size and development history, we do not employ any type of Planning Official other than our County Sheriff who enforces our zoning ordinance. Financially, it's a stretch to hire a City/County Planner to tackle our out of date regulations without further development, so we have been working with consultants where possible to help with updates.

Bowman County recently finished their zoning ordinance updates with a consultant for approximately \$18,947. And the City of Bowman is almost finished with their land use plan with zoning ordinance update, transportation alternatives and gateway overlay district ordinance for approximately \$45,000.

The next step for us is updating both city and county early 1980 subdivision regulations to which we recently received a cost estimate totaling \$39,000 for the City of Bowman alone. At this dollar amount, I don't feel our city will go forward with the update but will rely on maxed out staff and volunteers to try to make due updating the document it in house. We will also try to tackle issues such as creating a sufficient Developers Agreement, and setting new policy regarding access to water and sewer lines, hook-up fees and addressing the fact that we do not have an adopted building code or building inspector.

The updates and development of ordinance are vitally important to protect both our municipalities and tax payers, however, they are costly. We feel that access to funding that could help defray some of the cost to hiring a planning consultant for any of these topics would be very beneficial to our county and city as well as others in our same situation.

Thank you, I would be happy to answer any questions you may have.

## SB 2018 Senate Appropriations Friday, January 18, 2013

Chairman Holmberg, and members of the Committee. For the record I am Blake Crosby, Business Center Manager for North Dakota Child Care Resource and Referral. I am here in support of a Child Care Facility Grant Program.

As a professional who develops business plans and performs financial analysis for the industry; it is very difficult for a child care business to carry much in debt service and remain sustainable. I am pleased that the Governor has recognized that and is requesting grant funds to reduce some of that financial pressure.

North Dakota Kids Count recently released an article titled Growing Need for Child Care in North Dakota, where, using data from various sources including U.S. Census Bureau, American Community Survey, and U.S. Bureau of Labor Statistics they state and I quote:

"If counties were to increase the proportion of need they currently meet with licensed child care by 3 percent per year, the state as a whole would meet the child care needs of 50 percent of children by 2025 and 41 percent by 2015. This growth corresponds to an additional 5,295 licensed child care spaces over the next three years (1,738 in oil and gas producing counties and 3,557 in other counties combined) requiring an additional 306 providers (20 centers and 286 family/group providers) employing 744 staff".

Based on my experience, the Governor's proposal would provide funding for approximately 27 facilities that could provide early child education services to less than 500 children at 18 children per facility.

## Page 2 SB 2018 01/18/2013

As the Governor indicated in his State of the State address, and as you have heard today, access to child care is a challenge. For some areas, it has risen to the level of a crisis. It is impacting those young parents who want to contribute to our workforce. It is impacting those communities who want to build a base of permanent residents that will assure future economic stability and maintain a population base.

Thank you for your time this morning. I will stand for any questions.





## **Testimony of Doug Remboldt**

Vice President – Technical Services National Information Solutions Cooperative

> In Support of SB 2018 January 18, 2013

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Doug Remboldt, and I am the vice president of technical services at National Information Solutions Cooperative (NISC) in Mandan. I also serve as the public policy committee chairman of the Information Technology Council of North Dakota (ITCND). It is on behalf of ITCND that I am voicing support of SB 2018, specifically as it relates to the increased funding for the Operation Intern and Innovate ND programs.

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.

NISC is just one of 31 technology-based companies that hired 93 interns during the current biennium through the Operation Intern program. This program has allowed our company to hire 16 interns since 2008, which is eight more than we would have been able to hire without the program. NISC has been able to offer continued full-time employment to eight of those interns. This program benefits the interns by allowing them to gain insight into what a career in the IT field really entails, and it also helps substantially in their education and training process. Our organization also benefits greatly, as it allows us gauge a candidate's capabilities prior to hiring. There is also great value in the interns sharing their experience with their respective universities and colleges to help those programs better prepare students for employment.



North Dakota's IT industry is expanding rapidly. Recent Job Service North Dakota data shows that North Dakota has seen an increase of more than 50 percent in IT occupations over the past decade and is projecting a 20 percent increase for the next decade. Job growth in North Dakota's IT industry has more than doubled that of the nation. A shortage of skilled workforce is a limiting factor for technology-based industry growth. Therefore, 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.

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 technology-based entrepreneurship grants. 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 technology-based entrepreneurship grants in the past, and hope you will support their continued funding.





### LEWIS & CLARK RIVERBOAT

401 West Main St. ndan, ND 58554 -663-4758 Fax: 701-663-4751 info@fortlincoln.org Statement of Tracy Potter, Executive Director, on SB 2018

Chairman Holmberg and Members of the North Dakota Senate Appropriations Committee

Please accept this as a letter of support for the Governor's recommendation for an increase in the budget of the Tourism Division of the Commerce Department.

I am the President of the Missouri Riverboat Inc., and President and Executive Director of the Fort Abraham Lincoln Foundation. I am a former Tourism Director, having served in the administrations of Governors Sinner and Schafer. I have been involved in promoting tourism and promoting and developing heritage tourism in our state for 25 years.

Others have told you the economic impact of tourism and the value of tourism marketing. I echo their comments, but want to expand on them to talk about other values of tourism, particularly heritage tourism.

Heritage tourism gives us the economic justification to do the things we want to do anyway. We all want to preserve our heritage and pass it along to our children and grandchildren. We like, especially as we age, learning about those who came before us. We feel more connected to the places we live when we know the stories of those places.

But, we know from practical experience that museums and historic sites do not succeed in an ordinary business model. Historic sites and museum do not pay for themselves through admission fees and gift shop sales. They require community support, all the while, they are the supporting the community.

And that's the point — while operating a particular historic site doesn't pay for itself, if the site attracts tourists who spend money in the community at hotels, restaurants and stores, the site contributes to the economy. When those tourists come from out-of-state, their spending brings new wealth to North Dakota.

The state Tourism Division does an excellent job of bringing new wealth to our state – but it does one more thing. By bringing us those tourists, it provides us with the economic justification to sustain and improve our museums and historic sites, to the benefit not just of our economy, but of our quality of life and our understanding of the place we call home.

## Summary of Early Childhood Resources and Funding 2.8.13

Provided by Jennifer Barry, Children and Family Services Division, N.D. Department of Human Services February 7, 2013

## Resources for Early Childhood Providers

## Department of Human Services (DHS)

- Licensing DHS works with the Early Childhood Services Advisory Board, a board made up of seven childcare operators from various licensing categories and various areas of the state, to conduct reviews and revisions of administrative rules. It is the goal of DHS to ensure the health and safety of children without creating unnecessary barriers for providers. See attachment for a comparison of how N.D. regulations compare with other states.
  - Licensing funding for counties General Fund \$142,964, Federal Funds \$630,117, for total funds of \$773,081 in 2013-2015 budget
- Child Care Resource and Referral (CCR&R) DHS contracts with Child Care Resource and Referral to provide a referral service to parents, to assist with community child care planning, to provide training and support to potential and existing childcare providers, and to collect data on childcare capacity and demand. Additionally, CCR&R has been contracted to implement the Growing Childcare Initiative. Growing Childcare was first funded in 2009, and combines training, technical assistance and incentive dollars with the goal of increasing capacity and enhancing the quality of childcare, and developing the early childhood workforce.
  - General Fund \$3,266,221, Federal Funds \$2,551,178, for Total Funds of \$5,817,399 in 2013-2015 budget
- Inclusion Support In 2011, \$50,000 was appropriated to provide technical assistance to childcare providers who care for children with special needs. DHS contracted with the N.D. Center for Persons with Disabilities to provide this service. Additionally, DHS collaborated with the Department of Commerce to provide grants to providers to increase capacity of inclusive childcare. The Department of Commerce was authorized to use up to 50% of the carry-over dollars from the 2009 Childcare Grant and Loan program for these grants (\$40,577 was awarded over two grant rounds in 2011-2012).
  - General Fund \$50,000 for technical assistance in the 2013-2015 budget

## Department of Public Instruction

- Child and Adult Care Food Program (CACFP) Funded by USDA, CACFP provides reimbursement to childcare homes and centers that serve healthy meals and snacks to children in child care programs.
  - Eligible licensed and self-declared providers may access the food program.
    - Not all child care centers or group facilities may participate in the CACFP. Child care facilities must be non-residential and must be either private non-profit or

- must serve a certain number of children from low income households (25%). Child care centers or group facilities that do not meet these requirements may not participate in the CACFP.
- Home child care home providers may participate in the CACFP as long as they are licensed or self-declared through DHS. Home providers participate in the CACFP through a Sponsoring Organization, which is responsible for ensuring the program is operated correctly by the providers and which processes the monthly claims for reimbursement for the home providers. CACFP funds for home providers flow through DPI to the Sponsoring Organizations and on to the providers.
- Reimbursement varies depending on household income of provider or income level of school area. For reimbursement rates, go to <a href="http://www.dpi.state.nd.us/child/cacfp/rates.shtm">http://www.dpi.state.nd.us/child/cacfp/rates.shtm</a>.
- Early Childhood Continuing Education Grants Provides one-time grants of up to \$1,200 for early childhood workforce members who are working on a Child Development Associate credential, an Associate's Degree or a Bachelor's Degree in Early Childhood Education.
  - General Fund \$150,000 in the 2013-2015 budget

## Department of Commerce

- Child Care Loan Program Makes available loans of up to \$100,000 for childcare to be used for things like working capital, equipment, purchase of real estate, and improvements to real estate.
   To date, approximately 20 projects have been committed for a little over a million dollars.
  - \$1,250,000 for child care loans was approved by the legislature in 2009, with a sunset of July 31, 2013. House Bill 1113 seeks to remove that sunset, making the carryover dollars available for the 2013-2015 biennium.

## **Resources for Parents**

## Department of Human Services

- Child Care Assistance Program (CCAP) Administered through the Economic Assistance Division,
   CCAP provides assistance in paying for child care to eligible low-income families, while parents
   work or participate in an eligible training or education program.
  - General Fund \$252,686, Federal Funds \$13,728,004, Other Funds \$6,917,975 for total funds of \$20,898,665 in the 2013-2015 Budget
    - Note: "Other" funds are "SWAP" or retained funds, generated from the SWAP legislation in the 1997 session (HB 1041).
- Child Care Resource and Referral-Helps parents evaluate care options, learn about child care licensing and develop an understanding of child care services. Maintains statewide database of licensed child care options and helps connect parents who are searching for child care with providers who have openings.

### **Resources for Communities**

## Board of University and Trust Lands

- Pilot program to provide a state cost-share for any political subdivision willing to sponsor a new or remodeled facility for child care providers. Grants were funded for five projects.
  - Energy Infrastructure and Impact Grant Program (Board of University and School Lands—commonly known as the Land Board) Total Funding for pilot: \$625,000
  - o \$5,000,000 included in 2013-2015 Governor's Budget for expansion of the program

### Department of Human Services

Child Care Resource and Referral – Is available to assist with community planning.

Note: Information on resources within the Department of Public Instruction and the Department of Commerce has been collected in consultation with representatives from those agencies. Further questions on those resources should be directed to the respective agencies.

## North Dakota Military Economic Impact

#### Introduction:

The following information on military economic impacts in Fargo, Grand Forks and Minot has been garnered from the North Dakota Military Force Structure FY 2011 Economic Impact Analysis. This is understood to be the most recent data available on the matter. It is also understood that the full FY 2011 Economic Impact Analysis has also been provided to the subcommittee by the Office of the Adjutant General.

## Total Annual Economic Impact Estimates (By Location):

Location	Total
Fargo/West Fargo	\$87,517,257
Grand Forks	\$201,369,884
Minot	\$561,218,536
Total	\$850,105,677

## **Total Personnel (By Location):**

Location	Personnel*	Indirect Jobs	Total
Fargo/West Fargo	4,299	329	4,628
Grand Forks	4,405	863	5,268
Minot	13,537	2,186	15,723
Totals	22,241	3,378	25,619

<sup>\*</sup>Personnel includes: military appropriated, dependents, civilian appropriated, and other.

## Breakdown of Personnel (By Location):

Location	Military Appropriated	Dependents	Civilian Appropriated	Other	Total
Fargo/West Fargo	1,606	2,430	179	84	4,299
Grand 1,520 Forks		1,824	357	704	4,405
Minot	5,739	6,505	650	643	13,537
Totals	8,865	10,759	1,186	1,431	22,241

## PROPOSED AMENDMENTS TO SENATE BILL NO. 2018

Page 1, replace line 21 with:

"Grants 59,977,994

1,669,956

61,647,950"

Page 2, replace line 8 with:

"Total all funds

\$93,273,052

\$33,793,013

\$127,066,065"

Page 2, replace line 9 with:

"Less estimated income

69,666,470

1,074,564

70,741,034"

Page 2, after line 29, insert:

"Enhanced use lease

0

2,500,000"

Page 2, replace line 32 with:

"Total all funds

\$272,121,750

\$43,754,636"

Page 3, replace line 1with:

"Less estimated income

259,496,750

19,079,636"

Page 9, after line 15, insert:

"SECTION 27. ENHANCED USE LEASE GRANT PROGRAM. The grants line item in section 1 of this Act includes the sum of up to \$2,500,000 from the strategic investment and improvements funds for providing a grant to assist in funding infrastructure required for an enhanced use lease private sector business development project located on or adjacent to the Grand Forks air force base, contingent upon documentation being provided to the department that verifies a signed enhanced use lease agreement and a commitment by a private sector business to locate in the development."

Renumber accordingly

#1



## ENHANCED USE LEASE (EUL)

The Grand Forks region and BRIC recognize that the Air Force is facing an unprecedented budgetary environment. Concurrently, the Air Force's responsibilities for intelligence, surveillance, and reconnaissance are increasing. BRIC has taken a proactive approach by proposing an EUL arrangement with the U.S. Air Force as a solution to growing Unmanned Aerial Systems support and industry in the Grand Forks region. Currently, the County and the U.S. Air Force are negotiating lease terms with each other on an exclusive basis. The EUL proposed sites will avoid potential impacts on a possible future tanker mission. The project will help diversify the County's employment base and provide financial/operational support of the GFAFB.

## OVERVIEW

- Global Hawk training needs are increasing with the new Global Hawk Block 40, Navy Triton, and Euro Hawk platforms.
- Grand Forks Air Force Base will be the only Main Operating Base for U.S. Air Force Global Hawks in the United States under the current President's budget.
- Northland Community and Technical College (NCTC) in East Grand Forks/Thief River Falls, Minn., has the nation's only UAS maintenance training program and is currently developing a data analyst program.
- NCTC has a strong partnership with Northrop Grumman to develop training specific to the Global Hawk platform.
- Existing infrastructure on the ramp at GFAFB, in conjunction with construction of an optional hangar, can house a new maintenance and/or ISR training operations.
- Joint ISR training facilities could be constructed to support training needs for maintenance personnel, pilots, sensor operators, data analysts, etc. utilizing EUL.
- The demand for data mining is increasing, with more aircraft sending data and increased capability of sensors.
- Existing Distributive Ground Station (DGS) facilities are being upgraded as funds become available, but more capacity is needed.
- The GFAFB has a strategic telecommunications infrastructure available.
- A new DGS could support the needs of the Air Force, Navy, Customs and Border Protection, and other defense and non-defense users including the possibility of relocating an existing facility from overseas.
- The proposed Enhanced Use Lease will allow for more rapid development of new facilities at the GFAFB to support ISR missions by leveraging private sector capital and under-utilized Air Force property.

## NEXT STEPS

- Grand Forks County is proposing to lease approximately 200 acres of under-utilized land from the Air Force.
- The County will partner with one or more private developers to construct new facilities.
- The County will seek tenants with advantages to base proximity: government contractors; federal, state or local
  agencies.
- The project will be completed in phases as tenant agreements are secured.
- Grand Forks County and BRIC will work with the governor's office to secure funding for infrastructure development, estimated to cost up to \$50 million.
- Environmental reviews will be completed.
- Construction may begin in mid- to late- 2013, depending on when the final EUL is executed.



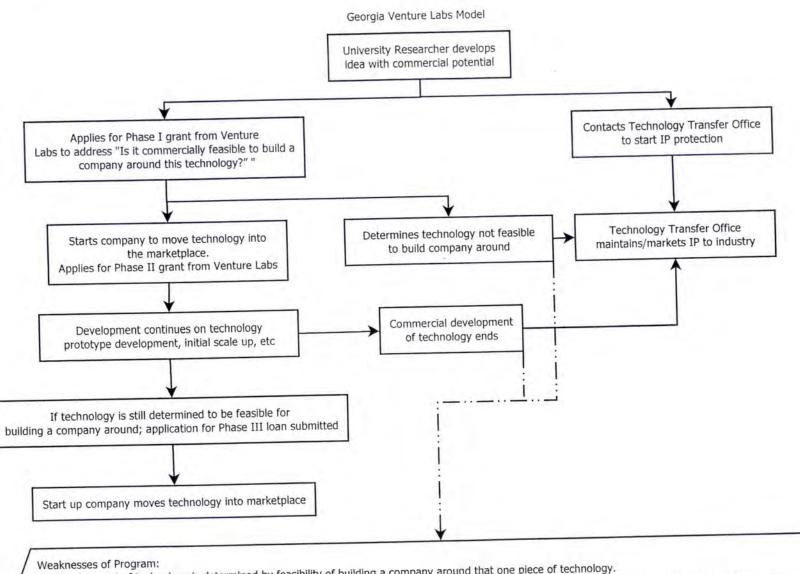


## EUL, CONTINUED

## EXPECTED OUTCOMES

- · Create a National Center for ISR Development in Grand Forks County
  - Integrate defense contractors, educational institutions, other UAS/RPA users, industry training, research, and testing under one complex
  - Provide a pipeline of trained potential employees for UAS/RPA employers
- Maximum of 1.2 million square feet of development over 20 years
- · Up to 2,700 non-military, UAS-related jobs created
  - Should the addition of a distributed ground station or other data center for data management become part of the EUL, as many as 3,000 non-military jobs could be realized

	Georgia VentureLabs	Innovation Center	of the Rockies	Maryland Industry Partnerships
Ownership	501(c)(3)	501 (c)	(6)	
Board Members	industry and academia	business and ci		
Staffing	9	8 (plus 1,400	volunteers)	6
Source of funds	State appropriation for investment in university-based research opportunities	Budget comes from supporters who feel our activities are benefiting the local entrepreneurial community. Corporate sponsorship packages are \$5,000 for 1 year of support		
		Tech Transfer Program	Early Stage Business	34
Goal of program	Help launch companies around university research results	Enhance and promote the value of research and development that continually occurs at the participating universities	Designed to help early stage companies (takes the form of a subsidized consulting model)	Accelerate the commercialization of technology in Maryland by jointly funding collaborative R&D projects between companies and University System of Maryland faculty
Target	Start-up development	Any companies (about 10% of our engagements result in a start-up)	Early stage companies	Companies at any stage (requires presence in MD and specifies what "presence" means)
Program Funding	Phase I grants (up to \$50,000) to the university to evaluate the benefits and risks of a discovery (commercial feasibility) Phase II grants (up to \$100,000) to the university enable researchers to continue prototype development and formulate a company. Must have matching funds. Phase III loans (up to \$250,000) are made to eligible VentureLab companies that have a fully executed license from the university.	Informal group of Angels     TTO Proof of Concept Grants & Investments     Small Business Grants (STTR/SBIR) provided by the federal	\$750 per month for clients located within Boulder County     \$1,200 per month for clients outside of Boulder County     \$1,750 per month for clients outside of Colorado	MIPS provides funding, matched by participating companies, for university-based research projects that:  Help companies develop new products Find solutions to technical challenges Develop products, processes or training materials The maximum MIPS award for any single project is \$100,000 per year for large and small companies and \$90,000 for start-up firms
Matching Requirements				Cash: Both MIPS and the company contribute cash. (Percentage of cash match is determined by size and stage of company.) In-Kind: Companies are required to make an in-kind contribution.



1. Development of technology is determined by feasibility of building a company around that one piece of technology.

2. No further development of technology is done if it is determined that an already existing company could take the technology to market faster, easier, with greater success, or if multiple companies in non-competing areas of the market simultaneously develop the technology for different uses.

3. Further, there is less interest and value in technology that has not been developed through the Phase II stage

## Agricultural Products Utilization Commission (APUC)

2011-13 and 2013-15 Appropriation Comparison

	EXPENDITURES			
		2011-13	2013-15	Increase / (Decrease)
Original Appropriation	\$	2,739,767	\$ 3,246,536	\$ 506,769
	\$	1,518,859	\$ 1,740,240	\$ 221,381
Carryover Total APUC Funds Available	\$	4,258,626	\$ 4,986,776	\$ 728,150

FUNDING S	OUNCLO					Increase /
		2011-13		2013-15		(Decrease)
Original Appropriation		1,701,483	\$	1,208,252	\$	(493,23
General Fund	\$	300,000	ç	300,000	5	(100)
Federal Funds (APUC Rural Business Enterprise Grants)	\$	738,284	\$	1,738,284	5	1,000,00
APUC Fund (Alcohol Motor Vehicle Fuel Fund 224) Original Appropriation Authority	\$	2,739,767	\$	3,246,536	\$	506,76
Carryover General Fund	\$	682,092	\$	498,949	\$	(183,14
Federal Funds (APUC Rural Business Enterprise Grants)	\$	ν.	\$		\$	-
APUC Fund (Alcohol Motor Vehicle Fuel Fund 224)	\$	836,767	\$	1,241,291	\$	404,52
Carryover Authority	\$	1,518,859	\$	1,740,240	\$	221,38
Total APUC Funds Available	\$	4,258,626	\$	4,986,776	\$	728,15

NOTE: The schedule reflects actual carryover amounts for 2011-13 and estimated levels for 2013-15.

#### Agriculture Consumer Refund Claims

	Ag.Fuel Tax Fund		Township Highway		Agric. Research		Ethanol Incentive			
YEAR	APUC	Cents	Aid Fund <sup>2</sup>	Cents	SBARE	Cents	Fund	Cents	Total	Change from Prior Year
1994	\$535,407	0.02	\$267.844	0.01	No Allocation	0.00	\$535,688	0.02	\$1,338,939	
1995	\$496,129	0.02	\$248,663	0.01	No Allocation	0.00	\$497,325	0.02	\$1,242,117	-7.2%
1996	\$453,723	0.02	\$225,615	0.01	No Allocation	0.00	\$451,230	0.02	\$1,130,568	-9.0%
1997	\$388,576	0.02	\$193,111	0.01	No Allocation	0.00	\$386,222	0.02	\$967,909	-14.4%
1998	\$380,824	0.02	\$226,577	0.01	\$606,790	0.04	\$226,577	0.01	\$1,440,768	48.9%
1999	\$359,553	0.02	\$178,697	0.01	\$714,787	0.04	\$178,697	0.01	\$1,431,734	-0.6%
2000	\$335,040	0.02	\$166,563	0.01	\$666,253	0.04	\$166,563	0.01	\$1,334,419	-6.8%
2001	\$308,263	0.02	\$153,104	0.01	\$612,415	0.04	\$153,104	0.01	\$1,226,886	-8.1%
2002	\$286,162	0.02	\$142,058	0.01	\$568,231	0.04	\$142,058	0.01	\$1,138,509	-7.2%
2003	\$254,788	0.02	\$126,441	0.01	\$505,763	0.04	\$126,441	0.01	\$1,013,433	-11.0%
2004	\$236,786	0.02	\$117,750	0.01	\$470,999	0.04	\$117,750	0.01	\$943,285	-6.9%
2005	\$215,556	0.02	\$107,778	0.01	\$431,111	0.04	\$107,778	0.01	\$862,222	-8.6%
2006	\$194,764	0.02	\$97,382	0.01	\$389,528	0.04	\$97,382	0.01	\$779,056	-9.6%
2007	\$164,538	0.02	\$84,507	0.01	\$326,091	0.04	\$81,523	0.01	\$656,659	-15.7%
2008	\$131,663	0.02	\$67,812	0.01	\$260,686	0.04	\$65,172	0.01	\$525,333	-20.0%
2009	\$119,024	0.02	\$63,904	0.01	\$235,541	0.04	\$58,885	0.01	\$477,354	-9.1%
2010	\$95,415	0.02	\$0	0.00	\$190,378	0.04	\$47,596	0.01	\$333,388	-30.2%
2011	\$102,091	0.02	\$0	0.00	\$201,801	0.04	\$50,449	0.01	\$354,341	6.3%
2012	\$55,061	0.02	\$0	0.00	\$107,850	0.04	\$26,962	0.01	\$189,873	-46.4%
27.42	200000						2007-	-2011 Av	erage Change	-13.7%
2013 3	\$46,794	0.02	\$0	0.00	\$93,587	0.04	\$23,397	0.01	\$163,778	-13.7%
2014 3	\$40,363	0.02	\$0	0.00	\$80,725	0.04	\$20,181	0.01	\$141,269	-13.7%
2015 3	\$34,815	0.02	\$0	0.00	\$69,631	0.04	\$17,408	0.01	\$121,854	-13.7%
2013-15	\$75,178				\$150,356		\$37,589		\$263,123	

Includes 1/2 cents withheld from Industrial users' refunds

Farmer Gas Refund General Description: Farmers purchase gasoline at the regular price with a \$.23 per gallon tax.

Consumers may apply to receive a partial refund of the taxes paid on gas puchased for non-licensed farm equipment.

Prior to July 1 2009 a total of \$.08 was withheld from the applicant's refund and distributed as follows: \$.01 Townships Hwy. Fund;

\$.04 to Agric. Research; \$.01 to the Ethanol Production fund and \$.02 for APUC grants.

Beginning July 1 2009 a total of \$.07 is withheld from the applicant's refund and distributed as follows: \$.04 to Agric. Research; \$.01 to the Ethanol Production fund and \$.02 for APUC grants.

Revenues are decreasing because farmers are using more diesel fuel, and to some extent, there are less filings for refunds

<sup>&</sup>lt;sup>2</sup>The amounts are approximate due to the 1 cent withheld from Agricultural Industrial & Local Gov users' refunds.

<sup>3</sup>During 2012, the Tax Department refund validation process resulted in a dramatic reduction in refunds. Therefore, projections for 2013 through 2015 were estimated based upon the 5-year average rate of decline in agriculture consumer refund claims for the years 2007 - 2011.

	Agric	cultural Fuel Tax	Fund				
		Status Statemen		13-15 Base Request	Reco	2013-15	
Beginning Balance	<u> </u>	1,886,295	\$	2,470,244	\$	2,470,244	
Revenues							75.000
Motor Fuel Tax	\$	134,000	\$	134,000	\$	200 000	\$ 75,000 2013-15 Estimate
Tsfr From Mill & Elevator	\$	800,000	\$	800,000	\$	800,000	4
Total Revenues	\$	934,000	\$	934,000	\$	800,000	
Expenditures APUC Grants	4	1,575,051	\$	1,238,284	\$	1,738,284	Ņ.
Unexpended Appropriations	\$	(1,225,000)					
Total Expenditures	\$	350,051	\$	1,238,284	\$	1,738,284	1
Ending Balance	\$	2,470,244	\$	2,165,960	\$	1,531,960	

E	thanol P	Production Incent	ive Fu	nd			
	-	Status Statement		13-15 Base Request	Reco	2013-15 ommendation	
Beginning Balance	\$	2,151,088	\$	2,151,088	\$	2,151,088	
Revenues	160	02.000					\$ 37,000
Motor Fuel Tax	\$	50,000	\$	50,000	5		
Tsfr From Higway Tax Dist. Fund	\$	4,200,000	\$	4,200,000	\$	4,200,000	2013-15 Estimate
Total Revenues	\$	4,250,000	\$	4,250,000	\$	4,200,000	
Expenditures	Ś	4,250,000	\$	4,250,000	\$	4,200,000	
Payments to Producers	>	4,250,000	2	4,230,000		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Total Expenditures	\$	4,250,000	\$	4,250,000	\$	4,200,000	
Ending Balance	\$	2,151,088	\$	2,151,088	\$	2,151,088	1

	ural Resea tus Staten			2013-15 mmendation
		587,312	\$	340,149
Beginning Balance	Ş	367,312	Ý	3.10,2 (3
Revenues		200 000		300,000
General Fund Appropriation	\$	300,000	\$	
Motor Fuel Tax	\$	201,437	>	263,123
Interest	\$	1,400	\$	1,000
Total Revenues	\$	502,837	\$	564,123
Expenditures				
Grants & Administration	\$	750,000	\$	750,000
Total Expenditures	\$	750,000	\$	750,000
Ending Balance	\$	340,149	\$	154,272

\$ 150,000 2013-15 Estimate

## PROPOSED AMENDMENTS TO SENATE BILL NO. 2018

Page 1, line 2, replace "section" with "sections"

Page 1, line 2, after "section" insert "10-30.5-14 and"

Page 1, line 2, replace "two" with "three"

Page 1, line 3, after "relating to" insert "the research North Dakota venture investment program,"

Page 4, after line 17, insert:

"SECTION 6. Section 10-30.5-14 of the North Dakota Century Code is created and enacted as follows:

## 10-30.5-14. Research North Dakota venture investment program.

- 1. The corporation shall administer a research North Dakota venture investment program that provides investments to startup or spinoff businesses that utilize technology developed at a research university, as defined in section 54-65-01, or jointly developed by a research university and the private sector.
- 2. A qualified applicant for a research North Dakota venture investment:
  - <u>Must be a business operating in North Dakota that is at the startup or spinoff state;</u>
  - Must be utilizing technology that is licensed from a research university or a nonprofit foundation affiliated with a research university; and
  - c. Shall meet underwriting guidelines established by the corporation.
- 3. An investment under this section may not exceed two hundred fifty thousand dollars. A recipient business 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 20, insert:

"SECTION 10. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

## Research North Dakota venture grants.

The department shall establish and administer a research North Dakota venture grant program to provide grants to a research university for pursuing further commercialization of technology developed by the university or developed jointly by the university and a startup or spinoff business operating in North Dakota. The

department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section."

Page 8, line 16, after the period insert "The department of commerce may use up to \$2,000,000 of the funds transferred to the research North Dakota fund for venture grants."

Page 9, after line 15, insert:

"SECTION 27. LEGISLATIVE INTENT - RESEARCH NORTH DAKOTA VENTURE INVESTMENT PROGRAM. It is the intent of the sixty-third legislative assembly that the North Dakota development fund, incorporated, may use funding transferred to the North Dakota development fund, incorporated, in section 18 of chapter 50 of the 2011 Session Laws for investments under the research North Dakota venture investment program."

Renumber accordingly

## Research North Dakota – As Proposed to SB 2018 Subcommittee

February 21, 2013

#### Overview

The Executive Budget Recommendation includes \$12 million in funding for Research North Dakota (RND). As proposed, this funding would be used to provide matching grants to the research universities for research, development and commercialization projects done in collaboration with private companies. We are offering amendments that would utilize \$2 million of this funding for commercialization activities related to technology developed at the research universities.

This proposal is patterned after the Georgia Research Alliance's VentureLab program which has had a successful track record since 2002 and has been cited as a best practice by the State Science and Technology Institute (SSTI).

## Research North Dakota (RND)

This proposal would utilize \$10 million of the funding for RND as originally included in SB 2018. The funding for RND would be used to provide grants to the research universities for collaborative projects with private companies.

This program will build on the successes of the Centers of Excellence & Research Excellence program. Instead of establishing new research centers, RND will focus on utilizing existing research assets at UND and NDSU to perform research, development and commercialization projects in collaboration with private partners. Research ND will pay for up to half of the university's cost in conducting the work with the other half provided by a cash match. A similar application and approval process will be used with the Centers of Excellence Commission making award determinations.

The primary goal of RND is to leverage the resources at the research universities to assist private business in research, development and commercialization activities.

#### **RND Venture Grants**

This proposal would allow \$2 million of the Research North Dakota funding to be used for a RND Venture Grant program to commercialize technology developed at the research universities. In addition, the North Dakota Development Fund would have access to the \$1 million in funding provided by the legislature during the 2011-13 biennium for loans to companies that are utilizing research university technology.

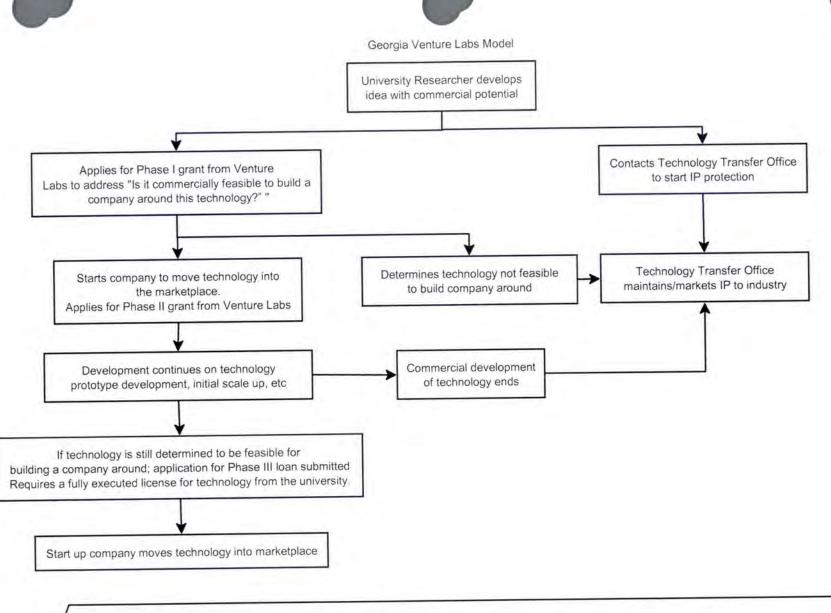
As modeled after the Georgia VentureLab program, this program would have three phases:

- Phase 1 grants would typically be limited to \$50,000 and would be used to determine the
  feasibility of building a new company startup or spinoff around a technology developed by a
  university or developed jointly by a university and the private sector.
- Phase 2 grants would typically be limited up to \$100,000 and would require a dollar-for-dollar match. These grants would be used to further commercialization of those technologies that were the subject of Phase I grants including prototype development and testing, evaluation of manufacturability, and other market-driven, commercially relevant activities to foster the formulation of a company startup or spinoff.
- Phase 3 loans would be made through the North Dakota Development Fund and would be limited to up to \$250,000 per company startup or spinoff. Such loans would be made to those startups or spinoffs fostered through Phase I and Phase II efforts. In order to be eligible for financing, the company would need to be operating in North Dakota and be engaged in the licensing of the technology developed through Phase I and Phase II activities from the university.

The Department of Commerce would work with the Centers of Excellence Commission to determine the appropriate guidelines for the RND Venture Grant program.

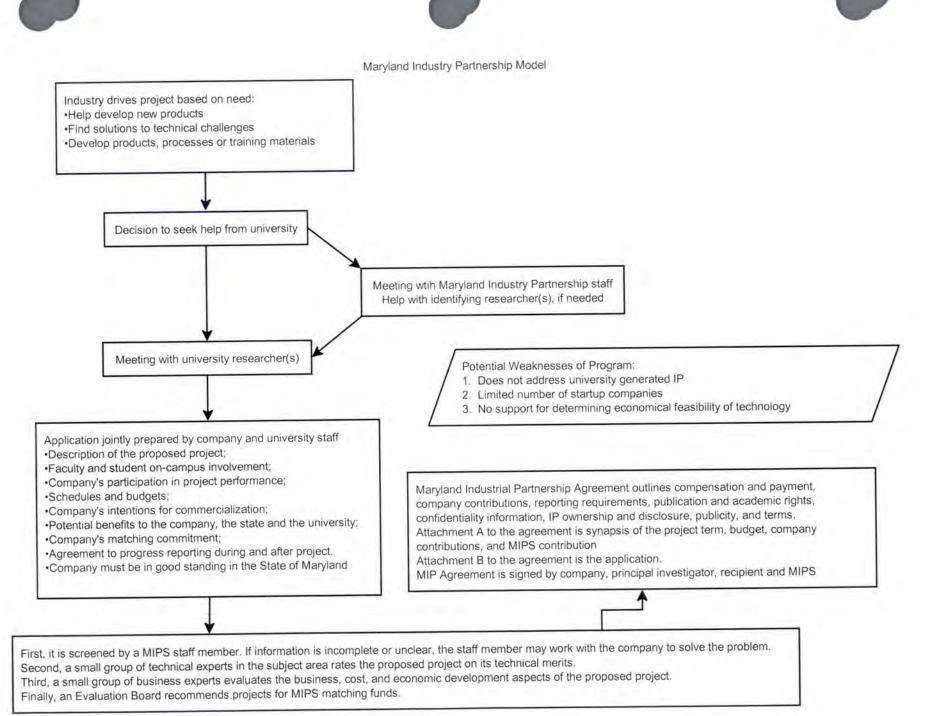
The primary goals of RND Venture Grants are to commercialize the technologies developed at research universities through new start-up and spinoff companies operating in North Dakota.

	Georgia VentureLab	Maryland Industry Partnerships
Ownership	501(c)(3)	Part of University of Maryland System
Board Members	industry and academia	
Staffing	9	6
Source of funds	State appropriation for investment in university-based research opportunities	
Goal of program	Help launch companies around university research results	Accelerate the commercialization of technology in Maryland by jointly funding collaborative R&D projects between companies and University System of Maryland faculty
Target	Start-up development	Companies at any stage (requires presence in MD and specifies what "presence" means)
Program Funding	Phase I grants (up to \$50,000) to the university to evaluate the benefits and risks of a discovery (commercial feasibility)  Phase II grants (up to \$100,000) to the university enable researchers to continue prototype development and formulate a company. Must have matching funds.  Phase III (uncollateralized) loans (up to \$250,000) are made to eligible VentureLab companies that have a fully executed license from the university.	MIPS provides funding, matched by participating companies, for university-based research projects that:  • Help companies develop new products  • Find solutions to technical challenges  • Develop products, processes or training materials The maximum MIPS award for any single project is \$100,000 per year for large and small companies and \$90,000 for start-up firms
Matching Requirements	<ul> <li>1-to-1 matching funds to demonstrate external market validation</li> <li>Common sources include federal SBIR grants, angel investors, industrial contracts or other forms of early revenue.</li> </ul>	Cash: Both MIPS and the company contribute cash. (Percentage of cash match is determined by size and stage of company.) In-Kind: Companies are required to make an in-kind contribution.



Potential Weaknesses of Program:

- Development of technology is determined by feasibility of building a company around that one piece of technology.
- 2. No support if it is determined an already existing company could take the technology to market faster, easier, with greater success, or if multiple companies in non-competing areas of the market simultaneously develop the technology for different uses.
- 3. Further, there is less interest and value in technology that has not been developed through the Phase II stage



5B 2018 #2 2-21-13 #2

#### PROPOSED AMENDMENTS TO SENATE BILL NO. 2018

Page 9, after line 15, insert:

"SECTION 26. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYONG INITIATIVE - REPORT TO THE LEGISLATIVE MANAGEMENT. Before September 1, 2014, the North Dakota economic development foundation shall provide a report to the legislative management regarding progress made toward the recommendations provided as part of the 2020 and beyond initiative and any recommendations for future legislation."

Renumber accordingly

13.8168.01002 Title. Fiscal No. 1 Prepared by the Legislative Council staff for Senator Grindberg February 22, 2013

#### PROPOSED AMENDMENTS TO SENATE BILL NO. 2018

Page 1, line 2, after "enact" insert "a new chapter to title 6, a new section to chapter 10-30.5,"

Page 1, line 2, after "54-45.5-10" insert a comma

Page 1, line 2, replace "two" with "three"

Page 1, line 3, after "to" insert "a loan guarantee program, the research North Dakota venture program,"

Page 1, line 3, after "fund" insert a comma

Page 1, line 4, after the fourth comma insert "54-17-07.3, 54-17-40,"

Page 1, line 6, remove "and"

Page 1, line 7, after "fund" insert ", housing finance programs, and the housing incentive fund"

Page 1, line 8, after the semicolon insert "to provide for an upper great plains transportation institute study; to provide for legislative management studies;"

Page 1, replace line 18 with:

"Salaries and wages	\$10,858,251	\$1,800,217	\$12,658,468"
Page 1, replace line 21 with: "Grants	59,977,994	1,669,956	61,647,950"
Page 2, replace lines 8 through 10 with:			
"Total all funds Less estimated income Total general fund	\$93,273,052 69,666,470 \$23,606,582	\$34,054,511 <u>1,134,709</u> \$32,919,802	\$127,327,563 <u>70,801,179</u> \$56,526,384"
Page 2, remove lines 30 and 31			
Page 3, replace lines 1 and 2 with:			
"Federal fiscal stimulus Enhanced use lease grant Total all funds Less estimated income Total general fund		24,496,750 <u>0</u> \$272,121,750 <u>259,496,750</u> \$12,625,000	796,770 <u>2,500,000</u> \$43,254,636 <u>19,079,636</u> \$24,175,000"

Page 4, after line 17, insert:

"SECTION 6. A new chapter to title 6 of the North Dakota Century Code is created and enacted as follows:

#### Definitions.

As used in this chapter, unless the context otherwise requires:

- "Child care provider" means a child care home, group, or center licensed by the department of human services.
- 2. "Lender" means any lending institution that is regulated or funded under the laws of this state or the United States and which has provided financing to a child care provider for a child care facility.
- 3. "Loan guarantee" means an agreement that in the event of default by a child care facility under a note and mortgage or other loan or financing agreement, the Bank of North Dakota shall pay the lender the amount agreed upon up to a percentage to be determined by the Bank of the amount of principal due the lender on a loan at the time the claim is approved from the loan guarantee fund.

#### Loan guarantee fund - Administration.

A child care facility loan guarantee fund is created to be used by the Bank of North Dakota to administer a child care facility loan guarantee program in conjunction with other loan programs. The fund includes moneys appropriated by the legislative assembly for administration of the program and all earnings, less any administrative charges, from the investment of those moneys. The Bank may retain any administrative charges necessary for the administration of the program established by this chapter. The fund is not subject to section 54-44.1-11.

#### Application for guarantee - Term - Annual fee.

A lender may apply to the Bank of North Dakota for a loan guarantee for a loan amount to be determined by the Bank. The Bank may approve a guarantee of a loan of up to fifteen thousand dollars to a child care provider for use by the child care provider for purchasing, constructing, or remodeling a facility to provide child care services. The term of a loan guarantee may not exceed five years. The Bank may charge a lender an annual fee during the term of a loan guarantee.

#### Termination.

The Bank of North Dakota may terminate a loan guarantee upon the sale, exchange, assignment, or transfer of the child care provider's interest in the qualified child care facility. The Bank shall terminate a loan guarantee if the Bank determines that the loan guarantee was obtained by fraud or material misrepresentation of which the lender or seller has actual knowledge.

#### Rules.

Notwithstanding any provision of this chapter, the Bank of North Dakota shall adopt rules to implement this chapter. The rules may include a formula for determining the ratio of reserves in the loan guarantee fund to the amount of guaranteed loans and the maximum allowable annual interest rate on a loan eligible for a guarantee.

SECTION 7. A new section to chapter 10-30.5 of the North Dakota Century Code is created and enacted as follows:

#### Research North Dakota venture investment program.

 The corporation shall administer a research North Dakota venture investment program that provides investments to startup or spinoff



businesses that utilize technology developed at a research university, as defined in section 54-65-01, or jointly developed by a research university and the private sector.

- 2. A qualified applicant for a research North Dakota venture investment:
  - a. Must be a business operating in North Dakota that is in the startup or spinoff state;
  - Must be utilizing technology that is licensed from a research university or a nonprofit foundation affiliated with a research university; and
  - c. Must meet underwriting guidelines established by the corporation.
- 3. An investment under this section may not exceed two hundred fifty thousand dollars. A recipient business 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 4, after line 25, insert:

"SECTION 9. AMENDMENT. Section 54-17-07.3 of the North Dakota Century Code is amended and reenacted as follows:

#### 54-17-07.3. Housing finance programs.

Acting in its capacity as a state housing finance agency, the industrial commission is authorized to establish the following housing finance programs:

- 1. Home mortgage finance program. A program or programs to provide financing or refinancing of loans made by lenders, including second mortgage loans and leasehold mortgage loans on tribal trust or other reservation lands, and leasehold mortgage loans that are insured or guaranteed through an affordable housing program, to persons or families of low and moderate income for the purchase or substantial rehabilitation of owner occupied, single-family residential dwelling units, which includes mobile homes and manufactured housing.
- 2. Mobile home and manufactured housing finance program. A program or programs to provide for the purchase or guaranty of a loan made by a lender to finance the purchase of a mobile home or a manufactured housing unit other than on a real property mortgage basis. A program authorized under this subsection may provide assistance in the development of low-income to moderate-income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.
- Multifamily housing finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of multifamily housing facilities.

- 4. Mortgage loan financing program. A program or programs to provide for the purchase or guaranty of a temporary or permanent mortgage loan originated by a lender on residential real property or on land to be developed into residential real property, in addition to a mortgage loan acquired or to be acquired under subsections 1 through 3. A program authorized under this subsection may provide assistance in the development of low to moderate income housing or to otherwise assist a developing community in the state address an unmet housing need or alleviate a housing shortage.
- Home improvement finance program. A program or programs to provide full or partial, indirect financing of improvements to existing residential dwelling units.
- 6. Housing grant program. A program or programs to provide a grant other than those authorized by section 54-17-07.6 to encourage and promote housing availability for persons of low or moderate income or to otherwise assist a developing community in this state address an unmet housing need or alleviate a housing shortage.
- 7. Child care facility finance program. A program or programs to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans, including participations in mortgage loans, for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of child care facilities.

SECTION 10. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

## 54-17-40. (Effective through June 30, <del>2013</del>2015) Housing incentive fund - Continuing appropriation.

- The housing incentive fund in an amount not to exceed fifty million dollars
  is created as a special revolving fund at the Bank of North Dakota. The
  housing finance agency may direct disbursements from the fund and a
  continuing appropriation from the fund is provided for that purpose.
- 2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area median income. The agency may collect a reasonable administrative fee from the fund.
- 3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing or child care needs in this state. Assistance from the fund may be used solely for:
  - New construction, rehabilitation, or acquisition of a multifamily housing project;
  - Gap assistance, matching funds, and accessibility improvements;

- Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
- Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
- Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
- 5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section."

Page 5, after line 20, insert:

"SECTION 14. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

#### Research North Dakota venture grants.

The department shall establish and administer a research North Dakota venture grant program to provide grants to a research university for pursuing further commercialization of technology developed by the research university or developed jointly by the research university and a startup or spinoff business operating in North Dakota. The department shall collaborate with the centers of excellence commission in establishing guidelines to qualify for a grant under this section."

- Page 8, line 11, replace "biennium" with "period"
- Page 8, line 11, replace "July 1, 2013," with " with the effective date of this Act"
- Page 8, line 16, after the first period insert "The department of commerce may use up to \$2,000,000 of the funds transferred to the research North Dakota fund for venture grants.

SECTION 28. TRANSFER - BANK OF NORTH DAKOTA - CHILD CARE FACILITY LOAN GUARANTEE FUND. The Bank of North Dakota shall transfer the sum of \$200,000 from the Bank's current earnings and undivided profits to the child care facility loan guarantee fund for the biennium beginning July 1, 2013, and ending June 30, 2015."

- Page 8, line 30, remove "Grants are available to communities with air force bases only"
- Page 9, replace lines 1 and 2 with "The department may award grants of up to \$500,000 to each community with an air force base or air national guard facilities."
- Page 9, line 10, after the boldfaced period insert "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"
- Page 9, after line 15, insert:

"SECTION 33. STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - ENHANCED USE LEASE GRANT PROGRAM. The grants line item in section 2 of this Act includes the sum of \$2,500,000 from the strategic investment and improvements fund for an enhanced use lease grant program to be developed by the department of commerce, for the biennium beginning July 1, 2013, and ending June 30, 2015. Grants are available for constructing infrastructure required for an enhanced use lease private sector business development project located on or adjacent to the Grand Forks air force base, contingent upon certification from the department of commerce verifying both a signed enhanced use lease agreement and a commitment by a private sector business to locate in the development.

SECTION 34. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE - REPORT TO THE LEGISLATIVE MANAGEMENT.

Before September 1, 2014, the North Dakota economic development foundation shall provide a report to the legislative management regarding progress made toward the recommendations provided as part of the 2020 and beyond initiative and any recommendations for future legislation.

SECTION 35. EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH - RESEARCH NORTH DAKOTA - REPORT TO BUDGET SECTION.

Before June 1, 2014, the department of commerce shall provide a progress report on the experimental program to stimulate competitive research and research North Dakota, including the research North Dakota venture investment program to the budget section of the legislative management.

SECTION 36. UPPER GREAT PLAINS TRANSPORTATION INSTITUTE STUDY - REPORTS TO BUDGET SECTION. The operating expenses line item in section 1 of this Act includes the sum of \$350,000 from the general fund for the department of commerce to contract with the upper great plains transportation institute for the purpose of updating and maintaining reports for transportation infrastructure needs for all county roads and bridges in the state, for the biennium beginning July 1, 2013, and ending June 30, 2015. While updating and maintaining the reports, the upper great plains transportation institute shall review options to most efficiently use resources through the integration of road and bridge projects identified in the reports along with other associated infrastructure needs. During the 2013-14 interim, the upper great plains transportation institute shall report at least annually to the budget section of the legislative management regarding the status of the reports.

SECTION 37. LEGISLATIVE MANAGEMENT STUDY - CHILD CARE SERVICES. During the 2013-14 interim, the legislative management shall consider studying child care services. The study must include consideration of the current and potential needs for child care services and the current and potential workforce needs related to child care. The study must include consideration of the current quality of child care services. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

SECTION 38. LEGISLATIVE INTENT - RESEARCH NORTH DAKOTA VENTURE INVESTMENT PROGRAM. It is the intent of the sixty-third legislative assembly that the North Dakota development fund, incorporated, use funding transferred to the North Dakota development fund, incorporated, in section 18 of chapter 50 of the 2011 Session Laws for investments under the research North Dakota venture investment program."

Page 9, line 17, after the second comma insert "and funding of \$5,000,000 in the grants line item of section 1 of this Act, relating to the unmanned aircraft systems program,"

Page 9, line 17, replace "21" with "26"

Page 9, line 17, replace "26" with "32"

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

#### Senate Bill No. 2018 - Department of Commerce - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$12,396,970	\$261,498	\$12,658,468
Operating expenses	16,434,601	1,54,55,54	16,434,601
Capital assets	10,000		10,000
Grants	59,147,950	2,500,000	61,647,950
Discretionary funds	928,082		928,082
Workforce enhancement fund	2,000,000		2,000,000
Economic development	186,846		186,846
initiatives	11,782,866		11,782,866
Flood impact grants and loans	3,246,536		3,246,536
Ag Products Utilization Commission			
Research North Dakota	12,000,000		12,000,000
North Dakota Trade Office	2,613,400		2,613,400
Partner programs	2,022,044		2,022,044
Federal fiscal stimulus funds	796,770		796,770
North Dakota planning initiative	1,000,000		1,000,000
Total all funds	\$124,566,065	\$2,761,498	\$127,327,563
Less estimated income	68,241,034	2,560,145	70,801,179
Less estimated income	ooji i i joo		
General fund	\$56,325,031	\$201,353	\$56,526,384
FTE	69.25	0.00	69.25

#### Department No. 601 - Department of Commerce - Detail of Senate Changes

		Corrects Executive Compensation Package <sup>1</sup>	Adds Funding for Enhanced Use Lease Grant Program <sup>2</sup>	Total Senate Changes
Si	alaries and wages	\$261,498		\$261,498
	perating expenses			100
C	apital assets		0.700.000	0.000.000
G	rants		2,500,000	2,500,000
	scretionary funds			
W	orkforce enhancement fund			
	conomic development initiatives			
FI	ood impact grants and loans			
Ag	Products Utilization Commission			
Re	esearch North Dakota			
	orth Dakota Trade Office			0 0
Pa	artner programs			
Fe	ederal fiscal stimulus funds			
No	orth Dakota planning initiative			
To	otal all funds	\$261,498	\$2,500,000	\$2,761,498
	ess estimated income	60,145	2,500,000	2,560,145
G	eneral fund	\$201,353 0.00	\$0 0.00	\$201,353 0.00

<sup>1</sup>Funding is added due to a calculation error in the executive compensation package.

<sup>2</sup>This amendment adds one-time funding of \$2.5 million from the strategic investment and improvements fund to the grants line item for an enhanced use lease grant program at the Grand Forks Air Force Base.

This amendment adds new sections to:

- Create a loan guarantee program to be administered by the Bank of North Dakota for child care facility loans of up to \$15,000 per loan.
- Create the Research North Dakota venture investment program as part of the Development Fund
- Amend the Housing Finance Program to include child care facilities.
- Amend the housing incentive fund to limit the fund to a maximum balance of \$50 million.
- Create Research North Dakota venture grants.
- Transfer \$200,000 of Bank of North Dakota profits into the child care facility loan guarantee fund.
- Create the enhanced use lease grant program.
- Provide for a report to the Legislative Management relating to the 2020 and Beyond Initiative.
- Provide for an Upper Great Plains Transportation Institute study.
- Provide for a report to the Budget Section on the Experimental Program to Stimulate Competitive Research, including Research North Dakota.
- Provide for a Legislative Management study of child care services.
- Provide that \$2 million of the \$12 million transferred to the Research North Dakota fund may be used for venture grants.



North Dakota 

DEPARTMENT OF COMMERCE

2012 Report to the Joint Industry, Business & Labor Committee

# BUSINESS DEVELOPMENT BY THE NUMBERS

17

New businesses or expansions completed since January 2011

> 2,318

Total employment (direct/indirect) projected through 2017

> \$600 million

Personal income projected through 2017

> \$2.5 billion

Economic output projected through 2017

> \$127 million

State tax revenue projected through 2017

84

New projects actively considering North Dakota or who have an interest level in the state since January 2011

30

Company site visits to consider North Dakota as a business location since January 2011









6 Of all the areas where we've expanded, North Dakota has really been one of the best places.

**Eric Bartsch United Pulse Trading** 

#### **United Pulse Trading**

Although the growing oil industry has been getting a lot of attention in North Dakota lately, agriculture is still king as the state's largest industry. For United Pulse Trading, North Dakota is a prime location to capitalize on the growing market for dried peas, beans and other products known as pulse crops. "We are the number one producer of dried peas and lentils," says Eric Bartsch, general manager for United Pulse Trading, a value-added pulse crop processer. "In 2000 we had less than 100,000 acres in North Dakota. Now we are close to 700-800,000 acres of dried peas, lentils and chickpeas."

In 2007, the company opened its processing facility in Williston, ND, close to the source of the crop fields. The pulse crops are processed, cleaned and color sorted, making them ready for the table. The company packages and ships the products to over 100 countries, including India and countries in North Africa and the Middle East.

Bartsch sees North Dakota as one of their key factors of success. "We have facilities located in six countries around the world. We have a pretty far reach. Of all the areas where we've expanded, North Dakota has really been one of the best places."

United Pulse Trading received assistance from the state of North Dakota to get the Williston facility built and operating. "We used the North Dakota Development Fund from the North Dakota Department of Commerce, and the PACE loan program through the Bank of North Dakota. It's really programs like these that have made North Dakota a perfect environment for expanding business."

United Pulse itself is growing and looking to expand. The company currently employs 35 people in Williston with additional staff in Bismarck. A new United Pulse processing facility in Minot is expected to be in operation by first quarter 2013, milling another 100,000 metric tons of area producers' split peas and chickpeas while adding approximately 40 new jobs. The North Dakota Department of Commerce worked closely with United Pulse and the Minot Area **Development Corporation to assist United** Pulse with several finance and tax incentives available to the company. "The programs and the environment in the state are pro-business." Bartsch says. "It really gives a company an advantage to expand here."

### TOURISM – BY THE NUMBERS

## \$4.8 billion

Contributed by tourism to the state's economy in 2011

## \$119

Returned in visitor spending for every \$1 invested in advertising the state

### #1

In the nation for tourism expenditure growth at 14.9% compared to national average of 6.8%

### 10 million

Persons reached by Tourism's online presence

20%

Increase in the hotel sector since 2010

3,667

Additional rooms available to travelers at 43 new properties throughout the state









**66** We knew that if Regent were to become a destination, we had to have a motel. If it wasn't for the help of the North Dakota Department of Commerce, we wouldn't have had a start.

**Gary Greff** Enchanted Castle, Regent, ND

#### **Enchanted Highway and Enchanted Castle**

When the highway to the rural town of Regent, North Dakota was upgraded from gravel to pavement, Gary Greff wondered how he could encourage travelers on the nearby interstate to make a detour and stop at the community's local businesses. When Greff noticed people stopping their vehicle to take pictures next to a welded statue of a man holding a hay bale created by a local farmer, an idea was born.

"I'd never laid a bead of weld in my life before I started this project," Greff said. "But you can do anything you want if you set your mind to it. I'm living proof of that."

The first sculpture, The Tin Family, was erected in 1991, and others soon followed. Currently, the Enchanted Highway boasts seven sculptures, including "Geese in Flight," which is listed in the Guinness Book of World Records as the world's largest scrap metal sculpture.

Since the sculptures have been erected, a recent vehicle count shows traffic on the highway has dramatically increased.

The Enchanted Highway Gift Shop sign-in book records visitors from all 50 states and many different countries. "Regent hasn't gotten any bigger, so we know the Enchanted Highway had its influence," said Greff, who now heads the Enchanted Highway Foundation. "I've had more than one person say they would not be in Regent if it wasn't for the Enchanted Highway."

With support from the North Dakota Department of Commerce's Tourism Division, the Enchanted Highway Foundation is developing a hotel, bringing additional economic activity to the area. The Enchanted Castle opened in 2012 and is drawing tourists, hunters and workers from the region.

The Enchanted Highway is located off Interstate 94, exit 72 east of Dickinson, and extends for 32 miles south to Regent. There is no cost to view the sculptures, but visitors are encouraged to visit the Enchanted Highway Gift Shop and make a donation. For more information, visit www.enchantedhighway.net

# COMMUNITY DEVELOPMENT – BY THE NUMBERS

24,000

People impacted by Community Development and Community Services Block Grants

632

Families and individuals in the Relocation program who notified us of their move to North Dakota

70

Families with disabilities assisted with Shelter Plus Care housing assistance grants

82

Homes rehabilitated with Community
Development Block Grants and HOME Program

144

New affordable housing and rental units with Community Development Block Grants and HOME Program

244

Proposed jobs from Community Development Block Grants projects









There is a lot of monetary commitment when you purchase a business. I think all the (assistance) programs are absolutely amazing and we couldn't have done any of it without their help.

Dave and Tana Smolnikar Dale's Clothing, Bowman, ND

#### **Dale's Clothing**

Dale's Clothing has been a landmark in downtown Bowman, North Dakota for 38 years. When the original owners, Dale and Martha, were ready to retire, the community worried that it would lose one of the few clothing shops in the region.

"Bowman has a thriving, diverse economy, but losing Dale's Clothing would've been a big loss to the community," explains Ashley Alderson, Bowman County Development's executive director. "We used the Renaissance Zone and other development incentives to help another local family purchase this successful business."

Dave and Tana Smolnikar of Bowman owned a trucking business, but after Dave was involved in a life-threatening accident, they decided it was time for a change and saw opportunity in Dale's Clothing store. "In 12 weeks, we went from owning a trucking company to owning a clothing store and embroidery shop," explains Tana, recounting the event. "I believe there was an upper hand in the whole situation."

To help with the initial investment, the Smolnikars utilized business investment programs from the state, including the Renaissance Zone program from the North Dakota Department of Commerce. which provides tax incentives to help revitalize North Dakota's downtown areas and keep them vibrant.

"I don't think (buying the business) would've been possible without it," says Tana of the Renaissance Zone program. "There is a lot of monetary commitment when you purchase a business. I think all the (assistance) programs are absolutely amazing and we couldn't have done any of it without their help."

When asked about the name of the store, the Smolnikars insist they have no plans to change the name from Dale's Clothing. "It's been Dale's Clothing for 38 years," says Tana. "We didn't change the name; it's an icon down here in southwestern North Dakota."

# WORKFORCE DEVELOPMENT BY THE NUMBERS

8,000

Out-of-state job seekers connected to the Experience ND Relocation Program

632

Families and individuals assisted since July 2008 in relocating to North Dakota

109

Businesses participating in Operation Intern

348

Internships with funding assistance from Operation Intern

210,000

Views on Career Conversations podcast videos

5,500

Students and parents reached with Youth Forward's information on North Dakota education and job opportunities









NDSU and UND are worldclass educational institutions. Being able to hook into those sources of talent is really a key point of differentiation. It allows us to do some things here that we really couldn't do elsewhere.

**Dean Atchison** Spectrum Aeromed

#### **Spectrum Aeromed**

Transporting medical patients by airplane or helicopter presents unique challenges. Medical equipment needs to be accessible, yet secure. Compact equipment design is important due to the tight spaces of smaller aircraft.

Spectrum Aeromed, based in North Dakota and recently recognized as one of Inc. Magazine's 500 fastest-growing companies, provides smart solutions for air ambulance equipment. From stretchers to oxygen storage, the company equips aircraft from around the world with life flight systems.

Eighty percent of Spectrum Aeromed's business comes from international sales, with many clients based in South America, the Middle East, Europe and Russia. All of Spectrum Aeromed's operations are in Fargo near Hector International Airport with the exception of two small customer service operations in Washington state and Germany.

The company's customers appreciate the ease of international travel and transactions out of Fargo. "So much of our business is international that if we bring in an aircraft from Brazil, Mexico or even

Canada, they can do customs right here," says Spectrum Aeromed CEO and President Dean Atchison.

Atchison cites the business-friendly climate of North Dakota as one of the factors contributing to the company's success. "North Dakota gets it, from the governor on down," Atchison says. "We don't need to show entrepreneurs how to do things. We need to set up programs and then let them be successful. I think that's what really happens in North Dakota."

Spectrum Aeromed has been able to employ five interns thanks to the North Dakota Department of Commerce's Operation Intern, a cost-sharing program that encourages businesses to employ and train interns. The company has also developed relationships with local universities for workforce recruitment. "North Dakota State University and University of North Dakota are world-class educational institutions," states Atchison. "Being able to hook into those sources of talent is really a key point of differentiation. It allows us to do some things here that we really couldn't do elsewhere."

#### **BUSINESS & INDUSTRY DEVELOPMENT**

APUC — The Agricultural Products Utilization Commission (APUC) administers grants for the development of new and expanded uses for North Dakota agricultural products.

Total sponsored projects from July 2011 – December 2012: 41

► Total funding provided: \$1.6 million

CENTERS OF EXCELLENCE & RESEARCH EXCELLENCE — These hubs of research and development at North Dakota colleges and universities partner with private companies to commercialize new products and services. Detail reflects total impacts through June 30, 2012.

Total state dollars invested: \$44.1 million Total private dollars spent: \$95.3 million

▶ 1,082 new direct jobs More than \$4 raised for every \$1 awarded

Total economic impact: \$634.6 million

**DEVELOPMENT FUND** — Providing important gap financing for companies starting or expanding in North Dakota, the Development Fund coordinates efforts between all financial sources, business and community.

Invested \$7.8 million through 33 loans in 15 cities since January 1, 2011

Total jobs at time of funding: 693 24 month job creation: 890

► Total dollars leveraged for each \$1 funded: \$14.03 Total childcare loans accessed since July 2009: 19

Total childcare dollars loaned since July 2009: \$1.011 million

EMPOWER NORTH DAKOTA — The EmPower Commission's 2012 Policy Updates and Recommendations report was recently completed in preparation for the 2013 Legislative session.

► EmPowerND.com

**ENERGY EFFICIENCY & RENEWABLE ENERGY** — Commerce is involved in many activities to promote energy efficiency in the public and private sectors and to facilitate the development and use of renewable energy sources within the state.

Total energy grants: 323

Total funding provided: \$59.1 million

Number of public buildings retrofitted: 197

Number of housing units weatherized: 1,654

Blender pumps installed: 210

Increase in gallons of fuel blended with ethanol sold: 15.5%

INNOVATE ND — Innovate ND provides education and support to help people turn business ideas into reality in North Dakota.

Total new businesses in operation or development in state: 135

RENAISSANCE ZONES — By providing incentives to investors to find new uses for existing buildings, Renaissance Zones are helping to attract new businesses and housing to downtown areas across the state. Detail reflects activity from July 2011 through December 2012.

Total cities participating: 55

Total approved/completed projects: 1,172/923

SMALL BUSINESS DEVELOPMENT CENTER (SBDC) — The Small Business Development Center provides business assistance in the form of counseling, training and research that results in job creation/retention and economic wealth. Detail reflects activity from July 2011 through December 2012.

Businesses served: 2,927 Hours of consultation: 18,985

Businesses started: 262

Jobs created: 1,440 Jobs retained: 1,021

Total capital infused into small businesses in 2011-12: \$208.8 million

TOURISM — The efforts of our statewide hospitality industry, business partners and the Tourism Division make tourism the thirdlargest industry in North Dakota.

For every \$1 invested in advertising the state, \$119 was returned in visitor spending.

- North Dakota's tourism industry leads the nation in growth with visitor expenditures increasing to 14.9% vs. national average of 6.8%. Increases were also seen in travel-generated payroll (7.6%) and travel-generated tax revenue (6.1%).
- Tourism contributed \$4.8 billion to the state's economy in 2011.
- Tourism expansion and infrastructure grants awarded funds to 16 projects, with results including new lodges, campgrounds, art and historic site expansions and a winery tasting room and event center.
- Through December 2012, Tourism's online presence had reached a unique audience of more than 10 million.
- Tourism Development in North Dakota reported a 20% increase in the hotel sector since 2010. With 43 new properties built throughout the state, an additional 3,667 rooms were available to travelers.

#### **COMMUNITY DEVELOPMENT**

**COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)** — CDBG provides financial assistance to local governments through grants and loans for public facilities, housing rehabilitation and economic development projects benefiting low to very low income individuals.

► Total homes rehabilitated: 46

Total new affordable housing units: 67

► Total proposed jobs from projects: 244

► Total dollars expended in match funds: \$20.1 million

Number of residents impacted: 24,065

**COMMUNITY SERVICES BLOCK GRANTS (CSBG)** — CSBG is an anti-poverty grant addressing low income challenges such as employment, education, income management, housing, emergency services, nutrition, self sufficiency and health.

► Total CSBG funds distributed to communities in 2011-12: \$6.2 million

24,086 residents in 12,805 families impacted

**EMERGENCY GRANTS** — Through federal funding, Commerce delivers financial assistance to facilities and programs within North Dakota which provide temporary shelter to homeless individuals.

► More than \$1.06 million was awarded in 2011-2012 to 27 homeless and domestic violence providers.

 Over \$450,000 from the Shelter Plus Care Program was provided for housing assistance grants to more than 70 families with disabilities.

**HOME PROGRAM** — The North Dakota HOME program has two primary activities: home owner assistance and rental unit production and assistance.

Affordable rental units produced: 77

Homebuyers assisted: 151

Single family homes rehabilitated: 36

- Total funding provided for HOME rental, acquisition, rehabilitation and construction: \$3.2 million
- Other funds leveraged for the development of affordable housing: \$12.1 million

#### **COMMUNITY SERVICES INITIATIVES ALSO INCLUDE:**

- Backpacks for Kids
- Childcare Grants
- Homeless Grants

- Manufactured Housing
- North Dakota Census Office

#### **WORKFORCE DEVELOPMENT**

**CAREER CONVERSATIONS** — Career Conversations connects students, parents and educators to professionals with perspectives on life in high-demand careers, using short videos profiling their occupation.

Number of views: 210,000

► Career Conversations videos posted as of December 2012: 60

**EXPERIENCE NORTH DAKOTA** — Experience North Dakota provides one-to-one personalized assistance and connects out-of-state job seekers with career opportunities, training, and relocation information such as housing, community resources and recreation.

 Over 8,000 out-of-state job seekers in the Relocation Program database

87,000 unique visitors to ExperienceND.com since July 2011

 632 families and individuals in the Relocation program who notified us of their move to North Dakota

**OPERATION INTERN** — The Operation Intern grant program expands internship opportunities available with North Dakota employers.

Businesses participating: 109

Number of internships funded: 348

Number of interns who notified us they were hired for full-time jobs from 2007-2012: 78

**YOUTH FORWARD** — Youth Forward connects people ages 12-24 to a future in North Dakota by promoting jobs, entertainment, education and opportunities in our state.

People reached with career and education opportunities information:

Student leaders and advisors: >2,000

Rural high school students and parents: >5,500

#### **WORKFORCE DEVELOPMENT PROGRAMS ALSO INCLUDE:**

- AmeriCorps
- Talent Initiative

- Workforce Enhancement Grants
- Governor's Workforce & HR Conference





2012 TOURISM ANNUAL REPORT



Arrive a Guest. Leave a Legend.

What makes up tourism in North Dakota?

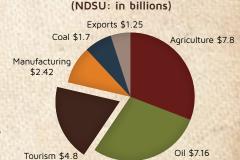


#### Governor Jack and First Lady Betsy Dalrymple



Governor Jack and First Lady Betsy Dalrymple

"North Dakota hosted more than 17 million visitors in 2012, each enjoying North Dakota's rich history, vibrant culture and legendary experiences. Tourism is our third-largest industry and it's helping to grow our economy one trip at a time. We invite you to Arrive a Guest. Leave a Legend."



North Dakota Economic Base 2011

Jack Dalymole

#### A message from Commerce Commissioner Alan Anderson

Tourism is one of five industries the North Dakota Department of Commerce targets to broaden the state's economic base, create new wealth and generate high-paying, career-track jobs.

Tourism is the third-largest contributor to North Dakota's economic base. Tourism industry growth is visible in increased visitors and through the number of new hotels constructed across the state.

Clearly, North Dakota tourism efforts are paying off. We've been marketing North Dakota as a great place to live, work, play and conduct business. Of course, tourism focuses on the fun part – playing in North Dakota. As commissioner of the Department of Commerce, I'm proud of the results our tourism efforts have brought and look forward to partnering with industry to continue growth into the future.



Al Anderson and his grandson enjoy a day on the water.

Ma Photoso





Festivals & Events

more than

33,000 🖺

Attributed to tourism

(1 out of every 12 jobs in ND)



#### A message from Tourism Director Sara Otte Coleman

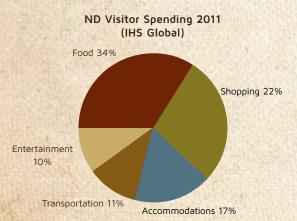
It isn't just oil that's bringing people to North Dakota. Tourism pumps millions of dollars into every county and continues to be one of the state's leading industries. For the past five years, traveler spending in North Dakota has grown faster than the national average.

Events and businesses serving North Dakota's visitors also improve our residents' quality of life. The scenery and fun displayed in our advertising and earned media pieces not only attract visitors, but help create a positive image for our state, which, in turn, attracts workforce and families. Our photography has been used in countless articles about the state and websites as far away as Australia.

Tourism is strong and research shows that dollars spent marketing North Dakota are an excellent investment. The US Travel Association economic research shows we continue to lead the nation in growth and growing faster than the national average. Our Tourism Satellite Account (TSA) shows more leisure and business travel statewide. Visitor stats show growth in attractions, accommodations, border crossings and deplanements. Our efforts in international marketing, outdoor

Sara Otte Coleman and husband, Clark.

promotions, group travel, public relations and social media engagement are helping build our Legendary brand and attract more visitors. Tourism development efforts are focused on expanding the experiences we have



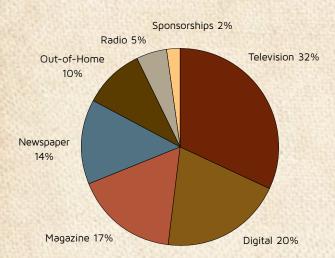
to offer residents and out-of-state visitors alike. Our grant programs have helped open eight new tourism operations. Forty-two new hotels have opened in North Dakota in the past two years, including 11 in communities east of US Highway 83. Our hotels have enjoyed strong demand but we are now starting to see decreases in occupancy rates. More available rooms mean more opportunity for new visitors to North Dakota. The growth is exciting and our team is passionate about working with our industry partners to continue the progress.

Sara Otte Coleman

#### **Advertising North Dakota**

North Dakota advertises in target markets in order to drive travel results. North Dakota Tourism currently targets markets in Minnesota, Wisconsin, South Dakota and Montana and the Canadian provinces of Manitoba and Saskatchewan. Advertising messages are selected for these markets based on research and motivating traffic.

#### 2012 Advertising Investment \$1,942,406



#### Legendary Strategy - United States

This strategy is targeted toward audiences in Minnesota, Wisconsin and South Dakota and is used in national media buys.

**Television**: Broadcast in six markets, direct response in eight markets.

**Print:** Nine publications with a circulation of 2,486,747, an additional 9,887,082 in circulation through five travel directory ads.

**Newspaper:** Inserts distributed in all North Dakota papers and 35 US and Canadian papers reaching a circulation of 2.3 million.

**Out-of-Home:** Five weeks of signage at Target Field, nine weeks of billboards and two months of truckside billboards in the Minneapolis area.

#### Border/City Experience Strategy

This strategy is targeted toward Canadian audiences in Manitoba and Saskatchewan, Canada, Minnesota, eastern Montana and northern South Dakota.

**Television:** Broadcast in two near-border markets.

**Print:** Three publications with a circulation of 326,390.



Magazine ad

**Newspaper:** In addition to the 2.3 million circulation summer insert, a fall insert was distributed in eight Canadian papers reaching 436,000 households.

Radio: Two weeks of radio in three markets.

Out-of-Home: Seven-week campaigns of billboards, bus wraps and transit signage in Winnipeg and Regina.

#### Legendary Niche Strategy

Messages specifically targeted to specialty audiences regionally and nationally.

**Birding:** Three publications with a circulation of 76,092.

**Golf**: Two publications with a circulation of 141,000.

Hunting/Fishing: 12 weeks of cable in 11 Minnesota, Wisconsin, South Dakota and North Dakota markets, Jason Mitchell Outdoors sponsorship, UND versus Minnesota men's hockey sponsorship with Fox Sports North/Fox Sports Wisconsin and one publication with a circulation of 110,000.

**Motorcycling**: Five publications with a circulation of 82,090.



#### Digital Advertising

Digital marketing results for North Dakota show click-through rates for online ads and open-rates on emails are far above industry norms. Traffic to the NDTourism.com website also reflects the investment being made through all types of media in target markets.

- Digital ad click-through: .22% vs. 0.08% industry average
- Email open rate: 20.43% vs. 7% industry average
- · NDtourism.com:
  - 15% of site traffic originates from Canada and other international markets
  - 28% of traffic comes from North Dakota
  - 56% of traffic from other US states

#### Cooperative Advertising

Seven in-state partners cooperatively advertised in newspaper inserts and email promotions developed by North Dakota Tourism in 2012.



**Email promotion** 

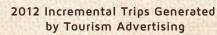


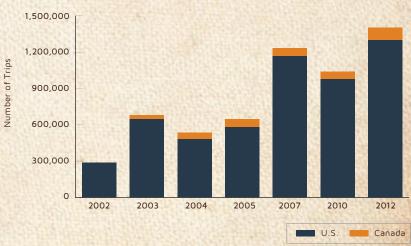
## Advertising is a Solid Return on Investment

Tourism's total advertising investment of \$1.9 million returned \$236.9 million or \$119 in visitor spending for every \$1

invested. The Arrive a Guest.
Leave a Legend.
campaign has shown improved effectiveness from 2010-2011, which had a 1:91 return.

Ad Investmen	nt Pays Back
Year	ROI
2002	\$1 = \$75
2003	\$1 = \$82
2004	\$1 = \$55
2005	\$1 = \$81
2007	\$1 = \$123
2010	\$1 = \$91
2012	\$1 = \$119





Advertising North Dakota generated 1.4 million trips in 2012. The number of travelers visiting North Dakota has consistently increased due to advertising and promotion.

## top countries requesting visitor information on

# North Dakota

2012

- United **States**
- Canada
- United Kingdom
- Germany
- Brazil

#### Making North Dakota an International Success

International travelers find great interest and appeal in North Dakota's culture, heritage and outdoors. North Dakota works closely with industry, focusing on international tour operators, travel agents and media representatives. In cooperation with Rocky Mountain International (RMI), North Dakota is featured as part of a marketing effort around an international experience that includes the states of Idaho, Montana, South Dakota and Wyoming.

#### Promotion Successes 2012

- Exposure Through RMI Featured in Real America guide which will be distributed at shows in Australia, New Zealand and the Nordic region.
- One-Stop Branding Supporting Brand USA efforts for a central website and magazine that promotes US travel to international visitors.
- Video Vignettes Developed one, two and three minute videos showcasing North Dakota for use at international shows.
- FAM tours Hosted 29 familiarization tours in conjunction with Rocky Mountain International (RMI) since 2011.

North Dakota advertising has been translated into Spanish, Danish, Swedish, Finnish, Norwegian, Japanese, French and Italian.

#### International Markets

- Norway
- Netherlands
- Sweden
- Luxembourg

- Denmark
   France
- Iceland
- Italy
- Finland
- United Kingdom
- Germany Australia
- Belgium
- New Zealand





International print ad



@InternationalND



International North Dakota



#### Promotion Successes 2012

- "Legendary" branded professional angler Jim Carroll was featured in two episodes of "The Next Bite with Keith Kavajecz" filmed in North Dakota, as well as several videos on hunting and fishing being shared through social media.
- Sport Show Success 16 partners participated in promoting outdoor recreation at eight sport shows, which have resulted in increased bookings and media features.
- Brad Durick Outdoors Credits business growth to opportunities such as a Tourism Marketing Grant and participation as a booth partner at an Omaha sport show where he filled his June schedule for guided channel catfishing on the Red River.

# Showcasing Legendary Outdoor Adventure

North Dakota continues to provide outdoor experiences that inspire, exhilarate and excite our visitors. Tourism promotes the rich outdoor culture of North Dakota with key agency partners from North Dakota Game and Fish and North Dakota State Parks, as well as a wide variety of stakeholders providing visitor experiences.





Magazine ad



@OutdoorsND



Outdoors North Dakota

#### **Promotion Successes 2012**

- Relationship Building Presented North Dakota Group Travel at seven travel shows and scheduled more than 250 appointments with operators.
- Group Promotion Promoted
   North Dakota to new group travel operators in Vermont, Michigan and Virginia. As a result, Telgen Tours, Vermont, created a new group tour and brought more than \$10,000 in direct spending during its visit.
- Dream Destination "The Dakotas" itinerary is being promoted in national group tour publications, websites and through social media.
- Group Travel Hosted two tour company FAMs in 2012, resulting in 190 people returning to the state.

#### Going Group in North Dakota

The Group Travel Marketing program specializes in promoting and coordinating travel to North Dakota by creating and maintaining relationships with tour operators, group travel planners, banking professionals, reunions and other travel groups. Expos, familiarization tours and marketing sales missions are avenues for stakeholders to represent product and capture a group tour audience.



On-line ad



@GroupTraveIND



Group Travel North Dakota; I Love Motorcycling in North Dakota

#### **CELEBRATING 10 YEARS OF**



2002 Launched Legendary brand

Visits go up significantly at state parks and attractions.

2003

Legendary Lewis & Clark Bicentennial

Enhanced Legendary campaign launched in the US and Canada

Legendary campaign capitalized on the Lewis & Clark bicentennial

2006

Launch of Legendary border/city experience and niche strategies

2007

The Legendary brand grows with new website and campaign

Legendary campaign adds social media, 2008 more online and out-of-home advertising

2009

Legendary campaign features nine print ads

Launch of I am Legendary! RU? campaign theme

I am Legendary! RU? campaign continues with expanded partner participation

Arrive a Guest. Leave a Legend. launches, 10-year Legendary book unveiled





 RULegendary.com and social media campaign used as part of media mix.





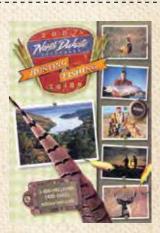


- Legislature approves lodging tax and ND Tourism applies additional \$2.9 million to Lewis & Clark media efforts, enhancing reach and frequency of US campaign.
- Cable TV, newspaper inserts and online search marketing launched in the US; radio and newspaper inserts launched in Canada.
- First visitor study shows
   5.7 million overnight visits and
   4.7% of the regional market share.
   New website launched.



- Campaign adds TV in Canada and Wisconsin, as well as specific niche print advertising.
- State park visitors, airline boarders, occupancy rates, lodging taxes and unique website visitors all increase.
- Visitor study shows 6 million overnight trips in North Dakota with 5.5 percent of the regional market share.
- First-ever tourism satellite account shows 60% of tourism expenditures are from out of state and core tourism is the fourth-largest private-sector employer in the state.









 Stakeholder input results in anniversary brand book.



 North Dakota leads the nation in all four categories reported by US Travel Association: growth of travel expenditures, travel-generated taxes, travel-related jobs and payroll.





requesting visitor information on

# North Dakota

in 2012

- Minnesota
- 2 Illinois
- 3 Wisconsin
- 4 Michigan
- 5 Ohio

#### **Promoting Image and Attracting Guests**

Media interest in North Dakota continues to increase and the value of positive coverage cannot be underestimated. Public relations, or earned-media, efforts garnered more than 270 positive stories in 131 media outlets in 2012. Here are a few highlights:

#### Outdoor

"A Week in Pothole Paradise" –
Field & Stream, November 2012:
Coordinated logistics and licenses
with ND Game and Fish for a hunt
that resulted in a five-page feature
highlighting duck hunting in North
Dakota.

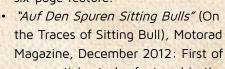


Field & Stream, November

 Hosted the editor of NationalParksTraveler.com, resulting in 23 articles about the state's national historic sites.

#### International

 "An Eroded World" - Australia Geographic Magazine, October 2012: Hosted journalist in North Dakota which resulted in a six-page feature.



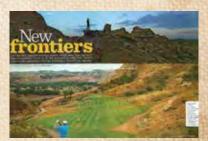


Australian Geographic Magazine, October

many articles to be featured in the German-speaking markets.

#### General

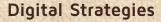
 "New Frontiers: Getaway in North Dakota's Badlands" – Midwest Living, May/June 2012: Hosted editor for western exploration resulting in a six-page feature highlighting Medora, Theodore Roosevelt National Park and other Badlands attractions.



Midwest Living, May/June

 Society of American Travel Writers - Assisted two freelancers during their visit to North Dakota which has resulted in continued positive travel stories about their experience.





2012 Tourism Annual Report Tourism's digital strategy is an integrated effort to build brand identity, increase awareness and impressions of North Dakota as a travel destination, promote interest from media and engage travelers. Through its website, blog, newsletters and social networks,

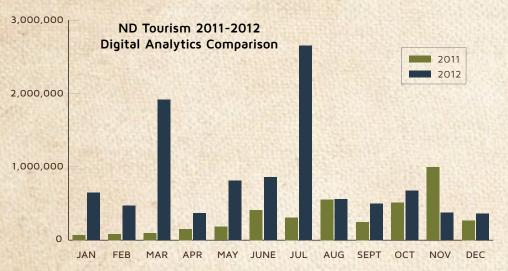
Tourism garnered a unique digital audience of more than 10.2 million in 2012.

 Unique website traffic: 445,322 Unique digital guides use: 31,021 · Newsletter subscribers: 22,389

· Facebook "fans": 11,996 Twitter followers: 14,635 YouTube subscribers: 111 · Flickr members: 403



Promoted social media post celebrates 10,000 fans



Travel North Dakota

@NorthDakota

Total Digital Unique Audience increased 163% from 2011 to 2012 (3.8 million in 2011 versus 10.2 million in 2012)



The Enchanted Highway, along 32 miles of highway north of Regent, features the world's largest metal sculptures designed, welded and painted by artist Gary Greff as a way of bringing tourists to the community. Greff plans to add four more sculptures to the seven already erected. He also is converting Regent's former school into a 24-room motel, aptly named "The Enchanted Castle."

#### **Enhancing AgriTourism Opportunities**

Tourism promotes the growth of North Dakota's agritourism industry by offering education and networking for operators



and those considering development of attractions. Passage of the AgriTourism Limited Liability legislation in 2011 is fostering growth of the industry with 22 businesses currently registered with the

Tourism Division. A total of 81 existing or potential agritourism businesses have been identified in North Dakota.



AgriTourism North Dakota

#### **Enhancing Tourism Development**

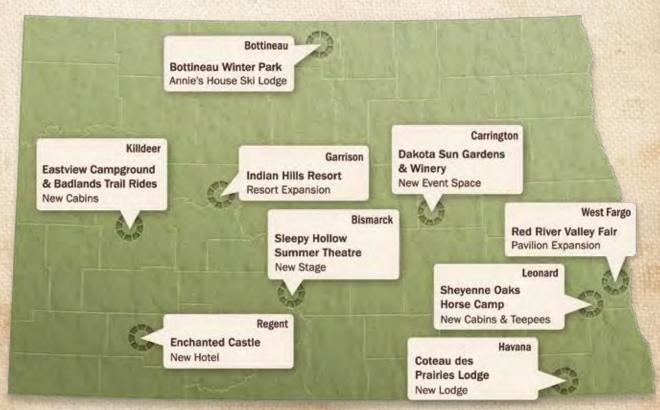
Tourism works to identify business opportunities and conduct development functions to support start-up, retention, expansion and attraction of businesses in the tourism industry. Areas of emphasis include agriculture-based tourism, expanding recreation offerings, expanding education vacations and rural tourism development.

#### Tourism Grant Programs

49 total awards totaling \$1.09 million for marketing, events and construction for tourism development.

- \$319,000 New for-profit businesses (6 grants)
- \$210,000 Existing for-profit businesses (4 grants)
- \$774,600 Community and nonprofit (39 grants)

The Tourism Infrastructure Grant Program's purpose is to fund new tourism operations capable of attracting visitors from outside North Dakota for at least one overnight stay.



Grants help build attractions

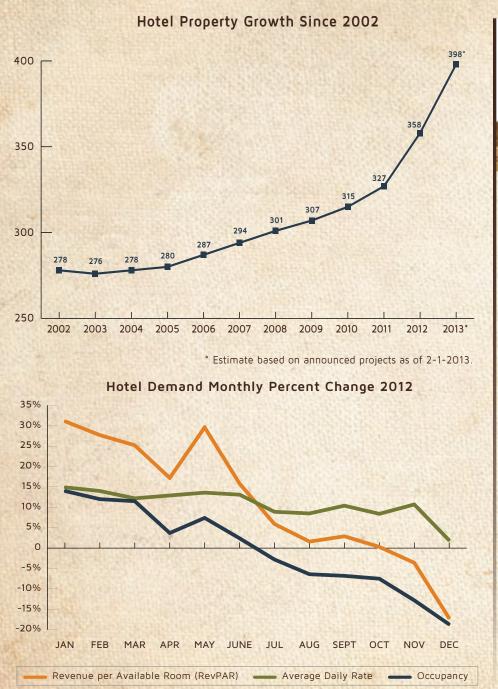




#### Hotel Room Inventory Expanding

Tourism has been involved in tracking hotel growth, providing information to potential hotel developers and sending information/welcome packets to all new properties.

While many new hotels have opened in western North Dakota, projects in 11 communities east of US Highway 83 have opened or are under development, leading to more hotel availability. Forty-two new hotels have added 3,500 rooms to the state since 2011 and 39 properties have announced 3,678 rooms to be added in 2013.



Source: Smith Travel Research



### Coteau des Prairies Lodge, Havana

Coteau des Prairies Lodge offers unique accommodations with grand and modern amenities in an authentic Ponderosa Pine lodge. Decorated with local artwork and rustic wood furniture, this 14-bedroom lodge comfortably entertains 45 guests and is sure to be a destination for business retreats, outdoor enthusiasts, crafters, quilters, families and the casual traveler.

#### Helping our Visitors

Coming in 2013, NDTourism.com will be launching a new site with greater usability for travelers seeking key information on travel to North Dakota. Travel counselors answered more than 5,100 calls from potential visitors to its toll-free line in 2012.

Online information requests through NDTourism.com included:

- 73,729 orders for online brochure requests, an 11% increase.
- 100% increase in web inquiries from NDTourism.com.

#### **Publications Promoting North Dakota**

Tourism produces a number of publications to help promote the legendary experiences the state offers. Publications are made available through a variety of methods: request fulfillment, at sport and travel shows, in-state rest areas, visitor centers, ports of entry, traveler-frequented businesses and airports.

#### Travel Guide

Due to continued high demand, 335,000 copies of the 2012 Travel Guide were printed. The digital version of the Travel Guide was accessed 28,795 times by unique visitors, an 80% increase over 2011. The 2013 Travel Guide is now available across the state with 340,000 in print.



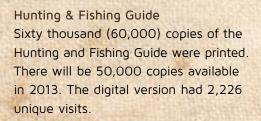
#### ND Tourism Representation

North Dakota is represented on a number of statewide and national boards and organizations, including: US Travel Association, National Council of State Tourism Directors, CenStates Travel and Tourism Research Association Board of Directors, Outdoor Writers Association of America, Discover America, Midwest Travel Writers Association, International Association of Business Communicators, National Tour Association, American Bus Association, Bank Travel, Heritage Club International, National Agritourism Professionals Association and Family Motorcoach Association.



#### Official Highway Map

A total of 1.2 million 2011-12 official highway maps were printed and distributed in partnership with the ND Department of Transportation. The new 2013-2014 Official North Dakota Highway Map features a slightly larger size and a run of 1.2 million copies.









4,574,832

visitors to major attractions, up 7% from 2011



national park visitors in 2012

### WELCOME

102,685

stops at local visitor centers in 2012, up 9% from 2011 445,322
unique website
visits in 2012,
up 4% from 2011
(www.NDTourism.com)

1,016,254

deplanements in 2012

18% increase

853,493
Canadian border crossings in 2012
12% increase

In 2011, increases of Canadian visitors in North Dakota included:

- 15% more spending (\$242,439,300)
- 11.1% more overnights (1,578,700)

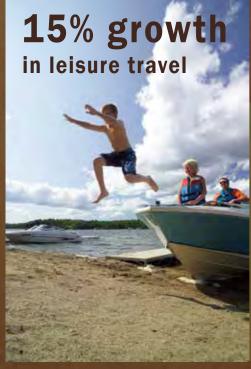
# Worth Dalate 2012 TOURISM LEGENDARY SNAPSHOT



17.2 million visitors



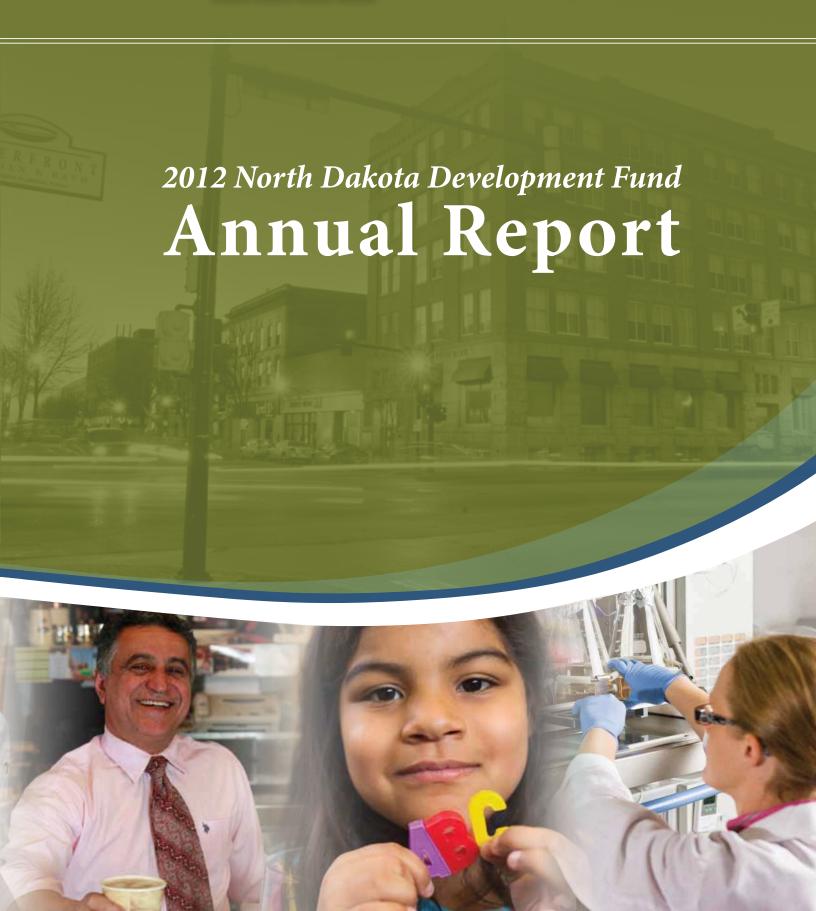
60% of visitors are non-resident travelers



\$943

tax savings to each North Dakota household thanks to visitor revenue





### **Table of Contents**

North Dakota Development Fund Board Members	3
About the North Dakota Development Fund	4
Introduction	5
North Dakota Development Fund Investment Locations	6
North Dakota Development Fund Project Growth and Cash Flow	6
Businesses Benefiting from 2011-2012 North Dakota Development Fund Investments	7
DEVELOPMENT IN ACTION	
Tuff-E Manufacturing	8
Loyalty Builders, Inc.	8
Tiny Tykes, Inc.	9
Dog IDs	9
Next Healthcare, Inc.	10
Firehouse Ribs	10
FINANCIALS	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
Financial Statements	
Balance Sheets	17
Revenues, Expenses and Changes in Net Assets	18
Cash Flows	19
Notes to Financial Statements	21
Combining Financial Statements and Supplementary Information	
Combining Balance Sheets	30
Combining Statements of Revenues, Expenses and Changes in Net Assets	31
Combining Statements of Cash Flows	32

"The North Dakota Development Fund is a valuable financing tool for North Dakota businesses, providing a strong return on investment for taxpayers and contributing significantly to job creation. As we continue to grow our economy and create economic opportunities for our citizens, it is important that we provide the financing support for start-up or expansion projects in our state."

Jack Dalrymple, Governor



Jack Dalrymple Governor



Al Anderson
Commissioner
ND Department of Commerce

## North Dakota Development Fund Board Members

The Governor appoints an eight-member Board of Directors that oversees the North Dakota Development Fund. Each member represents a different business sector from the state.

Richard McKennett, Chairman | Williston Member-at-Large

Bob McNeill, Vice-Chairman | Dickinson Private Sector

John Erickson | Grand Forks Industrial Technology and Research Sector

Rob Gayton | Mandan Native American Sector

Vacant Rural Sector

Darcy Volk | Bismarck Exported Services Sector

Terri Zimmerman | Fargo Finance Sector

Al Anderson | Bismarck Commissioner of ND Department of Commerce Agency Sector

## The Following Development Fund Staff Facilitates This Process

Dean Reese, CEO 701-328-5334 | dreese@nd.gov

Scot Long, Vice President 701-328-7256 | slong@nd.gov

Nathan D. Schneider, Credit Technical Analyst 701-328-5349 | ndschneider@nd.gov

Lacey A. Jangula, Technical Accounting/Credit Analyst 701-328-5310 | lajangula@nd.gov

#### **About the North Dakota Development Fund**

The North Dakota Development Fund was created through legislation in 1991 as an economic development tool. It provides flexible gap financing through debt and equity investments for new or expanding North Dakota primary sector businesses.

The Development Fund makes investments of up to \$300,000. The Board of Directors may adjust the limit when deemed appropriate. In general, the following criteria apply to Development Fund investments:

- The entrepreneur must have a realistic financial commitment at stake. Usually, principals are required to have a minimum of 15 percent equity in the project.
- Refinancing of debt is not eligible.
- Principal shareholders with 20 percent or greater ownership are generally required to guarantee the debt. Other shareholders may also be required to guarantee.
- The Development Fund will not participate in more than
   50 percent of a project's capitalization needs.
- Financing is available to any primary sector business project with the exception of production agriculture.
- Primary sector includes individuals and businesses which, through the employment of knowledge or labor, add value to a product, process or service which results in the creation of new wealth. Primary sector includes tourism and specific types of investor-owned agriculture, and is typically businesses such as manufacturers, food processors or export service companies. Investor-owned agriculture includes livestock feeding or milking operations, or other value-added agriculture located apart from an individual farm operation that is professionally managed and has employees.

Loan and equity programs managed by the North Dakota Development Fund include:

- North Dakota Development Fund
- Regional Rural Revolving Loan Fund
- Rural Incentive Growth Loan Program
- Small Business Technology Program
- Child Care Loan Program
- New Venture Capital Program
- Entrepreneur Loan Program
- Entrepreneurial Center Loan Program

Please contact the North Dakota Development Fund or visit www.NDDevelopmentFund.com for additional information on the programs listed above.





Dean Reese, CEO ND Development Fund

"The investments made by the

Development Fund

in 2011 to 2012 contributed to

the projected creation of

152 jobs in the primary sector."

#### Introduction

The Development Fund invested \$7,114,904 in 28 primary sector and child care businesses from July 1, 2011 to June 30, 2012. The Development Fund has provided gap financing in which investments, since inception, have reached \$97 million.

With the Development Fund's dollars invested, there has been \$107,286,856 leveraged from other financing institutions resulting in a \$15.08 to 1 ratio - for every Development Fund dollar invested, \$15.08 was invested from other sources.

The investments made by the Development Fund in 2011 to 2012 contributed to the projected creation of 152 jobs in the primary sector.

The Development Fund reported an estimated June 30, 2012 fiscal year-end operating income of \$414,225 before bad debt expense, as compared to \$498,877 for the fiscal year-end 2011. The decrease in income is attributable to a decrease in interest income on loans and an increase in bad debt expense. The Development Fund saw an increase in general and administrative expenses of (\$22,923) from 2011 to 2012. The Development Fund continues to pay all costs of operating the fund including salaries and benefits. The increase in administrative expense was attributable to an increase in salary expense and repo expense from 2011 to 2012. The cash flow generated from principal and interest collections remains strong at \$6.3 million. The Development Fund continues to be a "revolving" loan fund as it has collected \$9.8 million the past two years, which in turn can be used for future loan and equity investments.

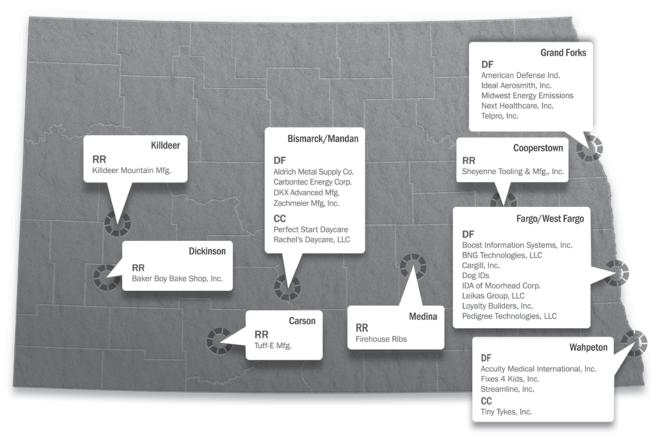
Net loss before nonoperating revenues (expense) declined by \$218,614 from (\$16,011) in 2011 to (\$234,625) in 2012. The decline in the net loss was due mainly to the decrease in interest income and an increased allocation to bad debt expense for the year.

Since the inception of the Development Fund, it has invested \$97 million in 519 companies with over \$30.8 million invested in rural communities. The investments made by the Development Fund have contributed to the projected creation of 10,389 primary sector jobs. The Development Fund helped 12 start-up businesses begin operations in North Dakota in 2011 to 2012. Of the 12 start-up businesses, five were in rural communities.

The economic activity continued to be strong in North Dakota in 2012 as compared to the national economy. In providing flexible financing, the Development Fund helped primary sector businesses start-up or expand, which in turn created new jobs and generated new revenues. This report includes highlights of 2012 along with the accompanying financial statements.

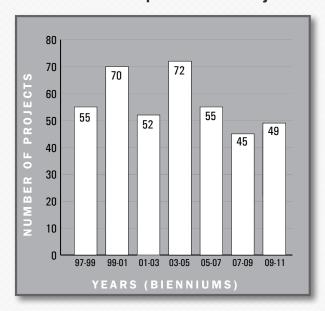
Dean Reese, CEO North Dakota Development Fund

# Development Fund Investment Locations from July 1, 2011 to June 30, 2012



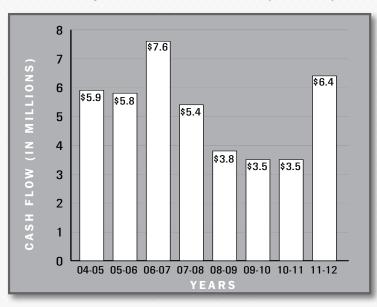
DF- Development Fund Projects | RR - Regional Rural Revolving Loan Fund Projects | CC - Child Care Loans

#### **Growth in Development Fund Projects**



The Development Fund invested in 28 projects from 2011-12. The number of projects funded to date are on track to meet or exceed the number of projects from the last biennium (2009-2011).

#### **Development Fund Cash Flow (Millions)**



The Development Fund collected \$6.4 million in 2011-12, averaging \$5.2 million in collections in the past eight years. The Development Fund continues to revolve and the funds collected continue to be used to fund future loan and equity investments in the state.

# 28 Businesses Benefited from North Dakota Development Fund Investments from July 1, 2011 to June 30, 2012

DEVELOPMENT FUND		
Aldrich Metal Supply Company	Bismarck	\$ 137,500
Carbontec Energy Corporation	Bismarck	\$ 333,333
DKX Advanced Manufacturing	Bismarck	\$ 50,000
Baker Boy Bake Shop, Inc.	Dickinson	\$ 800,000
Boost Information Systems, Inc.	Fargo	\$ 300,000
Cargill, Inc.	Fargo	\$ 2,000,000
Dog IDs	Fargo	\$ 87,500
IDA of Moorhead Corporation	Fargo	\$ 150,000
Leikas Group, LLC	Fargo	\$ 50,000
Loyalty Builders, Inc.	Fargo	\$ 300,000
Pedigree Technologies, LLC	Fargo	\$ 750,000
American Defense Ind.	Grand Forks	\$ 140,993
Ideal Aerosmith, Inc.	Grand Forks	\$ 200,000
Midwest Energy Emissions	Grand Forks	\$ 125,000
Next Healthcare, Inc.	Grand Forks	\$ 150,000
Telpro, Inc.	Grand Forks	\$ 25,000
Zachmeier Manufacturing, Inc.	Mandan	\$ 100,000
Accuity Medical International, Inc.	Wahpeton	\$ 150,000
Fixes 4 Kids, Inc.	Wahpeton	\$ 300,000
Streamline, Inc.	Wahpeton	\$ 62,500
BNG Technologies, LLC	West Fargo	\$ 90,000
REGIONAL RURAL REVOLVING LOAN		
Tuff-E Manufacturing	Carson	\$ 150,000
Sheyenne Tooling and Mfg, Inc.	Cooperstown	\$ 150,000
Killdeer Mountain Mfg.	Killdeer	\$ 300,000
Firehouse Ribs	Medina	\$ 114,000
CHILD CARE LOAN		
Perfect Start Daycare	Bismarck	\$ 25,000
Rachel's Daycare, LLC	Bismarck	\$ 18,000
Tiny Tykes, Inc.	Wahpeton	\$ 56,078

TOTAL \$ 7,114,904

## Tuff-E Manufacturing — Carson

REGIONAL RURAL REVOLVING LOAN

A dozen years ago, Peter Reis purchased Tuff-E Manufacturing, a steel fabrication and manufacturing business in Carson. He employed three full-time staff and focused primarily on livestock equipment. Today, he employs 34 full-time employees to handle the manufacturing of hopper bottom grain bins and oil field production tanks.

To keep up with demand, Tuff-E Manufacturing expanded its building space to provide additional room for its fabrication work. The local bank assisted with the start of Tuff-E Manufacturing's expansion, but Reis said his company eventually got into a cash flow crunch and required more funding than what the bank could offer. The bank recommended Reis consider the Development Fund.

"This was a really difficult project to get done, and the people at the Development Fund got it done in a very short period of time and made it come together," Reis said. "To be honest, it was a lifesaver."

The Development Fund not only brought the 7,200 square foot addition to completion, it gave hope to a small-town businessman.

"There are a lot of businesses in North Dakota where people have a lot of vision and drive to make a business expand, but don't have the capital means to do it," Reis said. "I think it's great that North Dakota has something like the Development Fund to help do that, because without it, I don't know that our business would have progressed to where it is today."

## Loyalty Builders, Inc. — Fargo

**DEVELOPMENT FUND** 

Loyalty Builders is a marketing analytics software company that allows retailers and other merchants to use data from customer behavior and transactions to help predict customers' future purchases and increase revenue.

Loyalty Builders sells its software across the country, and President Dennis Erdle said the new Fargo location was a great fit for the company to expand its operations due to the talent available from the North Dakota University System and assistance from the Development Fund.

"The Fund gave us the confidence to open here, because to have the support of the North Dakota business community was critical in helping us open the office," Erdle said. "It's doing a great job of helping the business climate get going."

The funds allowed Loyalty Builders to set up the Fargo office, hire six employees and market the business. The company offers a variety of advanced marketing techniques to its clients as well as a library of resources to learn more about customer behavior.

Erdle said there is a high demand for these types of analytics, particularly because many customers will experience up to 20 times the return on investment compared to traditional marketing methods.

### Tiny Tykes, Inc. — Wahpeton

CHILD CARE LOAN

Justin and Jamie Neppl needed more space for their growing Tiny Tykes daycare business in Wahpeton, so they purchased an additional building increasing their capacity from 18 to 49 children. The move was made possible by the Development Fund which provided working capital, additional equipment and property improvements.

"It provided more opportunity since it helped us to make that next move to the next place," Justin Neppl said. "Many of our families are on childcare assistance so that income comes in a month behind. We almost have to front payroll for two months before our accounts receivable starts catching up, so having that working capital helps out quite a bit."

The new location required some renovations, so the Development Fund assisted with costs to install new windows throughout, a more efficient HVAC system and to remove trees on the property.

"It's nice when parents are complimenting the things and noticing we're trying to improve the childcare, the building," Jamie Neppl said. "(After the improvements), the space opened up and it was more welcoming."



## Dog IDs — Fargo

DEVELOPMENT FUND

Dog IDs produces personalized dog collars and custom dog identification tags to promote dog safety and responsible dog ownership. Strictly webbased, the Fargo company offers a large selection of unique designs for man's best friend.

The Development Fund provided working capital to develop the website and hire additional staff. It also assisted with their marketing efforts and the purchase of equipment to keep up with customer demand.

"Without the Development Fund, we would have had to say no to some of the opportunities we capitalized on in the past year," said co-owner Clint Howitz. "It supported our growth in general to fulfill the large sales spikes we had at various times."

Howitz predicts even faster growth ahead, so the funding is critical for continued success.

"A large portion of our expenses are non-tangibles such as web and software development which is extremely difficult to finance," Howitz said. "Without the Development Fund backing us, we most likely wouldn't have found the financing we needed via traditional lending institutions, and our business development progression would have been much slower over this last year."

### Next Healthcare, Inc. — Grand Forks

**DEVELOPMENT FUND** 

When seeking the perfect location for a biotechnology service, founder Vin Singh chose Grand Forks, opening Next Healthcare, Inc. in early March. Singh said North Dakota's central location, low costs and access to the University of North Dakota's excellent bioscience program and medical school made the decision an easy one. By providing tissue and cell storage solutions to the general public, Next Healthcare, Inc. utilizes technology to allow people to potentially treat their diseases or conditions with their own cells.

Singh has received a good response to his company's services since it became fully operational in July. The Development Fund assisted Next Healthcare, Inc. with lab operating expenses.

"We had to set up a GMP [Good Manufacturing Practice] lab, which is the highest quality standard," Singh said. "That takes time, people and resources to make happen. The funds enabled us to launch our lab operation and commercialize our service."

Next Healthcare, Inc. hopes to expand its network of doctors and customer base, as well as lab operations.

"Currently we have a network of doctors that offers the service to their patients," Singh said. "Now we're starting to go directly to consumers, educating them about the service and its benefits so they can then go to their doctor and ask them to offer it as a service to their other patients."

### Firehouse Ribs — Medina

REGIONAL RURAL REVOLVING LOAN

Firehouse Ribs may be tucked away in a small town, but business is far from small. The Medina-based production facility and restaurant sells smoked ribs and pulled pork along with their signature barbeque sauces nationwide.

"I'm a small town girl and I fall in love with small towns," said co-owner Tracy Frank. "Then I get there and try to work with them and do as much as I possibly can and I thought Medina would be a good place to do that."

There is no doubting her commitment as she and fellow owner Robert Heier commute 80 miles each day from Valley City to run the business. Medina's old meat locker plant was a perfect fit, even at only 970 square feet – the smallest USDA-inspected plant in the state.

"We push a lot of product out of here," Frank said. "The Development Fund allowed us to double and triple up on equipment and now we're at almost one and a half times our normal production, so instead of making 3,000 pounds per day, we can almost do 7,000."

The business has even built a relationship with Walmart. The retail giant currently carries Firehouse Ribs products within the tri-state area, but by January the label will go nationwide. It's a big leap from where Frank and Heier stood prior to the Development Fund loan. "It was nerve wracking for a while because if we would not have been able to expand, we would have been shutting our doors," Frank said. "We would have been just another closed-down small business."



#### **Independent Auditor's Report**

Governor of North Dakota The Legislative Assembly

Board of Directors North Dakota Development Fund, Inc. Bismarck, North Dakota

We have audited the accompanying basic financial statements of the North Dakota Development Fund, Inc. a component unit of the State of North Dakota, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the North Dakota Development Fund, Inc. are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the financial statements of the State of North Dakota that is attributable to the transactions of North Dakota Development Fund, Inc. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2012 and 2011, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Dakota Development Fund, Inc. as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2012 on our consideration of the North Dakota Development Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying supplementary information on pages 17 through 33 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bismarck, North Dakota

Este Sailly LLP

October 25, 2012

Management's Discussion and Analysis June 30, 2012

The discussion and analysis of the financial performance of the North Dakota Development Fund that follows is meant to provide additional insight into the Development Fund's activities for the year ended June 30, 2012. Please read it in conjunction with the Development Fund's financial statements and footnotes, which are presented within this report.

#### **Financial Highlights**

Total revenue increased by \$910,328 (93.20%) to \$1,887,396. Operating revenues decreased by \$62,572 (6.95%) to \$835,092. Cash flow increased by \$2,801,754 (79.25%) to \$6,336,733. The Fund collected \$4,832,119 in principal payments in 2012, which was an increase of \$2,424,208 (200%) from 2011. The increase in total revenues and operating revenues was attributable to additional payouts of loans on the books of the North Dakota Development Fund.

The Development Fund received \$162,738 in dividend payments in 2012 from equity investments made, an increase from the \$109,128 received in dividend payments in 2011. The increase was attributable to additional payments received in dividend payments to the Development Fund in 2012 as compared to 2011.

General and administrative expense increased by \$22,923 (5.76%) from \$397,944 in 2011 to \$420,867 in 2012. The increase in administrative expense was attributable to an increase in salary expense and repo expense from 2011 to 2012.

Operating loss before non-operating revenues and expenses increased by (\$218,614) from (\$16,011) in 2011 to (\$234,625) in 2012. The decline in the operating loss in 2012 was attributable to an increase in reserve for bad debt expense and an increase in general and administrative expense in 2012 as compared to 2011 in addition to the reduction in operating revenues from \$897,664 in 2011 to \$835,092 in 2012.

Interest income on deposits decreased by \$27,100 (34.50%) from \$79,404 received in 2011 to \$52,304 received in 2012. The decrease was the result of decreased interest rates received on the investments being made in certificates of deposit at the Bank of North Dakota.

Change in net assets increased by \$754,286 from \$63,393 in 2011 to \$817,679 in 2012. The increase was attributable to the Development Fund receiving an appropriation from the North Dakota Legislature in the amount of \$1 million dollars for a new funding program called the Small Business Technology Program in July of 2011.

Net assets increased by \$817,679 from \$23,142,094 in 2011 to \$23,959,773 in 2012. The increase was attributable to the Development Fund receiving an appropriation from the North Dakota Legislature in the amount of \$1 million dollars for a new funding program called the Small Business Technology Program.

Noncurrent net assets (excluding equipment) increased by \$1,540,281 from \$7,841,863 in 2011 to \$9,382,144 in 2012. The noncurrent assets consist of the Development Fund's loan and equity investments. The equity investments made decreased by \$815,502 from 2011 to 2012. The equity investments that were charged off during 2012 were \$662,324 as compared to \$370,800 in 2011. The loan investments made increased by \$2,525,778 from 2011 to 2012. The loan investments that were charged off during 2012 were \$280,547 as compared to \$228,327 in 2011. The Development Fund saw a decline in equity requests in 2012, but saw an increase in requests for loans. Also included in the loan investment balance were loans closed under the new Child Care Loan Program created by legislative intent and an appropriation from the legislative session in 2009 and became effective July 1, 2009.

Interest receivable on deposits and loans decreased by (\$3,879) to \$70,007. The receivable remained stable in 2012 due to the continued improved monitoring of past due accounts and not having to put additional accounts on non-accrual.

Cash and cash equivalents increased by \$7,052,795 (250%) to \$11,703,160 (cash balance is before loan and investment commitments). The increase in cash and cash equivalents was attributable to less dollars being invested in certificate of deposits due to the reduction in CD rates and wanting to put the funds to work in primary sector businesses in the State of North Dakota. The investment account (which includes certificate of deposit investments) decreased by \$8,235,534 from \$9,236,500 in 2011 to \$1,000,966 in 2012.

The Development Fund invests their excess funds into longer-term deposits for a higher rate of return to coincide with the funding commitments made by the Development Fund to companies for loans and equity investments, which are not required to be funded in the short-term. But, due to the low rate of interest being offered on certificate of deposits on a longer term, the Development Fund has kept the excess funding liquid in saving accounts and putting the funds to work in loan and equity investments to primary sector businesses in the State of North Dakota.

Twenty-eight projects were funded totaling \$7,114,904.

#### **Required Financial Statements**

The discussion and analysis are intended to serve as an introduction to the Development Fund's financial statements. The financial statements of the Development Fund provide accounting information similar to that of many other business entities. The Balance Sheet summarizes the assets and liabilities, with the difference between the two reported as net assets. It also serves as a basis for analysis of the soundness and liquidity of the Development Fund. The statement of Revenues, Expenses and Changes in Net Assets summarize the Development Fund's operating performance for the year. The statements of Cash Flows summarize the flow of cash through the Development Fund as it conducts its business.

### Condensed Balance Sheet June 30, 2012 and 2011

Assets		2012		2011		2010
Current assets	\$	15,841,282	\$	16,563,884	\$	17,207,305
Noncurrent assets		9,382,144		7,841,863		7,234,496
Total assets	Φ.		Φ	· · · · · ·	Φ.	, ,
Total assets	<b>D</b>	25,223,426	\$	24,405,747	<u> </u>	24,441,801
Net Assets						
Current liabilities	\$	1,263,653	\$	1,263,653	\$	1,363,100
Unrestricted		23,959,773		23,142,094		23,078,701
Total net assets		23,959,773		23,142,094		23,078,701
Total liabilities and net assets	\$	25,223,426	\$	24,405,747	\$	24,441,801

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash deposits with the Bank of North Dakota and are included in the current assets section of the balance sheet. Additional discussion of cash and cash equivalents can be found in Note 2 to the financial statements.

#### **Equity Investments**

Equity investments consist of capital investments in new or expanding primary sector businesses in or relocating to North Dakota and are included in noncurrent assets. Additional discussion of equity investments can be found in Notes 4 and 5 to the financial statements.

#### Loans Receivable

Loans receivable consist of loans to new or expanding primary sector businesses in or relocating to North Dakota and are included in current and noncurrent assets in the balance sheet. Additional analysis of loans receivable can be found in Notes 6 and 7.

### Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30, 2012 and 2011

	2012	2011		2010
Operating Revenues			•	
Interest income on loans	\$ 584,339	\$ 584,757	\$	660,760
Dividend income	162,738	109,128		149,679
Gain on sale of investment	8,214	93,542		-
Other	79,801	110,237		55,118
	835,092	897,664		865,557
Nonoperating Revenue				
State appropriations	1,000,000	-		-
Interest income on deposits	52,304	79,404		91,968
	1,052,304	79,404		91,968
Total Revenue	 1,887,396	 977,068		957,525

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2012

	 2012	2011	 2010
Operating Expenses General and administrative Depreciation expense	420,867	397,944 843	386,615 766
Bad debt expense	 648,850	514,888	1,121,985
	 1,069,717	913,675	 1,509,366
Change in Net Assets	817,679	63,393	(551,841)
Net Assets, Beginning of Year	 23,142,094	23,078,701	23,630,542
Net Assets, End of Year	\$ 23,959,773	\$ 23,142,094	\$ 23,078,701

## North Dakota Development Fund, Inc. Balance Sheets

June 30, 2012 and 2011

	2012		2011	
Assets				
Current Assets Cash and cash equivalents Interest receivable on deposits and loans Investments Current portion of loans receivable  Total current assets	\$	11,703,160 70,007 1,000,966 3,067,149 15,841,282	\$	4,650,365 73,886 9,236,500 2,603,133 16,563,884
Total current assets		13,041,202		10,303,004
Noncurrent Assets Loans receivable, net of current portion		9,382,144		7,841,863
Total assets	\$	25,223,426	\$	24,405,747
Liabilities and Net Assets				
Current Liabilities Accrued expenses Due to state	\$	13,653 1,250,000	\$	13,653 1,250,000
Total current liabilities		1,263,653		1,263,653
Net Assets Unrestricted		23,959,773		23,142,094
Total net assets		23,959,773		23,142,094
Total liabilities and net assets	\$	25,223,426	\$	24,405,747

North Dakota Development Fund, Inc. Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2012 and 2011

	2012		2011	
Operating Revenues				
Interest income on loans	\$	584,339	\$	584,757
Dividend income		162,738		109,128
Gain on sale of investment		8,214		93,542
Other		79,801		110,237
		835,092		897,664
Operating Expenses				
General and administrative		420,867		397,944
Depreciation expense		-		843
Bad debt expense		648,850		514,888
		1,069,717		913,675
Operating Loss		(234,625)		(16,011)
Nonoperating Revenue				
State appropriations		1,000,000		-
Interest income on deposits and investments		52,304		79,404
		1,052,304		79,404
Change in Net Assets		817,679		63,393
Net Assets, Beginning of Year		23,142,094		23,078,701
Net Assets, End of Year	\$	23,959,773	\$	23,142,094

### North Dakota Development Fund, Inc. Statements of Cash Flows

Statements of Cash Flows Years Ended June 30, 2012 and 2011

	2012	2011		
Operating Activities Other receipts	\$ 226,504	\$ 386,666		
Payments to suppliers	(420,867)	(447,691)		
Net Cash used for Operating Activities	(194,363)	(61,025)		
Investing Activities				
Interest received on cash and cash equivalents	672,985	689,407		
Purchase of equipment	-	(843)		
Purchase of equity investments	(991,668)	(87,500)		
Proceeds from the sale of equity investments	617,218	150,000		
Purchase of investments	(1,000,966)	(13,794,750)		
Sale of investments	9,228,286	12,575,048		
Disbursements of business loans	(7,110,816)	(3,830,111)		
Principal payments received on business loans	4,832,119	2,407,911		
Net Cash provided by (used for) Investing Activities	6,247,158	(1,890,838)		
Non-Capital and Related Financing Activities Paydown of appropriations Proceeds from state appropriations	1,000,000	(49,700)		
Net Cash provided by (used for) Financing Activities	1,000,000	(49,700)		
Net Change in Cash and Cash Equivalents	7,052,795	(2,001,563)		
Cash and Cash Equivalents at Beginning of Year	4,650,365	6,651,928		
Cash and Cash Equivalents at End of Year	\$ 11,703,160	\$ 4,650,365		

### North Dakota Development Fund, Inc. Statements of Cash Flows

Statements of Cash Flows Years Ended June 30, 2012 and 2011

	2012		2011		
Reconciliation of Operating Loss to Net Cash					
Provided by Operating Activities					
Operating loss	\$	(234,625)	\$	(16,011)	
Adjustments to reconcile operating					
loss to net cash from operating activities					
Depreciation		-		843	
Decrease in accounts payable		-		(49,747)	
Gain on sale of investment		8,214		93,542	
Allowance for doubtful loan receivables		274,400		577,388	
Allowance for realized loss on investments		374,450		(62,500)	
Reclassification of interest and dividend income		(616,802)		(604,540)	
Net Cash Used for Operating Activities	\$	(194,363)	\$	(61,025)	
Supplemental Schedule of Noncash Activities					
Loans receivable written off	\$	280,547	\$	228,327	
Equity investments written off	\$	662,324	\$	370,800	

#### **Note 1 - Summary of Significant Accounting Policies**

#### **Organization and Nature of Activities**

The North Dakota Development Fund, Inc. (the Corporation) was established pursuant to Chapter 10-30.3 of the North Dakota Century Code as amended by the passage of Senate Bill 2058 during the 1991 legislative session. The Corporation is a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

The Corporation uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain corporate functions or activities.

The following activities are used by the Corporation:

#### **Development Fund**

The Development Fund is used to account for fund investments, including equity positions, loans, loan guarantees, and other innovative financing mechanisms for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

#### Regional Rural Development Revolving Loan Fund

The Regional Rural Development Revolving Loan Fund is used to account for fund investments including equity positions, loans, loan guarantees, or debt financing on a matching basis to new or expanding primary sector businesses in rural areas.

#### **Small Business Technology Program**

The Small Business Technology Fund is used to provide matching investments to startup technology-based businesses.

#### **Child Care Loan Program**

The Child Care Loan Program is used to account for fund investments including loans and loan guarantees for new or expanding child care facilities in North Dakota.

The Corporation may form additional corporations, partnerships or other forms of business associations in order to further its mission.

The Director of the Department of Commerce Division of the Economic Development and Finance shall appoint the Chief Executive Officer of the Corporation. All investments, contracts, partnerships, limited liability companies, and business transactions of the Corporation are the responsibility of the Chief Executive Officer and the eight-member Board of Directors, who are appointed by the Governor.

#### **Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, the Corporation should include all component units over which the Corporation exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Corporation. GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14, further defined reporting units as a legally separate, tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Corporation or its constituents, and
- The Corporation or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the Corporation is entitled to, or can otherwise access, are significant to the Corporation.

Based upon criteria set forth in GASB No. 14 and No. 39, no organizations were determined to be part of the reporting entity. The Corporation is included as part of the primary government of the State of North Dakota's reporting entity.

#### **Basis of Accounting**

The Corporation is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The Corporation operates primarily with appropriations from the State of North Dakota's general fund.

As a proprietary fund type, the Corporation accounts for its transactions using the accrual basis of accounting. Revenues are recognized for its transactions when they are earned, and expenses are recognized when they are incurred.

The Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In accordance with Governmental Accounting Standards Board Statement No. 20, the Corporation follows all applicable GASB Pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

#### **Revenue and Expense Recognition**

The Corporation presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Operating activities are those activities that are necessary and essential to the mission of the Corporation. Operating revenues include all charges to customers, research contracts and grants, dividends earned on equity investments and interest earned on loans. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the Corporation, as well as investment income, are considered non-operating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

#### **Concentration of Credit Risk**

Loans receivable consist primarily of loans to new or expanding businesses in North Dakota or relocating businesses to North Dakota. The Corporation performs credit evaluations and maintains a security interest until related loans are collected.

#### **Cash Equivalents**

The Corporation considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

#### **Investments**

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of revenue, expenses, and changes in fund net assets.

#### **Equity Investments**

The Corporation records its equity investments at cost adjusted for other than temporary impairment as determined by the Board of Directors. The other than temporary impairment of equity investments is included in fund equity. Realization of the carrying value of these investments is subject to future developments inherent in such investments (see Note 4).

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

#### **Expense Allocation**

The Development Fund pays all expenses of the Corporation.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and valuation of equity investments.

#### **Fixed Assets and Depreciation**

All fixed assets are recorded in the accompanying financial statements at cost. Donated fixed assets are stated at fair market value at the time of donation. Equipment with a cost greater than \$5,000 is capitalized and reported in the accompanying financial statements. The Corporation's fixed assets are being depreciated on a straight-line basis over estimated useful life of three years.

#### Loans

Loans are reported at their outstanding unpaid principal adjusted for charge-offs and the allowance for loan losses.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 to 120 days delinquent unless the credit is well secured and in process of collection. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is doubtful. All current year interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. All prior year interest accrued but not collected is charged-off against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Corporation has determined that the accounting for nonrefundable fees and costs associated with originating or acquiring loans does not have a material effect on their financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

#### **Allowance For Loan Losses**

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to a recovery account.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Dalamaa

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The Corporation separately identifies individual loans for impairment disclosures by rating them on a scale of 1 to 6.

#### **Note 2 - Deposits and Investments**

The Corporation is required to maintain its deposits at the Bank of North Dakota (a related party). As of June 30, 2012, the Corporation had the following cash and investments:

	 Fair Value	Less Than One Year		
Cash				
Bank of North Dakota	\$ 11,703,160	\$	11,703,160	
Investments Certificates of deposit Bank of North Dakota	1,000,966		1,000,966	
	\$ 12,704,126	\$	12,704,126	

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of the investments. At June 30, 2012, the schedule above shows the investments by investment type, amount and the duration.

Cash and investments were recorded on the statement of net assets as follows:

	 Darance
Cash and cash equivalents Investments	\$ 11,703,160 1,000,966
	\$ 12,704,126

#### **Custodial and Concentration of Credit Risk**

For deposits and investments, the custodial credit risk that, in the event of the failure of a depository financial institution, the Corporation will not be able to recover collateral securities that are in possession of an outside party. The Corporation's deposits are uncollateralized. All of the Corporation's deposits are with the Bank of North Dakota.

#### **Note 3 - Interest Receivable**

Interest receivable at June 30, 2012 and 2011 is as follows:

	2012			2011		
Interest receivable from loans	\$	70,007	\$	73,886		

#### **Note 4 - Equity Investments**

Equity investments in business concerns as of June 30, 2012 and 2011 are as follows:

	2012			2011		
Development Fund	\$	3,114,165	\$	3,922,830		
Rural Development Revolving Loan Fund		1,164,653 4,278,818	_	1,171,490 5,094,320		
Valuation allowance - Other than temporary impairment		(4,278,818)		(5,094,320)		
	\$	_	\$			

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

The Corporation acquired its investment by direct purchase from the issuer under investment representations, and the Board of Directors valued the securities on the premise that they may not be sold without registration under the Securities Act of 1933. The price of securities purchased was determined by direct negotiation between the Corporation and the seller.

#### Note 5 - Equity Investments - Valuation Allowance

Changes in the valuation allowance for equity investments as of June 30, 2012 and 2011 are as follows:

	2012			2011		
Balance, beginning of year	\$	5,094,320	\$	5,684,125		
Provision for equity investment losses		374,450		(62,500)		
Transfers		(527,628)		(156,505)		
Equity investments charged off		(662,324)		(370,800)		
Balance, end of year	\$	4,278,818	\$	5,094,320		

#### Note 6 - Loans Receivable

Loans receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Development Fund	\$ 11,755,681	\$ 9,134,747
Rural Development Revolving Loan Fund	5,428,604	5,528,147
Child Care Loan Program	794,326	789,939
Allowance for loan losses	17,978,611 (5,529,318)	15,452,833 (5,007,837)
Loans receivable, net of allowance for loan losses	12,449,293	10,444,996
Less: current portion of loans receivable	3,067,149	2,603,133
Loans receivable, net of current portion	\$ 9,382,144	\$ 7,841,863

#### **Note 7 - Allowance for Loan Losses**

Changes in the allowance for loan losses as of June 30, 2012 and 2011 are as follows:

	2012			2011		
Balance, beginning of year Provision for loan losses Transfers Loans charged off	\$	5,007,837 274,400 527,628 (280,547)	\$	4,502,271 577,388 156,505 (228,327)		
Balance, end of year	\$	5,529,318	\$	5,007,837		

#### Note 8 - Equipment

A statement of changes in fixed assets for the years ended June 30, 2012 and 2011 is as follows:

	Balance 06/30/11		Additions		Deletions		Balance 06/30/12	
Furniture and equipment Computer software Accumulated depreciation	\$	10,095 78,188 (88,283)	\$	- - -	\$	- - -	\$	10,095 78,188 (88,283)
	\$		\$	-	\$		\$	_
	Balance 06/30/10		Ad	ditions	Dele	tions	_	Balance 6/30/11
Furniture and equipment Computer software Accumulated depreciation	\$	10,095 77,345 (87,440)	\$	843 (843)	\$	- - -	\$	10,095 78,188 (88,283)
	\$	_	\$	_	\$	_	\$	_

#### Note 9 - Due to State

In 2011, the State of North Dakota appropriated funds to the North Dakota Development Fund to develop a child care loan program for the purpose of providing loans to new and expanding child care facilities within the state of North Dakota. The program was extended in the last legislative session through June 30, 2013, at which time it expires. On that date, the appropriation amount is set to be returned to the state. As of June 30, 2012 and 2011, \$1,250,000 and \$1,250,000 is due back to the state, respectively.

#### **Note 10 - State Appropriation**

During the year ended June 30, 2012 the North Dakota Development Fund received \$1,000,000 for a new funding program called the Small Business Technology Program.

#### **Note 11 - Commitments and Contingencies**

#### **Development Fund**

The Board of Directors has approved equity investments, loans, grants and guaranty of collections at June 30, 2012 and 2011, for which funds have not been disbursed or written agreements entered into in the approximate amount of \$1,036,244 and \$3,362,579.

June 30, 2012 and 2011

#### Regional Rural Development Revolving Loan Fund

The Board of Directors has approved equity investments, loans, and guaranty of collections at June 30, 2012 and 2011, for which funds have not been disbursed or written agreements entered into in the approximate amount of \$757,095 and \$1,137,666.

#### **Child Care Loan Program**

The Board of Directors has approved loans at June 30, 2012 and 2011, for which funds have not been disbursed or written agreements entered into in the approximate amount of \$3,363 and \$25,867.

#### **Note 12 - Risk Management**

North Dakota Development Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 legislative session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

The Corporation participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund through the policies of the North Dakota Commerce Department. The North Dakota Commerce Department pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Commerce Department with blanket fidelity bond coverage in the amount of \$100,000 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

The Corporation participates in the North Dakota Workforce Safety and Insurance, (WSI) an Enterprise Fund of the State of North Dakota. WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Assets	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2012	2011
Current Assets						
Cash and cash equivalents Interest receivable on	\$ 6,247,295	\$ 4,962,446	\$ 493,419	\$ -	\$ 11,703,160	\$ 4,650,365
deposits and loans	37,623	32,384	_	-	70,007	73,886
Investments	· -	, <u>-</u>	-	1,000,966	1,000,966	9,236,500
Current portion of loans receivable	2,005,523	926,119	135,507	-	3,067,149	2,603,133
Intercompany receivable (payable)	(5,229)	5,229	-	-	-	-
Total current assets	8,285,212	5,926,178	628,926	1,000,966	15,841,282	16,563,884
Noncurrent Assets						
Loans receivable, net of current portion	6,951,200	2,216,744	214,200		9,382,144	7,841,863
Total assets	\$ 15,236,412	\$ 8,142,922	\$ 843,126	\$ 1,000,966	\$ 25,223,426	\$ 24,405,747
Liabilities and Net Assets						
Current Liabilities						
Accrued expenses	\$ 13,653	\$ -	\$ -	\$ -	\$ 13,653	\$ 13,653
Due to state			1,250,000		1,250,000	1,250,000
Total liabilities	13,653		1,250,000		1,263,653	1,263,653
Net Assets						
Unrestricted	15,222,759	8,142,922	(406,874)	1,000,966	23,959,773	23,142,094
Total net assets	15,222,759	8,142,922	(406,874)	1,000,966	23,959,773	23,142,094
Total liabilities and net assets	\$ 15,236,412	\$ 8,142,922	\$ 843,126	\$ 1,000,966	\$ 25,223,426	\$ 24,405,747

North Dakota Development Fund, Inc. Combining Statements of Revenue, Expenses and Changes in Net Assets Years Ended June 30, 2012 and 2011

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2012	2011
Operating Revenues						
Interest income on loans	\$ 446,117	\$ 119,030	\$ 19,192	\$ -	\$ 584,339	\$ 584,757
Dividend income	130,275	32,463	-	-	162,738	109,128
Gain on sale of investment	8,214			-	8,214	93,542
Other	71,186	7,972	643		79,801	110,237
	655,792	159,465	19,835		835,092	897,664
Operating Expenses						
General and administrative	420,867		_		420,867	397,944
Depreciation expense	420,007	_	<del>-</del>	_	420,007	843
	581,342	69,830	(2.222)	-	648,850	514,888
Bad debt expense	1,002,209	69,830	(2,322)		1,069,717	913,675
	1,002,209	09,830	(2,322)		1,009,717	913,073
Operating (Loss) Income	(346,417)	89,635	22,157		(234,625)	(16,011)
Nonoperating Revenue (Expense) Interest income on deposits						
and investments	31,210	19,542	586	966	52,304	79,404
State appropriations	· <u>-</u>	-	_	1,000,000	1,000,000	· -
11 1	31,210	19,542	586	1,000,966	1,052,304	79,404
Change in Net Assets	(315,207)	109,177	22,743	1,000,966	817,679	63,393
Net Assets, Beginning of Year	15,537,966	8,033,745	(429,617)		23,142,094	23,078,701
Net Assets, End of Year	\$ 15,222,759	\$ 8,142,922	\$ (406,874)	\$ 1,000,966	\$ 23,959,773	\$ 23,142,094

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2012	2011	
Operating Activities Other receipts (payments) Payments to suppliers	\$ 217,889 (420,867)	\$ 7,972	\$ 643	\$ - -	\$ 226,504 (420,867)	\$ 386,666 (447,691)	
Net Cash (used for) Provided by Operating Activities	(202,978)	7,972	643		(194,363)	(61,025)	
Non-Capital Financing Activities Paydown of appropriations Proceeds from state appropriations		<u> </u>		1,000,000	1,000,000	(49,700)	
Net Cash (used for) Provided by Non-Capital Financing Activities				1,000,000	1,000,000	(49,700)	
Investing Activities Interest and dividends received Purchase of equipment Purchase of equity investments Proceeds from the sale of	481,949 - (991,668)	170,292 - -	19,778 - -	966 - -	672,985 - (991,668)	689,407 (843) (87,500)	
equity investments Purchase of investments Sale of investments Disbursements of business loans Principal received on business loans	5,947,786 (6,283,744) 4,182,858	4,454 - 3,280,500 (727,994) 554,570	- - (99,078) 94,691	(1,000,966)	617,218 (1,000,966) 9,228,286 (7,110,816) 4,832,119	150,000 (13,794,750) 12,575,048 (3,830,111) 2,407,911	
Net Cash (used for) Provided by Investing Activities	3,949,945	3,281,822	15,391	(1,000,000)	6,247,158	(1,890,838)	
Net Change in Cash and Cash Equivalents	3,746,967	3,289,794	16,034	-	7,052,795	(2,001,563)	
Cash and Cash Equivalents, Beginning of Year	2,500,328	1,672,652	477,385		4,650,365	6,651,928	
Cash and Cash Equivalents, End of Year	\$ 6,247,295	\$ 4,962,446	\$ 493,419	\$ -	\$ 11,703,160	\$ 4,650,365	

North Dakota Development Fund, Inc. Combining Statements of Cash Flows Years Ended June 30, 2012 and 2011

	De	evelopment Fund	De R	Regional Rural velopment evolving oan Fund		nild Care n Program	Tech	Business nnology ogram		2012		2011
Reconciliation of Operating												
(Loss) Gain to Net Cash used in												
Operating Activities	Ф	(246.417)	Φ.	00.625	Ф	22.157	Φ.		Ф	(224 (25)	Φ.	(1 < 0.1.1)
Operating (loss) gain Adjustments to reconcile operating	\$	(346,417)	\$	89,635	\$	22,157	\$	-	\$	(234,625)	\$	(16,011)
(loss) gain to net cash from												
operating activities												
Depreciation		-		-		_		_		_		843
Increase in accounts payable		-		-		-		-		-		(49,747)
Change in intercompany												
receivable (payable)		-		-						-		-
Gain on sale of investment		8,214		-		-		-		8,214		93,542
Allowance for doubtful												
loan receivables		202,438		74,284		(2,322)		-		274,400		577,388
Allowance for realized		270.004		(4.454)						274 450		(62.500)
loss on investments Reclassification of interest		378,904		(4,454)		-		-		374,450		(62,500)
and dividend income		(446,117)		(151,493)		(19,192)				(616,802)		(604,540)
and dividend meonic		(440,117)		(131,473)		(17,172)				(010,002)		(004,540)
Net Cash (used in) Provided by												
Operating Activities	\$	(202,978)	\$	7,972	\$	643	\$	-	\$	(194,363)	\$	(61,025)
Supplemental Schedule of												
Noncash Activities												
Loan receivable written off	\$	3,038	\$	277,509	\$	_	\$	_	\$	280,547	\$	228,327
Equity investments written off	Ψ	662,324	Ψ	2,50)	Ψ	_	Ψ	-	Ψ	662,324	Ψ	370,800



NORTH DAKOTA DEVELOPMENT FUND

1600 E. Century Ave., Suite 2 | PO Box 2057 | Bismarck, ND 58502-2057

Phone: 701-328-5300 | Fax: 701-328-5395 | NDDevelopmentFund.com





# AGRICULTURAL PRODUCTS UTILIZATION COMMISSION

**GRANT REPORT 2010-2012** 

SUPPORTING THE DAWN OF A NEW AGE IN AGRICULTURE

### **TABLE OF CONTENTS**

Map of Projects	Nature Based AgriTourlsm Grants
Administration4	Black Leg Ranch
	Cutbank Creek
Basic & Applied Research Grants	Dakota Sun Gardens
Dakota College at Bottineau6	Red Trail Vineyard
Food First, LLC 6	
Grand Forks Region Economic Development Corp 6	Prototype Development & Technology Grants
NDSU EPA Advanced Biofuel 6	InveTus, LLC
NDSU Low Density Fiber Board 6	StopSensor
NDSU Nitrogen Fertilizer	Sun Valley Container
NDSU Vegetables by LEP7	Trojan Hoist Company
	VFM, LLC
Farm Diversification Grant	Warp Speed Torque Drive
Thompson Farm	
	Sponsorships
Marketing and Utilization Grants	North Dakota 4-H Foundation 20
Amberland Foods, Inc	North Dakota FFA Foundation
Beach Pulses, LLC 11	Williston Area Development Corp
Bessy's Best	
c2renew, LLC	Technical Assistance Grant
Carbontec Energy Corporation	The Dakota Manufacturing Extension Partnership 21
Common Enterprise Development Corporation 12	
Crunchfuls North Dakota, LLC	Financial Information
Destiny Dairy	Funding Sources
Endless Harvest	
Heimbuch Potatoes, LLC	
Jamestown/Stutsman County Jobs Development Corp	
North Dakota Trade Office	
Northern Corn Development Corporation	
Northern Plains Sustainable Agriculture Society 13	
Progressive Nutrient Systems	
Red River Commodities	
Ron Iverson, LLC	
West Dakota Feed & Seed	



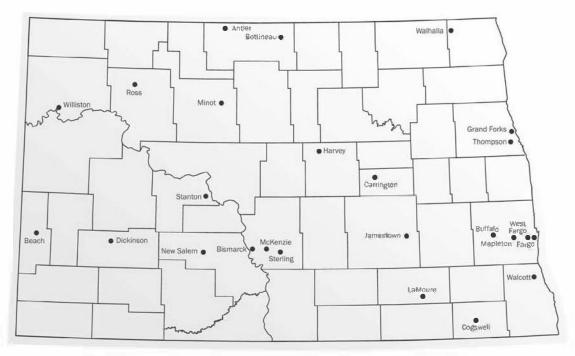
## **MISSION**

The Agricultural Products Utilization Commission creates new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products.



#### Between November 2010 and November 2012, APUC funded 42 projects in 25

#### North Dakota communities, totaling over \$1.6 million in grants and sponsorships.



APUC is an office within Economic Development and Finance, a divisin of the North Dakota Department of Commerce.

#### APUC projects by community:

- Antler Thompson Farm
- Beach Beach Pulses, LLC
- Bismarck Carbontee Energy Corporation
- Bismarck Common Enterprise Development Corporation
- Bismarck The Dakota Manufacturing Extension Partnership
- · Bismarck North Dakota FFA Foundation
- Bottineau Dakota College at Bottineau
- Buffalo Red Trail Vineyard
- Carrington Dakota Sun Gardens
- Cogswell Heimbuch Potatoes, LLC
- · Dickinson Trojan Hoist Company
- Fargo NDSU EPA Advanced Biofuel
- Fargo NDSU Low Density Fiber Board
- Fargo NDSU Nitrogen Fertilizer
- Fargo NDSU Vegetables by LEP
- Fargo North Dakota 4-H Foundation
- · Fargo North Dakota Trade ●ffice
- Fargo Northern Corn Development Corporation
- Fargo Progressive Nutrient Systems
- · Fargo Red River Commodities, Inc.
- Fargo Ron Iverson, LLC
- Fargo VFM, LLC

- Grand Forks Grand Forks Region Economic Development Corp.
- · Harvey Amberland Foods, Inc Phase I
- Harvey Amberland Foods, Inc Phase II
- Jamestown Endless Harvest
- Jamestown Jamestown/Stutsman County Jobs Development Corp.
- LaMoure Northern Plains Sustainable Agriculture Society — Phase I
- · Mapleton InvenTus, LLC
- · McKenzie Black Leg Ranch
- Minot Crunchfuls North Dakota, LLC
- · Minot Cutbank Creek Farm
- New Salem StopSensor
- Ross West Dakota Feed & Seed
- Stanton Destiny Dairy
- Sterling Bessy's Best
- Thompson Sun Valley Container
- Walcott c2renew, LLC
- Walhalla Food First, LLC
- West Fargo Warp Speed Torque Drive
- Williston Williston Area Development Corp.

ADMINISTRATION

#### APUC COMMISSIONERS



Dan Kalil, Chairman Governor's Appointee



Bill Ongstacl
Commissioner's Appointee



Bill Kingsbury
Governor's Appointee



Paul Lucy
Economic Development and Finance
Division Representative



Rachel Retterath Governor's Appointee



Myron Thompson
Governor's Appointee



Dean Bresciani NDSU President



Daug Goehring
Agriculture Commissioner

Keith Peltier
Governor's Appointee

#### **ADMINISTRATION**

The North Dakota Agricultural Products Utilization Commission (APUC) consists of nine members. The governor appoints five members to two-year terms. 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. 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, ND Department of Commerce, Economic Development and Finance Division
- · Dean Bresciani, President, North Dakota State University
- Doug Gochring, Commissioner, ND Department of Agriculture

#### **APUC STAFF**



Kerri Kralt
Program Assistant



John F. Schneider
Executive Director



## **BASIC & APPLIED RESEARCH GRANTS**

Basic & Applied Research Grants assist in research for processing agricultural products and by-products in North Dakota. These grants 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, or cannot have been duplicated by other research efforts.



#### Dakota College at Bottineau

Holly Mawby, Bottineau

Grant Amount: \$ 11,200 Total Budget: \$ 12,200

Funds will be used to purchase a compost tea system, compost tumblers and injection system which will then be used to research the effectiveness of compost tea for nutrient management in high tunnel vegetable production.

#### Food First, LLC

Robert Thornberg, Walhalla

Grant Amount: \$ 36,000 Total Budget: \$ 45,000

Funds will be used to quantify the impact arabinoxylans and other prebiotics from wheat, oats, barley and flax have on stimulating growth of beneficial bifidobacterium to improve digestive health. Prebiotic benefits are being assessed for ProBiotein as a nutritional supplement to boost beneficial (probiotic) bacteria in human digestive tracts.

#### **Grand Forks Region Economic Development Corp.**

Keith Lund, Grand Forks

Grant Amount: \$ 54,350 Total Budget: \$ 63,350

Funding defrayed the costs associated with the development and completion of a regional agri-business asset and resource map, strategic plan, and identification of diversification opportunities. It includes an assessment of needed resources with required related performance metrics or milestones for the launch of a successful new business.

#### **NDSU EPA Advanced Biofuel**

Dr. Cole Gustafson, Fargo Dept. of Agriculture & Biosystems Engineering

Grant Amount: \$ 61,317 Total Budget: \$ 73,317

Funding defrayed the cost of hiring a research scientist to conduct a life cycle analysis of greenhouse emissions from energy beet biofuel. The goal is to document the energy beet pathway to secure EPA approval an "advanced" biofuel. This study will conduct life cycle analysis to identify optimal feedstock locations and to minimize feedstock transport and handling costs related to the process of energy beet biofuel.

#### **NDSU Low Density Fiber Board**

Dr. Dilpreet Bajwa, Fargo
Dept. of Mechanical Engineering & Applied Mechanics

Grant Amount: \$ 24,465 Total Budget: \$ 40,000

Masonite PrimeBoard, Inc. of Wahpeton currently uses wheat straw for making fiber boards. Uncertainty of raw material supply and increased demand for wheat straw has forced them to explore alternative agriculture fibers. This project will support identifying the feasibility of using soy and corn agriculture fibers for manufacturing existing products without compromising the quality and durability characteristics of low density fiber boards. The new product will be green, eco-friendly and qualify for sustainable material credit.

#### **NDSU Nitrogen Fertilizer**

Dr. Cole Gustafson, Fargo

Dept. of Agriculture & Biosystems Engineering

Grant Amount: \$ 59,960 Total Budget: \$ 99,460

Funding supported the hiring of a research scientist to conduct a feasibility analysis of the use of flared gas as a feedstock to produce a low-cost, reliable and green supply of nitrogen fertilizer for North Dakota farmers. Commercialization of flared gas-based nitrogen fertilizer will spur rural development, increase farm-level productivity and profitability, and provide added value to agricultural crops.

#### NDSU Vegetables by LEP

Dr. Chiwon Lee, Fargo Dept. of Plant Sciences

> Grant Amount: \$ 25,360 Total Budget: \$ 72,490

Funds will be used for graduate and undergraduate student wages (70%) plus equipment and lab supplies (30%) to investigate the feasibility of growing selected vegetables using LEP (light emitting plasma) light with reduced energy input. If successful, a new agricultural business may well be established in the state by producing highly nutritious vegetables year round for regional and national markets.

#### Economics of Collecting Flared Gas to Produce Nitrogen Fertilizer

NDSU Department of Agribusiness and Applied Economics

Flames flickering across western North Dakota's landscape are the result of natural gas being burned off to normalize pressure at well sites, but they also represent untapped opportunity. Since natural gas is one component to manufacturing fertilizer, the North Dakota State University (NDSU) Department of Agribusiness and Applied Economics conducted a feasibility analysis to determine how to make the most of the state's natural gas.

"The thinking is that we have this tremendous amount of natural gas in western North Dakota, and we haven't had the opportunity to put it all to use yet," said NDSU Associate Professor Dr. David Saxowsky.

"A lot of fertilizer manufacturing is occurring outside the United States and being imported, so the question is, if we have all this natural gas, can't we do the manufacturing ourselves?"

The key to the study was determining the economy of scale for a possible fertilizer plant. In this case, bigger is better.

"We learned that small scale manufacturing of fertilizer appears to be quite expensive. In order to pull down the cost and be competitive, you have to do it large scale, likely manufacturing 750,000 tons per year," Saxowsky said.

Based on these findings, Saxowsky hopes a business plan will follow. It's why he appreciates the APUC funding.

"It's so rewarding for the university and the researchers to be working with business people who are looking for these types of opportunities and are ready to take the next step when the results are positive," Saxowsky said.



## FARM DIVERSIFICATION GRANT

Farm Diversification Grants give 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 that the North Dakota Agricultural Statistics Service maintains statistics on. The project must have the potential to create additional income for the farm unit.



#### **Thompson Farm**

Tracie Thompson, Antler

Grant Amount: \$ 5,250

Total Budget: \$ 25,646

Funds allowed the construction of a hoophouse, a commercial vegetable processing/storage building and the development of a commercial vegetable operation. The Thompson Farm is already looking at expansion opportunities and the Dakota College Entrepreneurial Center for Horticulture wishes to promote its success story as an Extension site for their ongoing teaching and research.

#### **BUILDING A HOOPHOUSE**

Thompson Farm

Tracie Thompson used to spend her days behind a desk, eight to five, working for someone else. •ne day she traded in her skirts and heels for work jeans and boots to join her husband on the farm near Antler. Now while he's corralling cows, she's corralling vegetables in a high tunnel.

"I had to research everything, and when I decided it was something I was going to do, I just jumped in head first," Thompson said.

A high tunnel resembles a greenhouse, but is built out of special grade plastic that traps 85 percent of the sun's UVA rays to create an extended growing environment. Thompson is able to start planting vegetables in the ground early in the spring and can then extend the growing season into winter.

With the help of APUC funds, Thompson was able to revise the design of the high tunnel and build an additional building to house a kitchen and storage rooms. She has grown her customer base from small local grocery stores to include Marketplace Foods and Cash Wise Foods.

In addition, the Dakota College Entrepreneurial Center for Horticulture uses her garden as an extension site for their ongoing teaching and research.

"It's amazing how many people want to give their families better food; they just don't know how to go about it," Thompson said. "To me, teaching somebody to do that is worth everything that I've already done."



## **MARKETING & UTILIZATION GRANTS**

Marketing & Utilization Grants provide necessary assistance to the research and marketing needs of the state by developing new uses for agricultural products and by-products, and by seeking efficient systems for processing and marketing these products. It also is used to promote efforts that increase productivity, provide added value to agricultural products, stimulate and foster agricultural diversification and encourage processing innovations.

#### Amberland Foods, Inc. - Phase 1

Tami Fiest, Harvey

Grant Amount: \$ 31,000 Total Budget: \$ 21,450

Funds assisted in advertising, travel and sample products.

Amberland Foods, Inc. will also develop marketing materials.

#### Amberland Foods, Inc. - Phase II

Tami Feist, Harvey

Grant Amount: \$ 47,000 Total Budget: \$ 82,000

Funds supported a website redesign including programming, SE, placement, order pages, landing pages and outbound mail costs for the web. The site provides customers greater info about the company and stimulates cross-selling/marketing with successful out-of-state businesses.

.....

#### Beach Pulses, LLC

Mat Chaudhry, Beach

Grant Amount: \$ 75,000 Total Budget: \$ 2,500,000

Funds will be used to develop and implement a marketing plan to promote North Dakota pulse crops in multi-regional markets. They will also assist in potentially acquiring a prominent presence in the domestic market that is concentrated in imported value-added pulses.

#### **Bessy's Best**

Blaine Goetz, Sterling

Grant Amount: \$ 103,282 Total Budget: \$ 110,709

The grant funds will be used to pay for newspaper, radio and billboard advertising; a permanent sign near the business location; website development; and a mobile trailer for marketing products. Additional funding was awarded to hire a consultant to help develop a marketing and advertising plan.

......

#### c2renew, LLC

Corey Kratcha, Walcott

Grant Amount: \$ 26,000 Total Budget: \$ 51,000

Funds were used to launch production of the first customer orders for biocomposites and to defray costs for meetings with potential customers and marketing material development.

#### **Carbontec Energy Corporation**

Mary Fletcher, Bismarck

Grant Amount: \$ 63,000 Total Budget: \$ 160,000

The funds will be used to conduct a feasibility study on a possible production location in Jamestown. This biobased project would provide another use for North Dakota agricultural biomass products and/or biomass by-products.

#### **Common Enterprise Development Corporation**

Heidi Demars, Bismarck

Grant Amount: \$ 10,500 Total Budget: \$ 130,000

The grant funds will be used to conduct a feasibility study and explore the potential demand for a consumer-driven local foods cooperative in Bismarck-Mandan. The feasibility study will provide the data needed in order to move forward with the fundraising and membership efforts of the steering committee and subcommittees.

#### Crunchfuls North Dakota, LLC

Deepa Senoy, Minot

Grant Amount: \$ 65,000 Total Budget: \$ 240,000

The grant will defray the costs of travel expenses and bar development using North Dakota grown dry beans, peas, lentils and chickpeas (DPLC). The DPLC bar would focus on bringing new and nutritious foods, like healthy recovery snack bars, in compliance with the Soldier Fueling Initiative Program for military subsistence.

\_\_\_\_\_

#### **Destiny Dairy**

Ole Johnson, Stanton

Grant Amount: \$ 45,000 Total Budget: \$ 12,965

The grant will defray the costs of market testing nutrientrich compost for home, retail and commercial uses, as well as industrial and field applications. Funds will also be used for advertising, promotions and attendance at trade shows.

#### **Endless Harvest**

Steve Froehlich, Jamestown

Grant Amount: \$ 68,000 Total Budget: \$ 133,000

Funds will be used for hiring a controlled environment agriculture (CAE) consulting firm which will explore funding sources, provide representable lettuce types and educational tours, and finalize specific design components of a proposed facility. Lettuce grown will be used for developing market presentation and consumer preferences.

#### Heimbuch Potatoes, LLC

Chad Heimbuch, Cogswell

Grant Amount: \$ 46,400

Total Budget: \$ 225,000

Funds will be used for advanced promotion due to the company's increased potato and onion production, as well as promote other product lines including additional colors of potatoes and red and yellow onions.

#### Jamestown/Stutsman County Jobs Development Corp.

Connie Ova, Jamestown

Grant Amount: \$ 76,000 Total Budget: \$ 150,000

Funds helped to defray the costs of hiring a consultant to conduct a feasibility study of two 10-acre controlled environment agriculture (CAE) leaf lettuce production facilities in the Jamestown area. This study showed that a CEA facility is feasible and that Jamestown is ideally positioned on major transportation routes. Opportunities could include manufacturing, education, food processing and a CEA knowledge center.

#### **North Dakota Trade Office**

Dean Gorder, Fargo

Grant Amount: \$ 42,500 Total Budget: \$ 122,500

The grant will assist in the expansion of trade mission programs by defraying the costs of additional databases for market research. Funds will also be used to purchase headsets for multilingual translation when attending trade missions to bring buyers of agricultural products to North Dakota.

#### **Northern Corn Development Corporation**

Tom Lilja, Fargo

Grant Amount: \$ 100,000

Total Budget: \$ 500,000

Funds were used to acquire professional accounting, marketing and legal services to complete the business plan and acquire the necessary equity to launch the enterprise.

-----

## Northern Plains Sustainable Agriculture Society – Phase I

Karri Stroh, LaMoure

Grant Amount: \$ 15,566 Total Budget: \$ 75,642

Funding supported outreach and relationship building with end-users to better understand customer needs and develop a marketing plan to meet those needs. The grant provided NPSAS with first-hand knowledge on where the organic industry is headed and what the role is within the industry. NPSAS had the opportunity to highlight North Dakota organic products and build awareness of the products available. The experience provided up-to-date information on new trends and innovative ideas and boosted their presence in the industry.

#### **Progressive Nutrient Systems**

Dan Olson, Fargo

Grant Amount: \$ 76,000 Total Budget: \$ 222,500

Funds from this grant will be used to demonstrate the technical feasibility and the business/economic opportunity for a modular distributed ammonia-based system. Analysis will also address the system's impact on improving the economic and environmental sustainability of North Dakota's corn/ethanol production.

#### Red River Commodities, Inc.

Daniel Hofland, Fargo

Grant Amount: \$ 126,000 Total Budget: \$ 321,000

Funds were used for SunButter advertising in three major food magazines, as well as development and distribution of two press releases, two direct customer mail pieces and a SunButter ingredient marketing brochure. Funds will also help defray the costs for attendance in upcoming food expos.

#### Ron Iverson, LLC

Ron Iverson, Fargo

Grant Amount: \$ 48,500 Total Budget: \$ 100,000

Funds will be used to conduct a feasibility study for a cereal plant that will manufacture regular, gluten free and organic cereal for human consumption. Regular cereal will be manufactured during Phase One, while the gluten free and organic lines will be introduced during Phase Two. Products will use North Dakota grown ingredients as much as possible. If ingredients cannot be sourced locally, the company will work with producers to grow them in the area.

-----

#### West Dakota Feed & Seed

Kevin Kvamme, Ross

Grant Amount: \$ 40,000 Total Budget: \$ 91,000

Funds will be used for attending national specialty crop conventions to develop relationships with potential canary seed buyers and exploring the potential canary seed tea market.

#### SUNBUTTER INGREDIENT MARKET LAUNCH

Red River Commodities

Created to become a new source of demand for North Dakota's sunflowers, SunButter has evolved into a way to keep schools safe for allergy sufferers and enrich other food products. Red River Commodities joined the United States Department of Agriculture over a decade ago to research the process of making SunButter, and now the nut-free product is found on grocery shelves in all major chains across the country, as well as school cafeterias.

"When a time came to decide whether we should continue with SunButter or drop it as a good idea at a bad time, the school lunch demand came along and really kept us going," said Dan Hofland, vice president of marketing. "It was a key factor, and APUC played an important part in keeping that demand going."

APUC funds allowed SunButter to market itself through brochures, print ads, webinars, and by defraying costs for food expo attendance. The product had humble beginnings, though. Hofland remembers filling the back of his pickup with the product and taking it to the grocery store's customer service counter asking, "Where do you want this?" when they didn't have distribution in place yet.

"That's how we got started, and once we proved demand, then we were able to look into distribution," Hosland said.

Now Red River Commodities is working to get SunButter into industrial markets, and APUC funds are again being used to market the product. Holland said they are beginning to see results from those efforts and have high hopes for the future of SunButter.



## NATURE BASED AGRITOURISM GRANTS

Nature Based AgriTourism Grants are for enterprises which 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, handson chores, self-harvesting of produce, hunting operations, fishing operations located on applicants' land, bird watching, trail rides and corn mazes.

#### **Black Leg Ranch**

Jeremy Doan, McKenzie

Grant Amount: \$ 11,000 Total Budget: \$ 24,300

This grant assisted in the renovation of a ranch guesthouse. Funds were used to buy windows, doors, staircase materials, loft railing, and other improvements to the inside and outside of the building to attract more guests. A sewer and drain field were also put in place. This renovation allows Black Leg Ranch to house additional people for hunting and other activities.

#### **Cutbank Creek Farm**

Peggy Walter, Minot

Grant Amount: \$ 10,500 Total Budget: \$ 37,433

Funding supported the expansion of Cutbank Creek Farm, located near Upham, to a U-Pick and larger commercial produce garden operation. The grant will be used for marketing, supplies and equipment for direct and wholesale produce along with the on-farm U-Pick.

#### **Dakota Sun Gardens**

Bruce and Merleen Gussiaas, Carrington

Grant Amount: \$ 10,500 Total Budget: \$ 20,000

The grant helped defray the costs of marketing the gardens and winery. Funds also assisted in the building of another yard attraction, supporting various plant materials and the purchase of a berry variety for a unique wine production.

#### **Red Trail Vineyard**

Rodney Hogen, Buffalo

Grant Amount: \$ 4,725 Total Budget: \$ 6,692

Funds were used to advance promotion of the vineyard through the use of social media. This project helps inform new and existing customers of special events, new products and in-house specials throughout the year.

#### RENOVATION ON THE RANCH

Black Leg Ranch

Homesteaded in 1882, the Black Leg Ranch boasts a true cowboy experience for tourists and history buffs alike. Located near Sterling, the ranch provides hunting, fishing and horseback riding activities along with a newly renovated lodge. An AP UC grant helped defray the costs of improvements, including a bar and commercial kitchen.

"This was a big, major project," said owner Jeremy Doan.
"There is so much craftsmanship in this lodge, inside and out. There's a huge deck that wraps around it, a grand entrance, and private rooms, and even a honeymoon suite with a Jacuzzi."

As a lifth generation ranch, guests often ask to view pictures, talk to the family, and dive into the farmstead's history. Doan said since the ranch preceded North Dakota statehood, and contains the remains of the ghost town of Brittin, it has gained international appeal.

"We recently started the agritourism aspect, and it's finally taking effect. It's been a slow process, growing that side," Doan said.



## PROTOTYPE DEVELOPMENT & TECHNOLOGY GRANTS

APUC provides grants in two areas of agricultural innovations: Prototype Development & 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 maintains 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.

#### InvenTus, LLC

Norm Miller, Mapleton

Grant Amount: \$ 26,000 Total Budget: \$ 122,000

Funds will be used to complete the electronics and supply portion of the prototype Hydro-Pack for a fuel economy cell to be mounted with gas or diesel engines to conserve 30 percent in fuel usage. Along with fuel conservation, the emissions are reduced accordingly. Commercialization will be done through a dealer network.

#### StopSensor

Larry Mosbrucker, New Salem

GrantAmount: \$ 25,000 Total Budget: \$ 53,300

Funds will help bring StopSensor to market with the production of 15 prototype devices and related accessories to be used in field tests and product demonstrations. These units will be tested in a variety of agricultural applications from small farm operations to agronomy centers. Funds will also be used to obtain a patent and to implement refinements to StopSensor's design based on field test results.

#### **Sun Valley Container**

Dan Hanson, Thompson

Grant Amount: \$ 25,000 Total Budget: \$ 78,359

Funds will be used for product design and prototype testing. They will also be used for attorney and patent fees necessary to obtain a patent state-of-the-art plastic sugar container.

#### **Trojan Hoist Company**

Scott Thompson, Dickinson

Grant Amount: \$ 25,000 Total Budget: \$ 60,000

The grant will assist in the development of a portable crane system suited for agriculture uses. The project will include presentations to prospective customers, development of mounting adapters, crane test samples and other refinements based on customer feedback.

#### VFM, LLC

Ryan Raguse, Fargo

Grant Amount: \$ 28,500 Total Budget: \$ 200,000

Funds will assist with prototype development, such as parts, wages for software development, alpha/beta testing, patent/trademark research and patent applications for a mobile application for autosteer technology.

#### Warp Speed Torque Drive

Ernie Brookins, West Fargo

Grant A mount: \$ 26,000 Total Budget: \$ 71,000

Funds will help finalize a production model of a hybrid drive system retrofit kit for an Allison transmission and advance it from the prototype phase to the production model.

#### PROTOTYPES FOR PRODUCT DEMONSTRATION

StopSensor

StopSensor is a device to help machinery or truck drivers properly align their equipment in order to avoid missing the mark when dumping grain, oil, cement or sand. As a farmer, StopSensor inventor Larry Mosbrucker understood the hassles and safety issues of repeatedly checking positioning or needing a spotter.

"I knew there had to be a better way so a person doesn't have to jump in and out of the truck all the time to check your positioning," Mosbrucker said. "I had this problem my whole life in farming, and then it just clicked. But I knew the product had to be something simple, not complicated."

StopSensor was warmly welcomed in agriculture circles, and is now finding success within the oil industry. Mosbrucker was able to produce 15 prototype devices with APUC funds, and he feels the product has potential to make a huge impact.

"It's a big safety thing," Mosbrucker said. "To talk to the safety guys for the oil companies really was powerful. They really thought this could be something."

Rail representatives have also encouraged Mosbrucker to design StopSensor for trains to load oil or other cargo more efficiently.

"They have to stop and start 300 times per train," Mosbrucker said. "If I could build something to put them into the right spot all the time, that would be incredible. That market is gigantic, and what about all the other commodities with trains? I mean, the sky's the limit."

SPONSORSHIPS 20

#### **SPONSORSHIPS**

#### North Dakota 4-H Foundation

Mylie Lavold, Fargo

\$1,000 Sponsorship

APUC sponsored the 4-H Judging Contests program, which helps educate kids in effectively judging factors ranging from traditional crops and land, beef and dairy to new initiatives in science.

#### North Dakota FFA Foundation

Beth Bakke Stenhjem, Bismarck

\$1,000 Sponsorship

APUC has been a 20-plus year sponsor to the National FFA Organization (formerly Future Farmers of America) Proficiency Award for Value-Added Food Processing.

#### North Dakota FFA Foundation

Beth Bakke Stenhjem, Bismarck

\$1,000 Sponsorship

APUC sponsored the Ag Processing Proficiency awards and travel stipends for the proficiency finalists to attend the National FFA Convention held in Indianapolis, IN.

#### Williston Area Development Corp.

Ann Kvande, Williston

\$1,000 Sponsorship

APUC helped sponsor a showcase event that focuses on improving the economic and environmental performance of agriculture in the Mon-Dak region.

#### BUILDING TOMORROW'S LEADERS

North Dakota 4-H Foundation

Last year, the North Dakota 4-H Foundation budgeted over \$100,000 in direct program support for 4-H programs in North Dakota, ranging from traditional crops and land judging to new initiatives in science, such as robotics. The organization relies on donors and sponsors to fund the programs, and while many designate their gift to a particular curriculum, unrestricted funds like those APUC provides helps fill the gaps to meet the budget.

4-H enrolls over 5,000 members in traditional clubs and reaches around 20,000 kids with short term programs like camps or Science Day projects. North Dakota 4-H was included in a recent study conducted by Tufts University that evaluated the impact of community-based programs on positive youth development. The study showed kids involved

in a program such as 4-H are more likely to avoid risky behaviors such as drugs, drinking, smoking and bullying and are more likely to graduate, attend college and give back to their communities.

"The study showed kids in these programs have a heightened sense of community awareness and citizenship, so within the programs the life skills are happening, but there's all this other positive youth development that's happening," My lie Lavold, development director of the North Dakota 4-H Foundation, said. "So every gift that we get helps us deliver those things and impacts the kids, and that in turn comes back and impacts our communities."

#### TECHNICAL ASSISTANCE GRANT

Technical Assistance Grants are designed to maintain and expand North Dakota's existing value-added businesses. The grants are intended to help businesses become more competitive, productive and profitable. An eligible candidate for this grant is an existing company located, operating and registered in North Dakota that adds value to agricultural products, including food manufacturers and beverage manufacturers.

#### The Dakota Manufacturing Extension Partnership

Randy Schwartz, Bismarck

Grant Total: \$ 35,529

Total Budget: \$ 52,835

Funds will be used for consultant and expert fees, travel, materials, facilities, Merwyn concept testing for the companies, and fiscal agent fees. The pilot project, Innovation Engineering Management System, assists three APUC qualified companies (<50 employees) to accelerate existing ideas and projects to implementation and commercialization. It also works to create meaningful, unique ideas to grow the business with new and current customers.

#### INNOVATING FOR AGRICULTURAL PRODUCT GROWTH

The Dakota Manufacturing Extension Partnership

The Dakota Manufacturing Extension Partnership (MEP) has joined a national network to pilot the Innovative Engineering Management System. It allows established companies, including three APUC-qualified companies, to get beyond traditional barriers and allow their creative juices to flow again.

"With the support of APUC, we can get companies exposed to how to create and implement ideas that are meaningful and unique to the marketplace," said MEP director Randy Schwartz. "Most companies don't have a system or process in place to do this."

Schwartz said 40 percent of companies are reactive, while only 15 percent are proactive. The goal of Dakota MEP is to reverse that trend.

"Ideally we're trying to tell companies to become proactive and less reactive in terms of how they create ideas and how they engage and empower people to move ideas forward," Schwartz said. "It takes about two years to fully implement this. This is designed for companies that are going to continue to grow, invest and develop their people."

Dakota MEP has a successful track record, generating companies an average of \$1.4 million in benefits and impacts. In the second quarter of 2012, Dakota MEP teamed with eight companies in which benefits and impacts averaged almost \$2 million per project.

"That's what makes us a lot different than other programs in that the size of the companies we're working with can generate those kinds of benefits and impacts," Schwartz said. "It's quite a bit different than what a startup or relatively small company could do."

#### **FUNDING SOURCES**



APUC's appropriation for the 2011-2013 biennium totaled \$4,258,626 and was provided from the following sources:

- Up to \$738,284 was authorized to be collected from the Agricultural Fuel Tax Fund, funded by a \$.02 "check-off" of farmers' off-road gas tax refunds.
- \$1,701,483 was appropriated directly from the state general fund.
- At the beginning of the biennium an additional \$1,518,859 was authorized as carry-over authority from the previous biennium.

#### Financials as of September 30, 2012

	Expenditures	Budgeted			
Salaries & Benefits	\$ 183,964	\$ 290,989			
Operating Expenses	\$ 40,518	\$ 96,790			
Grant Commitments *	\$ 812,620	\$ 3,870,847			
Total Expenditures	\$1,037,102	\$4,258,626			

Remaining Appropriation: \$3,221,524

<sup>\*</sup> Includes Carry-Over Commitment



#### AGRICULTURAL PRODUCTS UTILIZATION COMMISION

Director: John F. Schneider

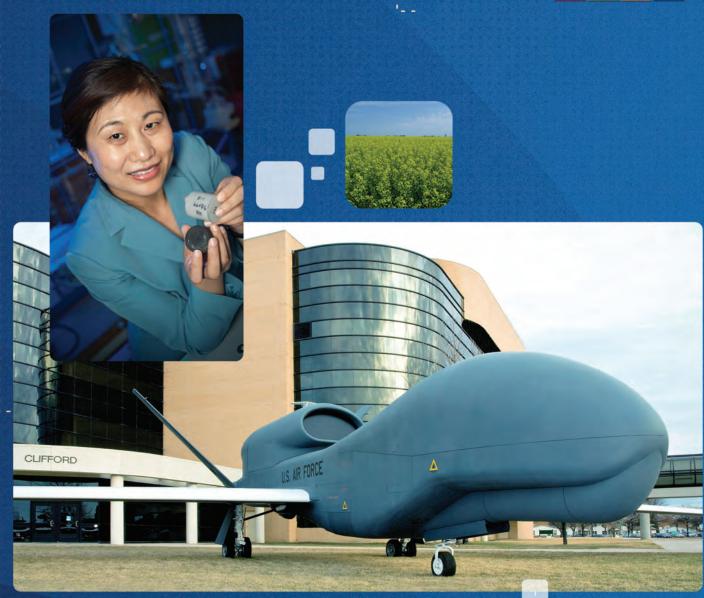
1600 E. Century Avenue, Suite 2 • PO Box 2057 • Bismarck, ND 58502-2057

Phone: 701-328-5350 • Toll-Free: 1-866-4DAKOTA • Fax: 701-328-5320

NDAPUC.com







# Centers of excellence & research excellence

annual report 2012



## State of -North Dakota

Jack Dalrymple Governor



North Dakota's Centers of Excellence and Centers of Research Excellence are partnering with our research institutions and private sector companies to generate jobs and new business opportunities.

The Centers program is one based on partnerships. It seeks to build on the intellectual resources, high-tech equipment and training capacities of our colleges and universities by allowing the private sector access to these valuable assets. Currently, 115 companies have formed partnerships with the Centers of Excellence and Centers of Research Excellence. These partnerships have leveraged \$190 million of matching funds for the state's investment of \$52.4 million in the Centers.

Overall, the Centers program has had an economic impact of \$634.6 million since its creation in 2005. As of June 30, 2012, the Centers program has produced over \$14 in economic impact for every \$1 of state funds invested since their creation according to a 2012 North Dakota State University study.

The Centers program and its partners generate results, having created over 1,080 direct jobs and an estimated payroll over \$69.2 million.

North Dakota must continue to aggressively pursue research in our state's target industries. The Centers of Excellence and Research Excellence are key factors in helping private sector businesses uncover promising new opportunities to keep North Dakota's economy growing and prosperous for future generations.

Sincerely,

Jack Dalrymple

Governor

## TABLE OF CONTENTS

Program Summary	4
Commission Members	8
Centers of Research Excellence Center for Technologically Innovative Processes and Products	10 10
Base Realignment Grants Global Hawk Sensor Operator Part Task Trainer Integrating UAS into National Airspace, Phase II Joint Distributed Common Ground System Enhanced Use Lease for Grand Forks Air Force Base Airspace Integration Team UAS National Test Site Application	12 12 13
Limited Deployment Cooperative Airspace Project Limited Deployment Cooperative Airspace Project	
Program Partners	16
List of Centers, Grants and Projects	17

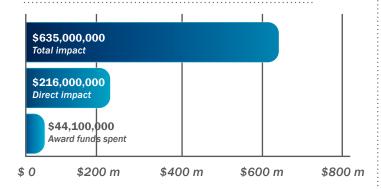
.....



#### **ECONOMIC IMPACT**

The Centers of Excellence program has had \$635 million in estimated total economic impact to North Dakota's economy. This includes a direct impact of \$216 million generated by the Centers, grant recipients and their partners.

#### **ECONOMIC IMPACT**





## FUNDS INVESTED TO DATE

Since the first Centers of Excellence were approved by the State Legislature in 2003, a total of \$69.9 million of state funds have been invested in 25 Centers of Excellence & Research Excellence and an additional 16 research, infrastructure and economic development projects. Of these funds, \$44.1 million has been spent by the Centers and grant recipients as of June 30, 2012.

#### **CENTERS OF EXCELLENCE INVESTMENT**

\$69.9 million awarded through June 30, 2012

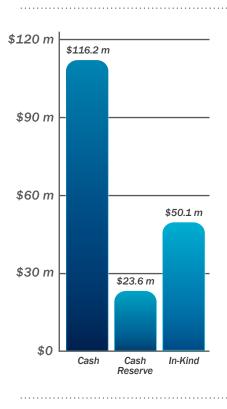


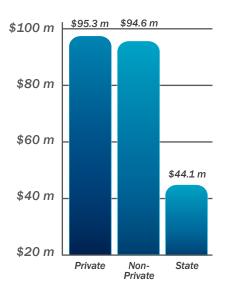
The Centers of Excellence Program has contributed to the creation or expansion of 24 businesses. This includes nine new spinoff companies, ten companies that expanded to North Dakota, and five North Dakota companies that have expanded within the state.

#### MATCHING FUNDS

As of June 30, 2012 the Centers and grant recipients have obtained over \$189 million of matching and leveraged funds. When comparing matching and leveraged funds received to award funds spent, a ratio better than 4:1 is realized.

## MATCHING & LEVERAGED FUNDS RECEIVED

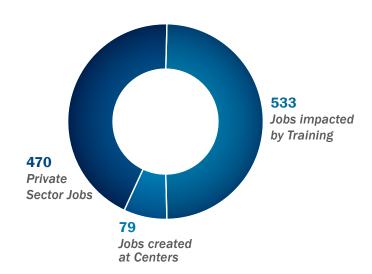




#### JOBS IMPACTED

Centers and grant recipients impact North Dakota jobs in several ways:

- 1) Jobs are created at the Centers themselves;
- 2) Private sector partners create new jobs as a result of their projects with a Center; and
- 3) Centers facilitate job growth by providing workforce training.



As of June 30, 2012, Centers, grant recipients and their partners have created or contributed to the creation of **1,082 jobs** at an estimated annual payroll of **\$69.2 million**.

In FY12 the Williston State College
Petroleum Safety and Technology
Center provided training to over 6,900
individuals (duplicated count) for 338
oil and gas companies operating in
North Dakota.



The following pages detail new awards approved in Fiscal Year 2012.

For details on previously approved Centers of Excellence and Centers of Excellence Enhancement Grants, visit www.NDCentersOfExcellence.com.

#### CENTERS OF EXCELLENCE COMMISSION MEMBERS

The Centers of Excellence Commission oversees the selection process and administration of Centers of Excellence, Centers of Excellence Enhancement Grants, Centers of Research Excellence, Base Realignment Grants, and Limited Deployment Cooperative Airspace Projects (LDCAP).

The Centers of Excellence Commission, with assistance from the North Dakota Department of Commerce, oversees the post-award monitoring of all Centers and grant recipients. The process includes quarterly updates, site visits, third-party audits and an in-depth annual review of each award. All grant recipients are required to complete at least six years of post-award monitoring.

One objective of the post-award monitoring activities is to measure the progress of an award against the results proposed in its respective application for funding. Another objective of the post-award monitoring activities is to ensure grant recipients are spending award funds in compliance within the scope of their project and in accordance with program requirements. Centers and grant recipients that demonstrate progress and compliance with program requirements are funded in stages according to their respective Centers of Excellence Commission-approved budget.







North Dakota Economic Development Foundation Members

**A. Mark Nisbet, Chairman** North Dakota Principal Manager Xcel Energy, Fargo

**B. Tim Hennessy, Vice Chairman** Regional President US Bank, Bismarck

**C. Jim Traynor**Director of Client/Channel Management
Intelligent InSites, Fargo







#### **State Board of Higher Education Members**

**D. Duaine Espegard**Retired Regional President
Bremer Bank, Grand Forks

E. Terry Hjelmstad Retired School Administrator Minot Public Schools, Grand Forks

**F. Don Morton** Senior Director Microsoft, Fargo



### Centers of Research Excellence

Beginning in 2011, the Centers of Excellence program sharpened its focus on research, development and commercialization activities. The program was retitled Centers of Research Excellence and is now only accessible by the University of North Dakota, North Dakota State University or related non-profit foundations working in partnership with the private sector.

Although many of the criteria for approval are similar, a significant change was made to the matching funds requirements. Under Centers of Research Excellence, a Center must obtain \$2 of matching funds for every \$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. The 2011 Legislature allocated \$5 million for new Centers of Research Excellence. Centers and grant recipients that demonstrate progress and compliance with program requirements are funded in stages according to their respective Centers of Excellence Commission-approved budget. All numbers reflected in this report are as of June 30, 2012.

As of June 30, 2012 the Centers of Excellence Commission has approved two new Centers.

#### **Center for Technologically Innovative Processes and Products**

North Dakota State University

Launch Date: August 2012 Award: \$320,000 Matching & Leveraged Funds: \$0

The Center will collaborate with private sector partners to perform research and development focused on key stages of product development and production. The research and development activities are aimed at identifying new materials and process that will generate higher quality, lower production costs and improved profit margins. These outcomes may lead to new or improved products, new markets and new technologies for future product development.

#### **Center for Life Sciences Research and Applications**

North Dakota State University

Launch Date: November 2012 Award: \$1.35 million Matching & Leveraged Funds: \$0

The Center will partner with Sanford Health to perform human genomics and bioinformatics research focused initially on breast cancer, behavioral genetics and certain rare diseases in children. The Center will also collaborate with other partners to research DNA-based forensics and other DNA-based applications.

The potential outcomes of the Center's research may be creation, development and testing/evaluation of new diagnostics, treatments and related healthcare services that have commercial potential in North Dakota and elsewhere.



### Base Realignment Grants

The 2011 Legislature allocated \$3 million for Base Realignment Grants which are to be used for infrastructure and economic development projects or programs to accommodate growth in proximity to, or at, the Grand Forks Air Force Base. As of June 30, 2012 the Centers of Excellence Commission has approved five Base Realignment Grants.

# **Global Hawk Sensor Operator Part Task Trainer**University of North Dakota

Launch Date: December 2011 Award: \$878,204 Matching & Leveraged Funds: \$9.787 million

This project teams the University of North Dakota Unmanned Aircraft Systems (UAS) Center of Excellence with Northrop Grumman Corporation on the development of a training simulator prototype for Global Hawk Block 40 sensor operators. This project also includes development of a business capture plan and an unsolicited proposal to the U.S. Air Force to establish a Global Hawk Block 40 training program in Grand Forks. The proposed training program is expected to increase the number of sensor operators trained and provide significant cost avoidance for the U.S. Air Force.

The Global Hawk is a high altitude long endurance UAS used for surveillance and as a communications relay. The Grand Forks Air Force Base has been designated by the U.S. Air Force as the main operating base for the Block 40 version of the Global Hawk. Six Global Hawk Block 40 aircraft are currently based out of Grand Forks, with that number expected to grow to eleven.

### Integrating UAS into the National Airspace, Phase II

University of North Dakota

Launch Date: December 2011 Award: \$255,440 Matching & Leveraged Funds: \$151,000

This grant continues funding for an effort to position North Dakota as the prime location to research, develop and deploy UAS, as well as accelerate UAS integration into the national airspace. An Airspace Integration Team of North Dakota aviation professionals and experts was formed to facilitate these efforts, initially focusing on the development of an unsolicited proposal to the Federal Aviation Administration (FAA) to establish a UAS test site in North Dakota. The proposed test site would provide a place for industry to research, develop and deploy UAS while demonstrating that UAS can operate safely in the national airspace. The Airspace Integration Team has transitioned its efforts toward answering a solicited request by the FAA for applications for National Test Sites.

Currently, UAS usage is dominated by military applications occurring in other parts of the world. However, there is broad potential for civilian applications should the FAA approve their usage in the national airspace. UAS is estimated to be a multi-billion dollar industry.

#### **Joint Distributed Common Ground System**

University of North Dakota Center for Innovation Foundation

Launch Date: December 2011 Award: \$125,706 Matching & Leveraged Funds: \$46,000

This grant provided funding for a study examining the feasibility of establishing a joint Distributed Common Ground Station (DCGS) at the Grand Forks Air Force Base. A DCGS is a large, secure facility where data from manned and unmanned aircraft are analyzed for various intelligence purposes. Other opportunities such as establishing training and maintenance facilities at the Grand Forks Air Force Base were also explored under the study. The overarching goal of the study was to identify promising initiatives that align with Air Force needs that also provide cost savings and bolster activity at the Grand Forks Air Force Base.

The University of North Dakota UAS Center of Excellence opened a MQ-1/9 UAS
Training Center at the Grand Forks Air Force Base in August 2011. The training
center will be used to train instructors, pilots and sensor operators for both civil and
military customers. Customs and Border Patrol is currently using the program for
recurrent pilot training.

#### **Enhanced Use Lease for Grand Forks Air Force Base**

University of North Dakota Center for Innovation Foundation

Launch Date: August 2012 Award: \$486,750 Matching & Leveraged Funds: \$0

This grant provides funding to advance opportunities identified in the "Joint Distributed Common Ground System" feasibility study by submitting an Enhanced Use Lease application to the U.S. Air Force. If the application is approved, the U.S. Air Force and Grand Forks County will enter into negotiations for an Enhanced Use Lease at the Grand Forks Air Force Base.

Obtaining an Enhanced Use Lease would allow Grand Forks County to begin development activities on approximately 200 acres of underutilized land at the Grand Forks Air Force Base, which could include training and maintenance facilities as part of a UAS business park at the Grand Forks Air Force Base. This base realignment grant provides funding for the Enhanced Use Lease application process as well as the negotiation process, should the U.S. Air Force approve the initial application.

# **Airspace Integration Team UAS National Test Site Application**University of North Dakota

Launch Date: November 2012 Award: \$500,000 Matching & Leveraged Funds: \$0

Congressional language in a defense spending bill and the Federal Aviation Administration (FAA) Reauthorization bill require the FAA to create six UAS test sites in the United States. The test sites will provide a controlled environment where limited integration of UAS into the national airspace will occur. The six test sites will serve as a blueprint for full integration of UAS into the national airspace.

In addition to providing considerable scientific benefits, the six national test sites are sure to become economic engines that attract significant private sector activity. The UAS industry is estimated to be a multi-billion dollar annual industry. As a result of the Congressional action, North Dakota's Airspace Integration Team has refocused its efforts on successfully navigating the formal selection process administered by the FAA. The Airspace Integration Team will remain committed to establishing a compelling case for North Dakota as a national test site, and this grant provides funding to facilitate those efforts.



### Limited Deployment Cooperative Airspace Project

Unmanned Aircraft Systems (UAS) have had a tremendous impact on U.S. military strategy and operations. There is also vast potential for UAS applications in civilian industries such as energy and agriculture. Before UAS can be fully integrated into the national airspace for civilian usage, it must be demonstrated that UAS can operate safely and in harmony with other aircraft in the national airspace.

The 2011 Legislature allocated \$4 million for Limited Deployment Cooperative Airspace Projects (LDCAP) that bring the University of North Dakota and North Dakota State University together in partnership with MITRE, the research arm of the Federal Aviation Administration; NASA-Langley Research Center; Draper Laboratory; the North Dakota National Guard; and Appareo Systems. As of June 30, 2012 the Centers of Excellence Commission has approved two projects.

The goals of LDCAP include establishing a controlled experimental environment where live field tests may be performed and evaluated. The data generated from the field tests will be used to identify and address critical safety concerns regarding the full integration of UAS into the national airspace.

















#### **Limited Deployment Cooperative Airspace Project**

University of North Dakota

Launch Date: October 2011 Award: \$2.7 million Matching & Leveraged Funds: \$3.2 million

The University of North Dakota is collaborating with MITRE, NASA-Langley, Draper Laboratory and the North Dakota National Guard to investigate the viability of Automatic Dependent Surveillance-Broadcast (ADS-B) "sense and avoid" capability for UAS. The ability of a UAS to "sense and avoid" other aircraft is a critical safety concern. ADS-B technology allows an aircraft, manned or unmanned, to broadcast essential information about its location and to gather similar data from other nearby aircraft, allowing pilots to make necessary adjustments to safely avoid other air traffic.

The University of North Dakota and its collaborators are also testing whether radar data can be used to feed Traffic Information Service-Broadcast (TIS-B), which provides "ADS-B-like" surveillance for aircraft not equipped with ADS-B technology.

# **Automatic Dependent Surveillance-Broadcast Miniaturization Program**North Dakota State University

Launch Date: November 2011 Award: \$1.3 million Matching & Leveraged Funds: \$2.424 million

North Dakota State University is collaborating with Appareo Systems to research and design a miniaturized radio chip that uses ADS-B technology to broadcast an aircraft's GPS position, altitude and other relevant information to air traffic control and other aircraft. The availability and utilization of this data is expected to enhance safe operations of all aircraft, manned and unmanned, in the national airspace.

The radio chip under development by North Dakota State University and Appareo will offer reduced power consumption, weight and cost as compared to current commercially available ADS-B radio chips. These advancements increase the viability of broad implementation of ADS-B technology as part of a larger strategy allowing for the eventual full integration of UAS into the national airspace.

"LDCAP is an extremely valuable test which addresses research questions surrounding ADS-B and ground-based radars as a sense and avoid capability."

- Frank Jones, NASA-Langley Research Center

#### PROGRAM PARTNERS

AAG, Inc.

Access Energy, LLC

Aerosim Agri ImaGIS

Akzo-Nobel Aerospace Coatings

Aldevron

Alliance Pipeline, Inc.

Altravax

Appareo Systems, LLC

Arkema, Inc. Ashland, Inc. Avenue Right Avianax, LLC

Basin Electric Power Cooperative

Bayer Material Science BenchMark Energy Bobcat Company

Boeing Boldmethod

**BOSH Global Services** 

Catalyst Clincial Research, LLC

Caterpillar Remanufacturing Drivetrain

Clear Springs

Clinical Supplies Management

ComDel Innovations Computer Modeling Group Connecticut Center for Advanced Technology

Continental Resources, Inc.

Corsair Engineering

CorsiTech

Crew Training International
Cutbank Creek Produce

Denbury, Inc.

DenYon Energy

Elinor Specialty Coatings

Eltron Research & Development, Inc.

**FARRMS** 

Fisher & Associates

General Atomics Aeronautical Systems

General Dynamics
General Electric
GeoOptics, Inc.

Goodrich

Great Northern Power Development

**Great Point Energy** 

Flint Ethanol

Headwaters/Great River Energy-Blue

Hess Corporation
High Plains Equipment
Impact Foundation

Infinity Development Partners, LLC

InnerGeo, LLC Insitu, Inc. IntegenX

Intraglobal Biologics, Inc.

Jeffrey Donohoe Associates, LLC

KBR, Inc.

Killdeer Mountain Manufacturing

Krisara Engineering

Kuraray Chemicals, Americas

L-3 Communications LM Wind Power Lockheed Martin Marathon Oil Corp.

MaxWest Environmental Systems, Inc.

MDU

Merlin RAMCo, Inc.

Monsanto

Navigator Development Group, Inc.

Next Healthcare, Inc.

Nissan Chemical America Corp.

North Dakota Biodiesel

North Dakota Farmers Market &

**Growers Association** 

North Star Organic Farms

Northrup Grumman Corporation

**Novadigm Therapeutics** 

Operational Security Services, Inc.

Pedigree Technologies

Poudre Valley Environmental Sciences, Inc.

**PPG** Industries

Pratt & Whitney Rocketdyne, Inc.

Praxis Strategy Group

Presco, LLC
Rapid Engines
ReconRobotics
Red Trail Energy
Riverbound Farm
Rockwell Collins

Schiltz Goose Farms, North, Inc.

SDS International, Inc.

SeaTec, LLC SGC Energia Shell Chemicals

Simlat Somahlution

SpaceAge Synthetics
Spiritwood Station

St. Mary Land and Exploration Company

Starkey Laboratories, Inc.

Superior Edge

Technology Applications Group

Tesoro

Thompson Farm

TIORCO

Tri-State Aviation
Triton Systems, Inc.

United States Automotive Partnership United Technologies Research Center Unmanned Applications Institute Int'l.

URS Corporation V2 Aerospace, Inc.

Western Research Institute Whiting Petroleum Corp.

Wholesale Supply Company, Inc.

Wynntryst, LLC Xcel Energy

Centers of Excellence	University, College or related Foundation	Launch Date	Awards (in millions)	Match & Leveraged Fun Received (in millions)	
Center for Innovation	UND	Jan 2005	\$0.800	\$3.565	
Center for Advanced Electronics Design & Manufacturing	NDSU	Feb 2006	\$3.000	\$14.005	
Dakota Precision Ag Center	LRSC	Feb 2006	\$0.850	\$1.890	
National Center for Hydrogen Technology	UND EERC	Feb 2006	\$2.500	\$58.606	
National Energy Center of Excellence	BSC	Feb 2006	\$3.000	\$7.292	
Center for Surface Protection	NDSU	May 2006	\$4.000	\$8.682	
Center of Excellence for Agbiotechnology: Oilseed Development	NDSU	May 2006	\$3.500	\$12.000	
Enterprise University*	VCSU	May 2006	\$1.000	\$5.140	
Petroleum Safety & Technology Center	WSC	May 2006	\$0.400	\$1.183	
Unmanned Aircraft Systems Center of Excellence	UND	May 2006	\$2.500	\$15.838	
Institute for Technology & Business	DSU Strom Center	Oct 2006	\$1.150	\$5.179	
Center of Excellence in Life Sciences & Advanced Technologies	UNDRF	March 2007	\$3.500	\$4.005	
Technology Incubator	NDSU	March 2007	\$1.250	\$5.038	
Beef Systems Center of Excellence	NDSU	Oct 2007	\$0.800	\$2.000	
Center for Biopharmaceutical Research & Production	NDSU	June 2009	\$5.015	\$6.262	
Center for Integrated Electronics Systems	NDSU	June 2009	\$2.050	\$3.510	
Center of Excellence for Passive Therapeutics	UNDRF	June 2009	\$2.650	\$6.554	
Center of Excellence in Space Technology & Operations	UND	June 2009	\$1.000	\$0.165	
Petroleum Research, Education & Entrepreneurship Center	UND	June 2009	\$3.000	\$6.604	
SUNRISE BioProducts Center of Excellence	UND	June 2009	\$2.950	\$3.854	
Center for Sensors, Communications & Control	NDSU	Jan 2011	\$2.800	\$0.014	
Entrepreneurial Center for Horticulture	DCB	June 2011	\$0.400	\$0.915	
Center for Advanced Technology Development and Commercialization	NDSU	Nov 2012	\$3.900	\$0.000	
Enhancement Grants  Center for UAS Research Education & Training	UND	June 2010	\$2.754	\$1.358	
Research 1 Expansion	NDSU	Jan 2011	\$4.000	\$0.293	
North Dakota UAS Airspace Initiative	UND	March 2011	\$0.100	\$0.007	
UAS Software & Curriculum Development	UND	March 2011	\$0.600	\$0.193	
Certificate Programs for Full Motion Video & Activity-Based Intelligence Analysis	UND Center for Innovation	June 2011	\$0.746	\$0.025	
Grand Forks Air Force Base Realignment Business Transition Program	UND	June 2011	\$0.200	\$0.055	
Materials & Nanotechnology Center	NDSU	Sept 2011	\$1.000	\$0.000	
V2 Aerospace, Inc. Technical Assistance	UND Center	Sept 2011	\$0.370	\$0.103	
Law Enforcement and Public Safety Agency Small UAS Course	for Innovation UND	May 2012	\$0.230	\$0.048	
Centers of Research Excellence	OND	Way 2012	<b>\$0.250</b>	ψ0.0+0	
Center for Technologically Innovative Processes & Products	NDSU	Aug 2012	\$0.320	\$0.000	
Center for Life Sciences Research & Applications	NDSU	Nov 2012	\$1.350	\$0.000	
Base Realignment Grants					
Integrating UAS into the National Airspace, Phase II	UND	Dec 2011	\$0.255	\$0.151	
Global Hawk Sensor Operator Part Task Trainer	UND	Dec 2011	\$0.878	\$9.787	
Joint Distributed Common Ground System	UND	Dec 2011	\$0.126	\$0.046	
Enhanced Use Lease for Grand Forks Air Force Base	UND	Aug 2012	\$0.487	\$0.000	
Airspace Integration Team UAS National Test Site Application Proposal	UND	Nov 2012	\$0.500	\$0.000	
Limited Deployment Cooperative Airspace Proje	ect				
Limited Deployment Cooperative Airspace Project	UND	Oct 2011	\$2.700	\$3.200	
Automatic Dependent Surveillance-Broadcast Miniaturization Program	NDSU	Nov 2011	\$1.300	\$2.424	
GRAND TOTALS			\$69.931	\$189.991	

<sup>\*</sup>Enterprise University concluded its operations and returned \$200,545.51 of its original \$1 million Centers of Excellence Award to the North Dakota general fund.

The Centers of Excellence program is a key component of North Dakota's technology-based economic development strategy. It has generated significant economic benefits by leveraging the research and intellectual capabilities of the state's universities and colleges with the resources of private sector companies.

Total economic impact: \$635 million

More than \$4 raised for every \$1 of awarded funds spent

1,082

jobs created

115

private sector partners

24

businesses created or expanded



Community Services | Economic Development & Finance | Tourism | Workforce Development

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018

MARCH 15, 2013, 9:00 A.M.

HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION

ROUGHRIDER ROOM

REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

Attachment 1. March 152013 SB 2018

- 1. 9:00 am Alan Anderson, Commissioner
  - Overview of the Department of Commerce, its divisions, and partner programs
- 2. 9:45 am Research North Dakota
  - Dr. Phil Boudjouk, NDSU Office of Research, Creative Activities, and Technology Transfer (RCATT)
  - · Troy Kraft, Vice President, Doosan-Bobcat
  - Dave Zupi, Director, Triton Systems-Fargo
  - Mike Moore, UND Office of Intellectual Property Commercialization & Economic Development
- 3. 10:15 am Al Palmer, UAS Airspace Integration Team
  - Discussion of UAS Test Site funding followed by questions
- 4. 10:25 am Brig. Gen. Al Dohrmann, Deputy Adjutant General
  - UAS Test Site
  - Base Retention Grants
- 5. 10:35 am Gerry Fisher, ND Department of Trust Lands
  - Child Care Facility Grant Pilot Project
- 6. 10:45 am Partner & Public Testimony
- 7. 11:30 am Conclusion



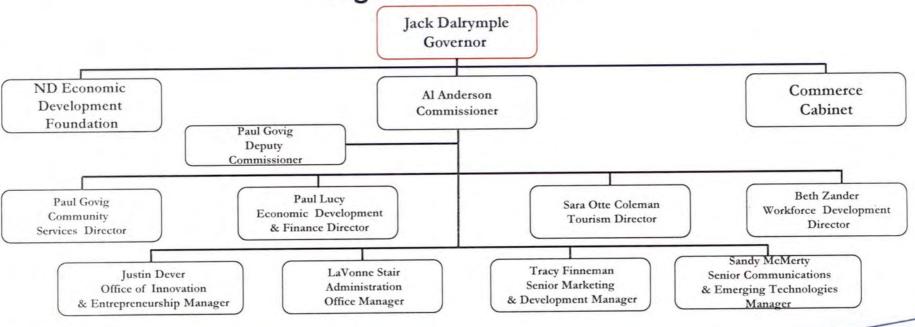
### **Commerce Overview**

### IN THIS SECTION:

- Alan Anderson's Testimony
- Budget Spreadsheet
- Organizational Charts
- Marketing & Communications Program Update
- Site Selection Magazine Investment Profile of ND
- 2012 Statewide Planning Survey Results



## Department of Commerce Organizational Chart



# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 MARCH 15, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION ROUGHRIDER ROOM REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

#### ALAN ANDERSON - COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, good morning. I am Al Anderson, Commissioner of the North Dakota Department of Commerce, and I am here before you today in support of SB 2018, the 2013-15 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.

The North Dakota economy has made tremendous strides these past few years. North Dakota's gross domestic product (GDP) has had the fastest growth in the nation over the past five years, including growing 13.1% in 2011 compared to the nation's growth of 3.9%. North Dakota's per capita personal income was less than 85% of the national average in 2000 and is now well above the average at 113.7%. A decade ago, North Dakota was focused on creating and recruiting jobs into the state and now with over 66,000 new jobs we are in a position of having the lowest unemployment in the nation with two available jobs for every unemployed person.

However, we still have opportunities to continue to grow and diversify our economy. Much of our success has been tied to two cyclical industries – energy and agriculture. Fluctuations in ag and energy prices could have a devastating impact on our economy if we do not take the opportunity to grow the other sectors of our economy. We also need to address infrastructure challenges out west if we are to make the most of our opportunities related to energy.

#### Requested Information

You have specifically requested information concerning:

- · Budget-specific information relating to:
  - 2011-13 appropriation

- Estimated 2011-13 spending and status of one-time funding items
- o 2013-15 budget needs
- o 2013-15 one-time funding needs
- Major variances
- Identify any known or potential changes in the level of federal funding to be received by the department during the 2013-15 biennium, the effect of these changes, and the department's plan to address these changes.

#### **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 2011-13 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 2011-13	appropriation included:
American Indian Business Development Office	\$50,000
2020 and Beyond	\$50,000
Nekoma Project	\$600,000
IDEA Center Grant	\$300,000
Minot Base Realignment Grant	\$325,000
Centers of Research Excellence	\$12,000,000
Tourism Large Infrastructure Grants	\$750,000
Workforce Enhancement Grants	\$1,500,000
Electronic portfolio pilot project	\$150,000
Flood impacted grants/loans	\$235,000,000
Federal fiscal stimulus	\$24,496,750

#### 2013-15 Budget Needs and Variances

The next column lists the 2013-15 recommendation. The fourth column on the spreadsheet includes a listing of the major variances between the 2011-13 appropriation and the 2013-15 recommendation.

#### Commerce Administration

Commerce Administration is recommended to receive an additional \$631,498. The budget removes discretionary fund carryover authority of \$713,693 and the one-time funding items of \$50,000 for the American Indian Business Development Office and \$50,000 for the 2020 and Beyond study. The budget recommendation includes an additional \$498,852 for the North Dakota Census Office which was recently relocated to the department. There are also additional funds for salary and benefit increases.

Office of Innovation & Entrepreneurship

The Office of Innovation & Entrepreneurship shows an increase of \$5,798,631. The budget removes Technology-Based Entrepreneurship Grant carryover authority of \$626,078 and one-time funding items including \$600,000 for the acquisition of the Stanley R. Mickelson Antiballistic Missiles Site near Nekoma; \$325,000 for a Minot base realignment grant; and \$300,000 in funding for the IDEA Center. The budget recommendation replaces \$12 million in Centers of Research Excellence funding with \$12 million for Research North Dakota. The budget recommendation adds \$100,000 in additional funding for the Innovate ND program. \$1.5 million is provided for base retention grants to match community funds used for activities to retain the three air force bases within the state. A total of \$5 million is provided for activities related to an Unmanned Aircraft Systems National Test Site. This includes \$1 million that will be used to continue to pursue Federal Aviation Administration designation as a test site and another \$4 million from the State Investment and Infrastructure Fund for operations of the test site, if the state is designated. The budget includes \$1 million for the North Dakota Planning Initiative which will provide assistance to communities in developing appropriate plans to handle the growth they are experiencing. There are also funds for benefit increase and salary costs.

#### North Dakota Planning Initiative

Governor Dalrymple proposed one-time funding for a North Dakota Planning Initiative within the Commerce appropriation bill. The budget request is for \$1,000,000 and does not include any FTEs. The North Dakota Planning Initiative will serve three primary functions: preparation for long-term growth (25% of total request), technical assistance (contracted service – 25% of total request) and planning grants to local government entities (50% of total request).

In a statewide planning survey with 191 cities and counties responding, we learned 23 respondents have no community-wide plan in place; and 78 respondents intend to update whatever plan they have in place in the next 12 months. This includes communities across the state, large and small. From Wahpeton to Amidon and Tioga to Cavalier.

The planning and coordination efforts Commerce has undertaken in the last biennium helped us better understand the challenges that lie before our communities. We will need the funding outlined in the Governor's budget request to take the next step and provide assistance to these communities that helps them plan for long-term growth, access technical assistance and tap into grant dollars to assist with planning development.

#### Tourism Division

The Tourism Division has an increase of nearly \$2 million. This includes an increase of \$575,000 in the amount available for large tourism infrastructure grants and an additional \$1.5 million for tourism marketing. There are also funds for benefit increase and salary costs.

#### Workforce Development Division

The Workforce Development Division has an increase of \$5,700,402. This includes an increase of \$500,000 for one-time Workforce Enhancement grants, additional \$600,000 for Operation Intern, and one-time \$5 million for childcare facilities grants. There are also funds for benefit increase and salary costs.

Economic Development & Finance Division

The Economic Development & Finance Division budget has a net decrease of \$2,020,771. This includes the removal of \$1,518,859 in APUC carryover authority and the removal of a one-time \$1,000,000 in funds for the Small Business Technology Investment Program administered by the ND Development Fund. There are also funds for benefit increase and salary costs.

Division of Community Services

The Division of Community Services has a net decrease of \$267,796,136 – mostly comprised of decreased spending authority for federal funds. This includes a reduction of spending authority for Disaster Community Development Block Grants (described as flood impact grants/loans) of \$223,217,134; federal fiscal stimulus funds of \$23,669,980; and other federal grants of \$13,570,305. Carryover authority is also removed for child care grants of \$92,737 and blend pump grants of \$729,555. Additions include \$193,215 in general funds for the HOME Program and funds for benefit increase and salary costs.

#### 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:

- \$350,000 for a transportation study. This study will be done in cooperation with the Upper Great Plains Transportation Institute to update their previous reports for transportation infrastructure needs for county and township roads in the state.
- \$12 million for Research North Dakota. These are match dollars for research, development and commercialization projects at the state's research institutions.
- \$5 million for the Unmanned Aircraft Systems (UAS) National Test Site.
- \$1.5 million for base retention grants.
- \$1 million for the North Dakota Planning Initiative.
- \$1,325,000 for large tourism infrastructure grants.
- \$2 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.
- \$5 million for childcare facility grants.
- \$11,782,866 in federal funds for flood impacted grants/loans (Disaster CDBG)
- \$796,770 spending authority for federal fiscal stimulus

### Requested Carry-over Authority

SB 2018 includes requests for carry-over authority. These requests are for programs that may commit funds in the current biennium, but in order to provide adequate accountability we would like to continue to provide the funds on a reimbursement basis into the next biennium. These requests include:

- Agricultural Products Utilization Commission grants (Section 15)
- Discretionary Funds line item (Section 16)
- Technology-based Entrepreneurship Grants (Section 17)

- USS North Dakota promotion (Section 18)
- ABM Site Acquisition and Minot Base Realignment grants (Section 19)

#### Senate Amendments

The Senate approved amendments to SB 2018 that:

- Clarified that the Fargo Air National Guard Base is included in the Base Retention Grants and removed the community matching requirement.
- Added language for a child care study by the Legislative Management.
- Have the Bank of North Dakota establish a loan guarantee program for child care facilities.
- Expand the Housing Incentive Fund to allow child care facilities as eligible beneficiaries.
- Direct \$2 million of the \$12 million available for Research North Dakota (RND) for a
  RND Venture Grant program to assist in the establishment of startup and spin-off
  businesses based upon technology developed by the research universities. The ND
  Development Fund would also have a RND Venture Investment Program to provide
  financing to these startup and spin-off businesses. A report would also be required to be
  presented to the Budget Section in June 2014 regarding RND and ND Experimental
  Program to Stimulate Competitive Research (EPSCoR).
- Appropriates \$2.5 million from the Strategic Investment and Improvements Fund for an Enhanced Use Lease project at the Grand Forks Air Force Base which is contingent upon an enhanced use lease being signed with the U.S. Air Force and a tenant committing to the project.
- Requires the ND Economic Development Foundation to report to an interim committee concerning the progress made towards the recommendation outlined in the 2020 and Beyond initiative and any recommendations for future legislation.
- Fixes a calculation error in the executive compensation package in the amount of \$261,497.
- Added language regarding the \$350,000 included in our budget for the transportation study, including a reporting requirement to the Budget Section.

### 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.

Over the course of the legislative session, the Department of Commerce has provided legislators with copies of printed reports that detail results of Commerce programs. Electronic copies of these reports can be found at <a href="http://bit.ly/NDCommerce">http://bit.ly/NDCommerce</a>. These reports include:

Commerce Biennial Report

- Centers of Excellence Research Excellence Annual Report
- Agricultural Products Utilization Commission Annual Report
- North Dakota Development Fund Annual Report
- 2020 and Beyond Initiative Report
- EmPower North Dakota Report
- Tourism Annual Report

#### Marketing & Communications

We have also provided written testimony on the Marketing & Communications programs. I would encourage you to review this testimony, as well as take a look at the Site Selection Magazine Profile of the state that was a result of their efforts. Tracy Finneman, Senior Marketing and Development Manager, and Sandy McMerty, Senior Communications and Emerging Technologies Manager, are available for any questions.

That concludes my overview of the Department of Commerce. I would welcome any questions you may have at this time.

		Departmen merce									
		2011-2013 Appropriation		2011-2013 Estimated Expenditures		2013-2015 Recommendation		2013-2015 Senate Engrossment			Major Variances
Commerce Administration	\$		10,341,623	\$	10,300,000	\$	10,973,121	\$	11,234,619	\$	631,498
One-time: American Indian Business Development Office		\$	50,000			\$	34111013	\$	100		
One-time: 2020 and beyond		\$	50,000			\$		\$			
One-time: Transportation study		\$				\$	350,000	\$	350,000		
Innovation & Entrepreneurship	\$		15,939,692	\$	15,900,000	\$	21,738,323	\$	21,738,323	\$	5,798,631
One-time: Nekoma project		\$	600,000			\$		\$			
One-time: IDEA Center Grant	1	\$	300,000			\$		\$			
One-time: Minot Base Realignment Grant		\$	325,000			\$		\$			
One-time: Centers of Research Excellence	1	\$	12,000,000			\$		\$	1000	1	
One-time: Research North Dakota		\$				\$	12,000,000	\$	12,000,000		
One-time: Unmanned aircraft system		\$	-			\$	5,000,000	\$	5,000,000		
One-time: Base retention grants		\$				\$	1,500,000	\$	1,500,000		
One-time: North Dakota planning initiative		\$	- 2			\$	1,000,000	\$	1,000,000		
Tourism	\$		10,409,212	\$	10,250,000	\$	12,399,663	\$	12,399,663	\$	1,990,451
One-time: Tourism large infrastructure grants	1	\$	750,000			\$	1,325,000	\$	1,325,000		
Workforce Development	\$		5,788,691	\$	5,400,000	\$	11,489,093	\$	11,489,093	\$	5,700,402
One-time: Workforce Enhancement fund	1	\$	1,500,000	00	100	\$	2,000,000	\$	2,000,000		
One-time: Electronic portfolio pilot project		\$	150,000			\$		\$			
One-time: Childcare facility grants	3	\$		100	The State	\$	5,000,000	\$	5,000,000		
Economic Development & Finance	\$		9,049,232	\$	7,350,000	\$	7,028,461	\$	8,528,461	\$	(2,020,771
One-time: Enhanced Use Lease	\$		100		ACTIVITIES NAMED IN	\$	100000	\$	2,500,000		
Community Services	\$		328,733,540	\$	75,000,000	\$	60,937,404	\$	60,937,404	\$	(267,796,136
One-time: Flood impacted grants/loans	113	\$	235,000,000			\$	11,782,866	\$	11,782,866		
One-time: Federal fiscal stimulus		\$	24,496,750			\$	796,770	\$	796,770		
Total	\$		380,261,990	\$	124,200,000	\$	124,566,065	\$	126,327,563	\$	(255,695,925
General Funds	\$		48,790,286	\$	48,500,527	\$	56,325,031	\$	56,526,384	\$	7,534,745
Federal Funds	\$		321,868,602	\$	67,746,371	\$	54,224,372	\$	54,266,211	\$	(267,644,230
Special Funds	\$		9,603,102	\$	7,953,102	\$	14,016,662		16,534,967	\$	4,413,560
Total	\$		380,261,990	\$	124,200,000	\$	124,566,065	\$	127,327,562	-	(255,695,925



- 2011-13 one-time appropriation, not continuing in 2013-15
- 2011-13 one-time appropriation with carryover authority
- 2011-13 one time appropriation with 2013-15 one-time appropriation
- 2013-15 new one-time appropriation



#### Commerce

removes discretionary fund carryover authority of \$713,693 removes one-time \$50,000 for American Indian Business Development Office removes one-time \$50,000 for 2020 and Beyond study adds \$498,852 for the North Dakota Census Office adds one-time \$350,000 for transportation study adds funding for salary and benefit increases

#### Innovation

removes Tech-Based grant carryover authority of \$626,078 removes one-time Nekoma funding of \$600,000 removes one-time IDEA Center funding of \$300,000 removes one-time Minot base realignement grant funding of \$325,000 removes one-time CORE funding of \$12,000,000 adds one-time Research ND funding of \$12,000,000 adds \$100,000 to the Innovate ND program adds one-time \$1,500,000 for base retention grants adds one-time \$5,000,000 for UAS test site adds one-time \$1,000,000 for ND Planning Initiative adds funding for benefit increase and salary costs

#### Tourism

removes USS North Dakota carryover authority of \$86,266 removes one-time \$750,000 for infrastructure grants adds \$1,500,000 for tourism marketing and research adds one-time \$1,325,000 for infrastructure grants adds funding for benefit increase and salary costs

#### WFD

removes one-time \$1,500,000 for Workforce Enhancement Fund adds one-time \$2,000,000 for Workforce Enhancement Fund adds \$600,000 to Operation Intern adds one-time \$5,000,000 for childcare facilities grants adds funding for benefit increase and salary costs

#### ED&F

removes APUC carryover authority of \$1,518,859
removes one-time ND Development Fund transfer of \$1,000,000
APUC line decreased general funds by \$500,000 and increased special funds by \$1,000,000
adds funding for benefit increase and salary costs
adds funding for Enhanced Use Lease (by Senate action)

#### DCS

removes childcare grant carry-over authority of \$92,737 removes blender pump carry-over authority of \$729,555 removes one-time \$235,000,000 for flood impacted grants/loans removes one-time \$31,496,750 for federal fiscal stimulus reduces federal fund grant authority of \$13,570,305 adds \$193,215 for the HOME program adds one-time \$11,782,866 for flood impacted grants/loans adds one-time \$796,770 for federal fiscal stimulus adds funding for benefit increase and salary costs

### ND Economic Development Strategic Plan

### Performance Measures Updated on Jan. 14, 2013





# GOAL 1 Create, attract, and retain quality jobs and workforce in targeted industries and high-demand occupations.

1-1, Net Job Growth (2020 Target: 426,100 jobs)

2010: 376,100

2011: 394,200

Increase: 18,100 jobs

2012 figures will be available in February 2013.

1-2. Average Annual Wage (2020 Target: \$50,000)

2010: \$38,127

2011: \$41,778

Increase: \$3,651 in average annual wage

2012 figures will be available in June 2013.

1-3. Per Capita Personal Income (2020 Target: \$60,000)

2010: \$42,890

2011: \$47,236

Increase: \$4,346 (114 percent of the national wage)

Initial estimates for 2012 will be available in April 2013.

1-4. Population (2020 Target: Population of 800,000)

2011: 684,740

2012: 699,628

Increase: 14,888

Population estimates for July 1, 2013 will be available in December 2013.



## GOAL 2 Strengthen North Dakota's business climate and image to increase national and global competitiveness.

2-1. Gross Domestic Product (2020 Target: \$50 billion)

2010: \$35.654 billion

2011: \$40.328 billion

Increase: \$4.674 billion

Advanced estimates for 2012 will be available in June 2013.

2-2. Merchandise Export Value (2020 Target: \$4 billion)

2010: 2.54 billion

2011: \$3.39 billion

Increase: \$.85 billion

2012 figures will be available in February 2013.

2-3. Small Business & Entrepreneurship Council's U.S. Business Policy Index

(2020 Target: Ranked among the top 10 states)

2011: #13

2012: #16

The next release of the index is anticipated in December 2013.



# GOAL 3 Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.

3-1. Number of Private Sector Businesses (2020 Target: 29,000)

2010: 25,741

2011: 27,368

Increase: 1,627

2012 figures will be available in June 2013.

3-2. Number of business activities as a result of Innovate ND. (2020 Target: 200)

2011: 125

2012: 135

Increase: 10

2013 figures will be available in June 2013.

3-3. Aggregate use of Seed Capital Tax Credits and Angel Fund Tax Credits.

(2020 Target: \$5 million)

2010: \$4,081,909

2011: \$4,292,452

Increase: \$210,543

2012 figures will be available in October 2013.

Reportable data:

Academic research and development expenditures – In 2009, North Dakota had an estimated \$185.7 million in academic R&D expenditures.

Industry research and development expenditures – In 2009, North Dakota had an estimated \$231 million in industry R&D.



#### GOAL 4 Enhance the state education and training system's ability to meet business and workforce needs of the future.

Number of students taking skilled trade and technical education programs. (2020 Target: 33,600 students) 4-1.

2009-10: 30,753

2010-11: 30,534

Decrease: 219

Retention of post-secondary program completers. (2020 Target: 65 percent) 4-2.

2009: 64.2 percent

2010: 66.7 percent

Increase: 2.5 percent



#### Continue to enhance a unified front for North Dakota that supports community, economic and workforce development.

Number of local development and tourism stakeholders participating in Commerce sponsored 5-1. marketing, tourism, workforce, business development and community development activities. (2020 Target: 3,100 - maintain high participation)

Next survey will be conducted in first quarter 2014. 2013 figures will be available then.

Stakeholder perceptions of a unified front for economic development in the state. (2020 Target: 85%) 5-2.

2011: 83.6 percent

Next survey will be conducted in first quarter 2014. 2013 figures will be available then.



#### GOAL 6 Enhance North Dakota's image.

6-1. Ratio of positive to negative tone in earned media placements.

(2020 Target: Ratio of 13 positive earned media stories for every 1 negative)

2010: 18:1

2011: 11:1

Number of visits as a result of paid advertising. (2020 Target: 2.4 million trips) 6-2.

> 2010: 1.0 million visits 2012: 1.4 million visits

Expenditures by out-of-state visitors. (2020 Target: \$5.4 billion) 6-3.

> 2010: \$4.6 billion 2011: \$4.8 billion

Number of workforce relocators as a result of image enhancement efforts. 6-4.

(2020 Target: 1,000 workforce relocators)

2010: 346 households 2012: 593 households Increase: 247 households

2014 numbers will be available in August 2014.

Tourism advertising impact on image. (2020 Target: 50 percent of respondents who say they 6-5. strongly agree that "North Dakota is a place I would really enjoy visiting.")

2010: 32 percent

2012: 50 percent

Increase: 18 percent

Number of active social media influencers who contribute to depicting a fun and friendly North Dakota. 6-6.

(2020 Target: 1,000 social media influencers)

2010: 42

2012: 170

Increase: 128 influencers

International advertising equivalency for positive North Dakota stories. 6-7.

(2020 Target: \$5 million in international advertising equivalency since 2010)

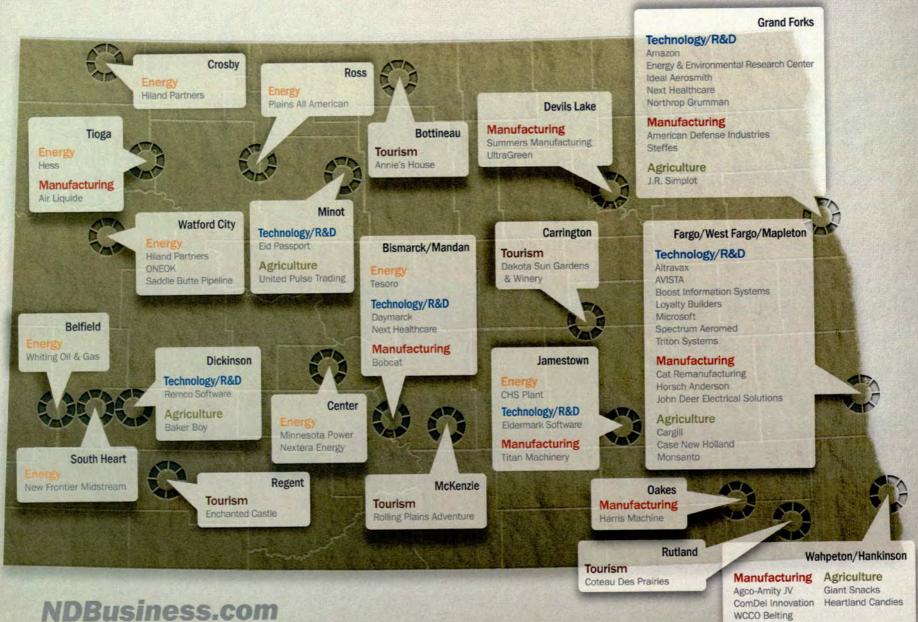
2011: \$1.23 million

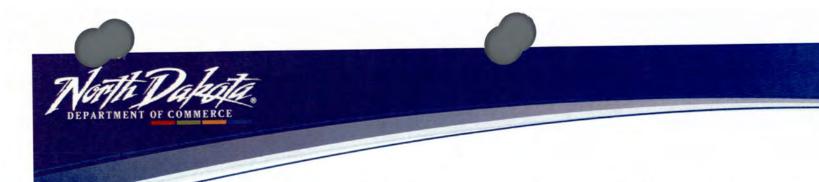
# North Dakata.

### **Doing Business Better**

Attracted to North Dakota's strong business climate, new companies and facilities are opening in the state while existing companies are expanding operations.

Map reflects new and expanded businesses in targeted industries 2010 – present.





# Office of Marketing & Development Organizational Chart

Tracy Finneman Senior Marketing & Development Manager

Brianna Ludwig Marketing Specialist (Half-time)



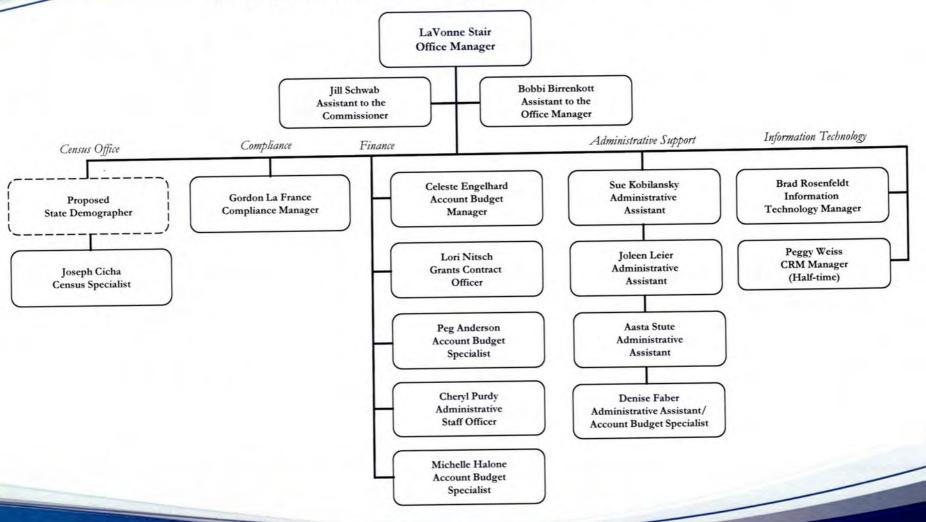
# Office of Communications & Emerging Technologies Organizational Chart

Sandy McMerty Senior Communications & Emerging Technologies Manager

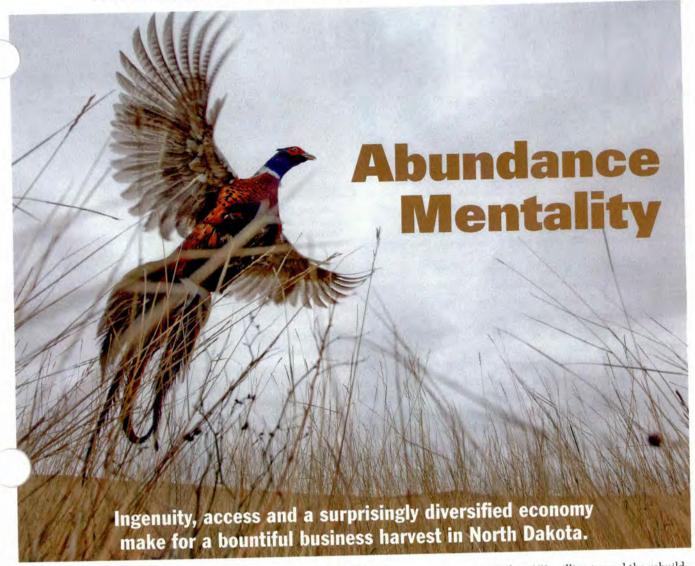
Kim Schmidt Public & Media Relations Manager Jesse Bradley Communications Manager (Contract)



## **Administration Organizational Chart**



### A SITE SELECTION INVESTMENT PROFILE: NORTH DAKOTA



n a world crawling with nostalgic re-creations, facsimiles and replicas of America's small-town ethos and bootstrapping character, there is still a place you can find the real thing. You might see it in a single building in Minot or a high-tech farm in the Red River Valley. It's visible in downtown Fargo, and in the feverish but focused oil-patch town of Watford City. And it's evident in the eyes and actions of the people: North Dakota shines with authenticity.

It's a place where seeding the future still means something quite literal. Energy may rule the headlines, but ag still rules the roost, employing 24 percent of the state's population in related industries and driving some \$4 billion in cash receipts.

o wonder the state's new Latin motto anslates to "One sows for the benefit of another age." One multinational corporate executive gets that motto, and his company appears to be living it out:

#### by ADAM BRUNS adam.bruns@siteselection.com

"I'm a bit biased in that I'm a North Dakotan by birth," says Greg Page, CEO of Cargill, "but it is a wonderful place to grow up and a great place to do business. Whether you're a new business, an expanding business or an entrepreneurial endeavor, the state takes real pride in fostering an environment that helps companies and industries thrive."

Cargill currently has more than 550 employees in seven locations throughout the state. Last year, with the help of Greater Fargo Moorhead Economic Development Corp., the North Dakota Department of Commerce and the West Fargo Economic Development Association, Cargill pledged

more than \$50 million toward the rebuilding and expansion of its oilseed processing plant in West Fargo.

"We're so optimistic about our future in North Dakota that we're actively involved in a wide variety of community enrichment activities, from working with the University of North Dakota to engaging elementary and secondary students in science and engineering activities," says Page.

The welcoming tradition goes back at least to the Mandan tribe, whose leaders pitched Meriwether Lewis on locating in the state when the Lewis & Clark expedition passed through in November 1804. Both the Mandan and Hidatsa tribes offered to help the group, and the Mandans got the contract, says historian and author Clay Jenkinson during a talk at the Lewis & Clark Interpretive Center along the

Tourism is North Dakota's third largest industry. Out-of-state visitors spent \$4.6 billion in 2010, and the state led the nation in tourism growth over the past two years, according to the Photo courtesy of North Dakota Tourism/Jason Lindsey U.S. Travel Association.



While energy fires up the headlines, agriculture and an unstinting work ethic cement North Dakota's value ... and values ... proposition. "There are so many good aspects there and the oil industry is just one part of it," Continental Resources CEO Harold Hamm recently told the State Historical

Society of North Dakota. Continental (one of whose rigs is pictured above) pays more than \$50 million in taxes a year on its activity in the Bakken Shale, and is one of many job creators that have helped the state build reserves that are the envy of the nation.

banks of the Missouri River. The expedition spent more time in North Dakota than in any other state — 146 days — due to a blend of hospitable people and, well, sometimes less than hospitable weather.

Easy familiarity is still a state attribute.

"In North Dakota it doesn't take long to get everybody organized and in conversation," says recent transplant Dean Bresciani, president of North Dakota State University. In his former state, "I knew the governor but the appointment might take three months. Here I know the governor and his wife Betsy, and have his cellphone number." Not only that, he says, but he's a governor "who taught himself Greek so he could read 'The Iliad' in the original."

"People joke that everybody knows everybody," says Rich Garman, senior project manager, business development, for Great River Energy, which is marketing a huge industrial park property adjacent to its 1,100-MW combined heat and power plant next door to Cargill's malting plant in Spiritwood. "But they probably do."

The possible recovery of up to 24 billion barrels of oil equivalent from the Bakken shale formation in the state's northwest quadrant, combined with the state's German heritage, means that the state's easy familiarity has extended right to the German-born pontiff himself.

"A relatively new bishop in the diocese in Bismarck was trying to gather some understanding of the communities in western North Dakota to determine resources locally for humanitarian services," relates Paul Lucy, director of the economic development & finance division of the North Dakota Department of Commerce. "We briefed him with what information we had. We later learned that when he met

with the pope and was introduced as being from this diocese, the pope said, 'Ah, the Bakken.'"

#### **Human Capital: The Strongest Crop**

But a sizeable chunk of the 65,000 jobs created in the state in the past decade aren't necessarily focused on oil & gas. "Enterprising States," a June 2012 report prepared for the U.S. Chamber of Commerce's National Chamber Foundation, noted, "Among the current 16,000-plus job openings in North Dakota, 60 percent are found outside of oil-producing counties, many in manufacturing, technology, or advanced services sectors."

"We had budget reserves before all of the oil industry growth," says Lucy. "Even factoring out the mining and extraction industries, we still lead in GDP growth."

Al Anderson, commissioner of the North Dakota Department of Commerce, says the five primary industries targeted by the state a decade ago — energy, value-added agriculture, advanced manufacturing, technology-based businesses, and tourism — are thriving.

"We have companies coming here because they have done their research," says North Dakota Gov. Jack Dalrymple, noting recent advanced manufacturing investments from Caterpillar, Deere & Co. and Doosan's Bobcat business, all longtime investors in the state who have been catalysts for clusters and centers of excellence. "There's nothing better on the job creation front than technical innovation," he says. "So we really are excited to have companies like Cat, Deere and Bobcat conducting R&D and developing new products in North Dakota. That's what you want in your economy."

#### The Power of People

Innovation begins with a mindset.

"The primary advantage and strength available to us centers around having access to a wholesome, dedicated work force," says Bill Burga Jr., the globally experienced head of Manufacturing Americas for LM Wind Power Blades, which maintains a large manufacturing and research operation in Grand Forks. "The character of everything we are and everything we do is defined by the quality of our people."

There are other advantages too, he notes, among them the access to navigable highways, land and water, and two great universities, as well as the aggressive



North Dakota State University Provost Bruce Rafert calls Fargo "a tremendous intellectual, business and personal actualization environment." He also puts it another way: "We think Fargo rocks."

support of the Grand Forks Region Economic Development Corp., city council and mayor, Il enclosed in a green, icycle-friendly city."

"It's a very pro-business state," says Martin Purdy, facility manager for Caterpillar's Reman Components Division in West Fargo. "Access to officials and government folks is

just a phone call away," and the follow-up visit happens shortly thereafter. What a visitor sees when he gets to the plant is a no-nonsense work force.

"They are very in tune with doing work," says Purdy, who's overseeing a 225,000-sq.-ft. expansion and consolidation of the facility, the only location in North America that remanufactures drivetrains for large mounted trucks that operate at mines and energy sites around the world. Purdy says the plant has added just under 100 employees over 18 months, and employment is projected to grow from the current 390 to between 450 and 500 over the next two years.

State support from the Department of mmerce has helped, as has work-force craining and development support from the state's manufacturing extension partnership (www.ndmep.com) and support from the state's robust Job Service North Dakota program (jobsnd.com).

Purdy is one of many leaders who point to a strong mechanical aptitude and knowledge base that's largely attributable to a farm upbringing. The work ethic that comes with that upbringing is generally without peer. As one observer puts it, "If somebody is unemployed, they really don't like being unemployed."

Bryan Brossert, vice president of operations for Phoenix International, a John Deere company that makes high-value electronic components for farm and other machinery, likes his company's low turnover in Fargo. That applies to himself, as he originally planned to stay a maximum of two years when he moved from Texas.

"Now it's been six, and I don't plan to go anywhere," he says.

Deere & Co. is investing \$22 million a new 90,000-sq.-ft. building nearby. ne new structure will increase the total number of Phoenix International facilities in the Fargo area to six with a footprint of more than 300,000 square feet. Phoenix



currently employs more than 900 people in the Fargo area, including at a new product engineering center on the campus of North Dakota State University. The company's president, Tom Budan, presided over the groundbreaking last fall just after taking the position and moving from Waterloo, Iowa.

"The transition was very good for me and my family," Budan says. "Great schools, great community. Two of my children are in elementary school, and we find the school district very strong. As we recruit and try to attract the level of talent we need to grow our business, we emphasize the richness of the community from a social standpoint, a cultural standpoint, and for those who are raising families. It's a very easy story to tell. Once we get them here, we have a pretty good record of keeping them. When you've had the kind of success we've had here in all aspects of the business, it's a feather in the cap of the community, and it's easy to continue to grow."

One aspect that might surprise some is the global reach of the airport. Budan traveled some 75,000 miles in his first six months on the job, visiting plants in Mexico and India as well as traveling to China.

"The Fargo airport is a real gem," he says noting strong connections with international hubs

in Denver, Minneapolis-St. Paul and Salt Lake City. Being at the intersection of two major Interstates helps the company's goods travel effectively as well. And the whole package has left its mark on others within Deere & Co.

"I believe our operation here in Fargo has been a very good example of business expansion within our corporation," says Budan. Though other divisions have their own centers of locational gravity, "those who have come up here and seen our operation and talent have always been very impressed by what they see."

#### **Close Ties Generate Global Affinities**

Debra Anderson is president of Summers Manufacturing, a farming machinery manufacturer based in Maddock, but which does much of its business out of its complex in Devils Lake, which has expanded four times in the past eight years.

"It's collaborative, and supportive," Anderson says of the state and local business climate. "I don't ever remember any time



Aircraft manufacturer Cirrus continues to make its specialized, hand-crafted airplanes in Grand Forks, and in August announced a new contract that will lead to the hiring of 60 people to make components for an amphibious aircraft. But it was able to dispose of some extra space recently when neighbor Amazon.com decided to double head count at its technical support center.



#### Value in Valley City

ohn Deere Seeding Group's manufacturing operation has been in Valley City since 1996. Situated on 23 acres, the site hosts 202,000 sq. ft. of manufacturing space and 22,500 sq. ft. for materials processing, and just took on four product lines from a sister facility in Des Moines, Iowa. The massive factory floor builds its products to order and some years sends up to half of its machines to export locations such as Russia, Kazakhstan and the Ukraine. "When we signed the deal in 1995, Deere told us there would be maybe 90 jobs," says Jennifer Feist, director of development for Valley Development Group. "We're at 290 plus seasonal folks today. That kind of money is substantial for a community this size."

when we've been faced with something and we haven't gotten help from either the state or the community," the latter represented by Forward Devils Lake.

A major assist comes from the unique

Bank of North Dakota (BND), which partners with local community banks throughout the state on a number of

business development and loan programs, including Partnership in Assisting Community Expansion (PACE) loans for manufacturers, processors, data processors and communications firms.

Eric Hardmeyer, BND president, says the bank has caught its share of national and international attention as North Dakota's dynamic economy has been the outlier to everyone else's tough times. The bank is not only profitable, but returns part of its profits, pouring \$350 million back into the state's general fund over the past few years.

"Our job at the Bank of North Dakota is to be financiers of the state's economic development efforts," says Hardmeyer during an interview in the office of Gov. Jack Dalrymple. "That's why we were created 90 years ago — to enhance North Dakota, whether it be educational opportunities or big primary-sector projects."

It's all driven from the bottom up, as municipalities and local banks originate loans, and BND comes in to participate, backed by what now amounts to \$5.5 billion in assets.

North Dakota has added over 65,000 new jobs in the last decade, equivalent to 10 percent of its total current population.

BND's mission is consistent with a general sense of fiscal responsibility that is as fundamental to North Dakotans as their belief in strong public education. The state is the only one in the nation not to have had a budget shortfall in the past four fiscal years.

"Thirty percent of oil and gas taxes go to a legacy fund that can't be touched until 2017," says Department of Commerce Commissioner Al Anderson. "There is \$1.2 billion set aside for water and sewer and roads. And we have a regulatory environment that brings everybody to the table to find solutions. It all has something to do with our size."

Gov. Dalrymple grew up on the family farm in Casselton established in 1875 by his great-grandfather. He was the founding board chairman of Carrington-based Dakota Growers Pasta Co., and earned the 2007 Ernst and Young Midwest "Master Entrepreneur of the Year" Award. So he knows whereof he speaks when it comes to business, and BND's leading role.

"I was on the board of the Casselton bank, and saw this from the other side," I says. "Somebody needs a \$200,000 loan to expand. We sit around and talk about it, trying to work up our courage. And somebody says BND will take half of it. Then everyone says, 'I vote in favor.'"

"The PACE loans enabled us to do all these expansions at reasonable costs," says Summers Manufacturing's Debra Anderson in Devils Lake. "We've done one in Maddock as well. Both communities have been more than willing to step up."

That's in keeping with the company's roots. Anderson says her father, who was originally a blacksmith, raised his original funds for manufacturing in large part due to support from local farmers who believed in him.

"All of our engineers were either farmers or raised on a farm," says Brian Perkuhn, sales manager at Summers. "It's the family farm as R&D lab."

Asked if skilled labor is a challenge because of the oil & gas draw in the west, Perkuhn says it's helped more than hurt. Anderson confirms that a welder just joined the company from out in the oil patch the week before. New talent recently has signed on in Devils Lake from Texas,

Michigan and New York.
"The individual from
New York stated that he
really didn't know what
farming was all about

because he was from the inner city," Anderson says. "He loved the landscape. He said he's never going back."

#### **Homes on the Plains**

Microsoft located a major customer service and support center in Fargo in 2001 when it acquired homegrown Great Plains Software for \$1.1 billion. Microsoft anticipates having 900 employees by the end of

### DIE VOU KNOW?

According to the Resilience Capacity Index developed by Kathryn Foster, PhD, director of the University of Buffalo Regional Institute, Bismarck-Mandan, N.D., ranks No. 1 in the nation in community connectivity, reflecting scores on four underlying indicate of resilience capacity: civic infrastructure, metropolitan stability, home ownership, and voter turnout.

June 2012, which added to over 800 contract staff on site makes the Fargo operation one of the company's 10 biggest sites by head count in the world. It's a crucial ite too: Some 45,000 Microsoft employees get paid via the work accomplished there. The company's Fargo facility shares a large development lab with sites in Denmark and India, and is home to one of Microsoft's 12 executive briefing centers.

Katie Hasbargen, Ph.D., is senior communications manager and program lead for Microsoft Business Solutions in Fargo. She says the area is great for feeding talent from colleges, and points to another talent indicator: the Microsoft designation of "distinguished engineer."

"There are 38 of them in the whole company," she says. "Three live outside Seattle, and two live in Fargo, and they're both North Dakota State University graduates."

In December Microsoft announced it had chosen Hitachi Consulting to supplement its Microsoft Business Solutions IT team located in Fargo. A new technical development center will be located on Microsoft's campus, and Hitachi eventually will migrate to its own building in town.

Gov. Dalrymple attended that anbuncement, and was again present in Fargo in late July, when he helped Sanford Health break ground on a new \$541-million, 1.2-million-sq.-ft. medical center that will create 2,700 jobs. Located on over 100 acres in a growing area of southwest Fargo, the new site provides the space and capacity for future expansion.

Sanford Health, based in both Fargo and Sioux Falls, S.D., is the largest, rural, not-for-profit health care system in the nation with a presence in 112 communities in seven states, including 20,000 employees in the Dakotas alone. Dennis Millirons, president of Sanford Medical Center Fargo, calls the new project on I-94 the only integrated campus of its size between the Twin Cities to the east, Omaha to the south, and the West Coast. There are a lot of strategic reasons why the project makes sense. But the intangibles may carry the day.

The Fargo flood of 2009, like the 1997 flood in Grand Forks, has left indelible marks, but also has demonstrated the indelible resiliency of North Dakotans. The flood of '09 happened when it was 15 degrees below zero. But that didn't prevent people from getting out to make sandbags: 6 million of them, along 80 miles of levee.

"Here, when there's a Code Red, so many people show up you have to turn them away," says Millirons. "Culture trumps strategy every day."

#### Stewardship in Action

In June, National Information Solutions Cooperative (NISC), a provider of IT products and services to utilities and telecom organizations, was listed by IDG's Computerworld magazine as one of the 100 best workplaces for IT professionals in the United States for the 10th time. More than 600 companies, led by electric cooperatives, use NISC's advanced IT systems.

NISC's team of more than 920 individuals includes locations outside St. Louis, Mo.; in Shawano, Wis.; and Cedar Rapids, Iowa, but its headquarters has always been in Bismarck's twin city of Mandan, where the company and over 400 employees are led by President and CEO Vern Dosch.

"We travel around the country, and you should see the looks we get — a technology company in Mandan, N.D.?" says Dosch. He says 2008-2011 were among the best years NISC has ever had, and the current fiscal year is the best in company his-



ver the past two legislative sessions in Bismarck, individual income tax rates have been reduced by just over 30 percent, and corporation tax rates have dropped by 23.5 percent to a range from 1.68 percent to 5.15 percent. "I think we'll see potentially more rate relief proposed in the upcoming session," says North Dakota Tax Commissioner Cory Fong. For more tax incentive information, visit www.nd.gov/tax.

tory. NISC has started leasing space next door as it continues to grow. "Every couple years we add another 20,000-square-foot pod," he says, "and we have purchased land to the east."

Funds from state programs and loans from BND have helped NISC create 106 jobs. The state's New Jobs Training program recently was made more user-friendly so a company can receive the funds and then self-finance the work-force training.

Dosch says NISC's operation has had some success recruiting among the Apples and Googles of the world. "Longevity is kind of our ace in the hole," he says, "coupled with the incredible talent we're getting out of the universities right now."

Also among the strengths of Mandan is a solid fiber connection with NISC's operation outside St. Louis, which serves data storage redundancy needs. That helps in serving customers such as Great River Energy as the smart grid takes shape and the days of walk-by analog meter readings fade.

"We're getting all of that data, and storing it on behalf of our customers," says Dosch, noting that the high-level connectivity in North Dakota gives the company "as big a pipe as we'd need." The firm is



Debra Anderson, president of Summers Manufacturing, and Brian Perkuhn, sales manager, show off one of the company's signature products at its expanding complex in Devils Lake: the 2510 DT, which goes for a cool \$80,000. Summers' payroll has grown from 137 to 210 over the past year.

managing about 4 billion meter readings, and it's growing by I billion readings a month. "It's the data making the grid smarter, and we're the stewards of that data."

Dosch says the wage differential for light technical personnel is six percent less in Mandan than outside St. Louis. The differential jumps to 15 percent for software developers when compared to Minneapolis. Construction costs per square foot for a recent expansion in Missouri were 25 percent greater

than what the company paid for its last expansion in Mandan in 2009.

#### A Place To Grow

Kari Reichert, assistant general counsel and vice president of people services for NISC, is a western North Dakota native and Yale Law School graduate who came back home to practice law after living in several big cities. She says one of the great attributes of NISC staff is their nontechnical backgrounds. "Jared in technical services got the call for a job offer and said 'Hold on, let me turn off the tractor,' " she

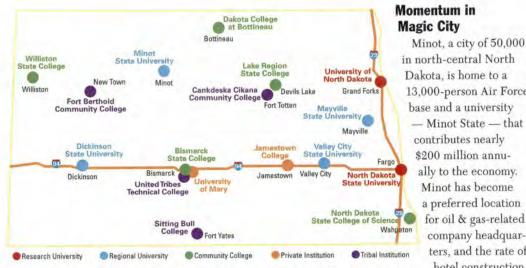
NISC sells its culture and shared values to compete with career opportunities in the Twin Cities, Chicago and Phoenix. Turnover hovered at a mere 3 percent as recently as 2009.

"Sometimes it's hard to compete for some of the students, but the nice thing is most of those kids want to eventually come back," she says. Her own return has meant a five-minute commute to work, and living within a block of her son's school.

"Boomerangers" are part of a demographic trend that helped the state finally surpass its 1930 Census population mark in 2010. Now the population is approximately 700,000. At the rate things are going, some are whispering about the magic figure of 1 million.

Even more important, says Commerce Commissioner Al Anderson, is the makeup of that population.

"An aging population is a challenge for the entire country," he says. But in the last several years, North Dakota has increased its under-35 population dramatically. "That is one thing that is going to be our



The economic impact of the North Dakota University System and its students has risen dramatically over the past decade, and was most recently estimated at \$3.7 billion for fiscal year 2009.

strength," he says.

"You live here for a reason," says Dosch, and for many that reason is interaction with the natural world. "I live on the Missouri River, and have the good fortune on occasion, on a nice summer day, to slip my kayak into the river, paddle across, get on my bike and ride into work. For a lot of people, it's family, quality of life and educational institutions - sending kids to a high school like the one whose graduation I attended yesterday, where 99 percent go on to college.

"A lot of people here are from smalltown North Dakota," he says. "Any one of them could probably go to Minneapolis and make more. But a lot of those employees would rather take some stability over the highest offer. Think about stability and the tech industry - it's almost an oxymoron. But this is a company that's grown every year for the past 47 years."

#### Momentum in **Magic City**

in north-central North Dakota, is home to a 13,000-person Air Force base and a university — Minot State — that contributes nearly \$200 million annually to the economy. Minot has become a preferred location for oil & gas-related company headquarters, and the rate of hotel construction is in keeping with a state that since

2010 has seen 45 new hotels open, adding 3,257 rooms. But again, it's not all about

Eid Passport, a technology company based in Portland, Ore., is focused on identity management services, and its signature technology is used by several federal agencies. The firm is led by Minot native Steve Larson. The company chairman and CEO wanted to give something back, and found a favorable, progressive business climate in downtown Minot for the opening, in November 2011, of a new 50-person technical support office in a former YMCA building. The opening was a breath of fresh air in a city that was ravaged by a flood earlier in the year.

The building renovation is designed to house up to four new businesses. The state has committed more than \$1 million for the project with funding from the Community Development Block Grant, the North Dakota Development Fund and the





North Dakota may have one of the least dense populations in the U.S., but you wouldn't have known it at the Sanford Health Fargo Medical Center Groundbreaking on July 31. Sanford Health benefactor T. Denny Sanford (inset) exulted in launching the \$541-million project, and the crowd continued to celebrate past sunset at a rock concert by Train that put an exclamation point on Sanford Week.

Photos courtesy of Sanford Health

New Venture Capital Program.

But Larson's team did not stop there. They looked at the housing shortage locally and statewide, they looked at unused arking lots downtown, and they saw an portunity to introduce hundreds of new in-town apartments to the city's core.

"We were granted rights to seven to eight sites for surface parking lots to turn them back into mixed use and reactivate downtown," says Gary Reddick, president of V3 Studio, the architecture and design firm working with Eid Passport.

The plan would see up to 1,200 units developed over the next three to five years. Helping revitalize the city after nearly \$1 billion in flood damage will be \$22 million in federal funds through the U.S. Economic Development Administration. But even with the flood, things have been going gangbusters.

"Last year we did \$200 million in permits for construction in the city, double what we did the prior year," says Jerry Chavez, president and CEO of Minot Area Development Corp., and this year is already ahead of last year.

V3's Reddick has seen his share of downtown revitalization efforts.

"Not every downtown is remakeable," he ys. "Minot's is."

Growth is also occurring on Minot's perimeter. North Dakota Port Services has big plans for Minot's intermodal facility in the next few years. The completed project will have 45 miles of new track, and the site would generate 4,000-7,000 truck trips daily with another seven unit trains per day at the port. "The size and scope of this project will represent the largest investment in a rail distribution transportation hub in North Dakota," Chavez says.

#### The Catch-Up Opportunity

If the croprows in the Red River Valley are as straight as technically possible, the beeline to the future in western North Dakota has a few more twists and turns. And it's not just because that's the topography of the badlands.

The pace of activity is literally feverish.

North Dakota is the only state in the Union that hasn't had a budget shortfall in the past four fiscal years.

Just ask Gene Veeder, economic development director for the McKenzie County Job Development Authority, based in hectic Watford City. He's getting over the cold that everybody seems to have caught recently. But that doesn't hide his contagious excitement about his hometown.

"I might talk to five or 10 CEOs a week about multimillion-dollar investments," he says. "We're playing catch-up, with a lot of interest in retail. We need that in order to get to any next step with economic diversification." Meanwhile, the push for basic construction materials and labor is driving the cost for current commercial projects in town to \$16 per sq. ft., says Veeder. Water trucks serving the oil sites wait in line to get water from a single municipal well spigot. Nearby a food truck waits to serve the truck drivers.

"The speed of growth is challenging our housing and infrastructure," says Paul Govig, deputy commissioner of the North Dakota Department of Commerce and director, division of community services. "We're making progress, but if there is one bottleneck, it's the housing issue."

The bottleneck is being cleared one project at a time. In Watford City, the Pheasant Ridge development was recently annexed into city limits, and will feature both single-family and multifamily residences on a 36-acre parcel.

In Tioga, Hess is investing \$350 million in an expansion of its gas plant, including a rail siding with room for 100-car unit trains that looks like a racetrack at night. It might as well be. Two new crew camps that house more than 3,000 oilfield workers face each other across a busy highway outside town. Kathy Neset is a geologist who heads a growing energy-consulting firm based in Tioga.

"It's a difficult balancing act we have going here," she says. "Polls have shown that North Dakotans are very proud of their ability to add to the national security by developing our national energy here. It secures our future. That being said, we have to deal with the cost, which is a change in the quality of life, whether the cost is in dollars, lifestyle, privacy or safety."

Then again, she has two children working in her field who make a very

healthy income just a year out of college. And she's encouraged by two trends joined at the hip: better technology and less environmental disturbance.

Staged fracking, with constantly improving tools, enables more oil recovery while also allowing the land to recover — or to not be disturbed in the first place. She recalls assigning herself to a drill rig site, and walking a land section line.

"I could see my rig off to the west, and it dawned on me that the azimuth of the wellbore had passed underneath the ground I was standing on. The drill bit was half a mile away, and the rig was steering the 6-inch bit from another mile off. It drains 1,280 acres. But the surface



U.S. Customs & Border Protection flies Predator B drones out of North Dakota, and benefits from a new training program run by the University of North Dakota at Grand Forks Air Base, part of a broader new focus on unmanned aircraft systems.

disturbance is incredibly less than it used to be. It's amazing."

Communities outside the oil patch are doing their part to back up the growth. Bismarck-Mandan is more than two hours from the nearest rig, but has seen an influx of white-collar employees serving the oil & gas sector. Hess and Halliburton, among others, have placed administrative hubs in Minot.

Meanwhile, mixed-use projects are popping up in small towns such as Crosby, which was losing population not long ago. That was before the town hosted the state's first successful horizontal well using fracture stimulation technology to drill in the Bakken. Last November, Continental Resources CEO Harold Hamm attended the dedication of a monument erected in Crosby to commemorate that well. Hamm thinks up to 50,000 wells might eventually be drilled to access up to 24 billion gallons of oil equivalent.

#### Flagships for the Future

Taken together, the approximately 30,000 students at the University of North Dakota in Grand Forks and North Dakota State University's campuses in Fargo represent the equivalent of more than 4 percent of the whole state's population. The innovation their campuses hold likewise represents the seeds of the state's future.

The John D. Odegard School of Aerospace Sciences at the University of North Dakota in Grand Forks is recognized worldwide as a leader in collegiate and contract aviation education. UND is building on that reputation with a new focus on unmanned aircraft systems (UAS).

A first-of-its-kind lease agreement with the Grand Forks Air Base allows UND to train on base with the new Predator Mission Aircrew Training System. Plans call for development of a national center for intelligence, surveillance and reconnaissance (ISR) at the base over the next two years. Earlier this summer, the FAA authorized the use of remote-controlled Predator drones in the airspace above nearly 10,000 acres in the state. UND saw the first graduates from its own UAS program one year ago.

UND's flight and air traffic control training resources are world-renowned, and have helped the Grand Forks airport become one of the two dozen busiest in the nation, measured by flight operations. Pilots from all over the globe are sent to Grand Forks, resulting in a united nations of flight that builds on a 40-year tradition serving client airlines from such nations as China, Japan, Norway and Saudi Arabia.

"The year we flew 10,000 flight hours, we thought we'd arrived," says Al Palmer, director of the unmanned aircraft systems center of excellence at UND and one of the flight school's early champions. "Now it's 10,000 flight hours a month."

Michael Moore, associate vice president of intellectual property commercialization and economic development for UND, says the former teachers college's research expenditures have recently skyrocketed from \$30 million to \$100 million. And Dr. Joshua Wynne, dean of the medical school and vice president of health affairs, points to an intangible that's becoming more tangible by the day.

"NDSU and UND are doing the first integrated program for a master's of public health," he says. "If healthcare costs aren't your number one or number two concern, you're not a good CEO." North Dakota is

above the national average in healthcare quality, he says, and below average in its cost. "You have healthy workers who cost you less than in other environs," he says, "and have life expectancy above the national average."

The latest figures back him up: The Gallup-Healthways Well-Being Index released in August ranked North Dakota fifth in the nation in "future livability," based on 13 metrics measuring economic, health and social wellbeing.

Phil Boudjouk, vice president of research at NDSU, points to the university's longtime expertise in materials and coatings, which has led to partnerships with companies such as PPG and Akzo Nobel.

At the 55-acre NDSU Research and Technology Park, seven buildings have risen on the site in the past nine years, including a privately owned hotel. Between 2001 and 2010 the university saw its research expenditures increase by 95 percent. Licensing royalties have increased by 61 percent in the past five years.

At R2, the university's prized research facility, work is active on semiconductor chip packaging, RFID and other specialties. One specialty of R2 is materials characterization. A local connection to that research is alive and visible at the Caterpillar site in West Fargo, where a new lab performs laser cladding and analysis.

"They have thermo-expansion equipment Cat doesn't have," says Erica Blizil, metallurgical engineer at Caterpillar. "I'm over at R2 once a month." Blizil, like many, recently moved back home after trying life elsewhere. The head of the project at NDSU, Rob Siler, is her neighbor.

"Before we got this lab," she says, "I'd bring home a sample and drop it off with Rob, and get it back a few days later."

"We have the world's largest and best equipped lab for robotics for thin-film coatings," says NDSU's Boudjouk, a native New Yorker. "We can get to a customer's parameters better than anyone else, even better than industry."

But it's the people of North Dakota who make that industry thrive.

"You're only one or two degrees of separation from the whole state," says Great
River Energy's Rich Garman. "And that's a
good thing."

This Investment Profile was prepared under the auspices of the North Dakota Department of Commerce. To learn more, visit www.NDCommerce.com.

# DEPARTMENT OF COMMERCE TESTIMONY ON SB2018 MARCH 15, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, EDUCATION AND ENVIRONMENT DIVISION ROUGHRIDER ROOM REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

# MARKETING & COMMUNICATIONS PROGRAM UPDATE Submitted by Tracy Finneman, Senior Marketing and Development Manager; and Sandra McMerty, Senior Communications and Emerging Technologies Manager

Chairman Skarphol, members of the committee, please accept this submitted testimony on behalf of Tracy Finneman, Sr. Marketing and Development Manager, and Sandra McMerty, Sr. Communications and Emerging Technologies Manager in support of SB2018. Our role is to provide information on the results regarding our marketing and communications efforts at Commerce.

The Commerce marketing and communications program serves three primary functions: public information, image enhancement and coordination.

First, we work to inform our partners in economic and community development organizations, along with the general public, about Commerce programs and services and how they can access them. This includes holding ourselves accountable by distributing the results of these activities to policy makers and citizens so they understand how public tax dollars are being used.

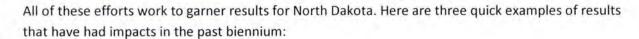
Secondly, we enhance North Dakota's image through promotion and communication efforts that focus on North Dakota as a great place to live, work, play and be in business. As the keeper of the North Dakota brand, Commerce understands the importance of people's perceptions about our state. Whether it is attracting workforce, business or media attention, our state needs to proactively work to ensure messages reflect the positive work, business and family environment that exist in North Dakota.

Lastly, the Governor has looked to Commerce to take on the role of coordinating agency on a number of key issues and challenges over the past biennium. Our staff has provided planning, coordination, outreach and communication to arm our citizens with information they needed on a variety of topics that ranges across multiple state agencies.

We use a variety of tools to garner results in these areas. A few important strategies you may have seen in action include:

- News releases, newsletters, news conferences, media inquiries and story development:
  - To date this biennium, Commerce generated 121 news releases, including releases for all our programs and services. We write and distribute five different electronic newsletters on varying cycles, and coordinate news conference with partners whenever a program or services rises to that level of importance.

- Coordination for other agencies was provided on multiple events through staffing,
   communications and promotion, as well as specific media training and marketing efforts
   developed for the Succeed 2020 effort.
  - Below are a few of the efforts and agencies that Commerce has worked with in a coordinating agency during the biennium:
    - EFFORTS: Infrastructure Development Meetings; NDDisasterInfo.com; event coordination for pipeline, education and housing topics; Succeed 2020 (provided marketing and education services); North Dakota 2020 and Beyond; Vision West, Western Infrastructure Studies, Microsoft Digital Alliance.
    - AGENCIES: ND Department of Transportation, ND Water Commission, ND Housing Finance Agency, ND Department of Trust Lands, ND Highway Patrol, ND Health Department, Bank of North Dakota, Upper Great Plains Transportation Institute, ND Division of Emergency Services, ND Pipeline Authority, ND Transmission Authority, ND Department of Public Instruction, ND Department of Career and Technical Education.
- Media response and media outreach:
  - On average, we respond to media inquiries three out of five business days a week; nearly 200 media contacts a year. Commerce has become a resource for local media on "slow news days," meaning that we are able to pitch positive stories about Commerce programs and services as well as interesting success stories about individuals and businesses across the state. This pitching effort results in positive media stories that enhance our state's image and promote a favorable workforce and business climate.
- · Digital communications and social media:
  - Commerce maintains digital and social contact with its many audiences through a variety of tools including websites, digital newsletters, blogs and social media efforts such as Twitter, Facebook and others. We currently leverage almost 10,000 influencers, and their connections, through our social networks to continuously spread positive North Dakota messages and work with other agencies to enhance their social media efforts.
  - Commerce is currently in the process of updating its six main websites to ensure they remain user-friendly and enhanced to adapt to the varying mobile environments used by our audiences.
- · Partners in Marketing grant program:
  - The Partners in Marketing grant program makes available \$250,000 for local economic development organizations to marketing their communities and regions for primary sector business and workforce recruitment. Funds are fully committed for the current biennium and are assisting 17 city and county economic development organizations statewide.



- An 8-page spread in Site Selection Magazine that featured North Dakota as having an "Abundance Mentality," highlighting a number of our successful businesses, excellent business and tax climate and opportunities for businesses interested in our state.
- 2) A June 2012 story in USA Today enhancing our image by highlighting North Dakota's economic success and how it benefits the entire nation. A quote from USA Today:

"The story is a little different in North Dakota. The entire state is prospering — both in the booming oil patch and elsewhere from a long-productive agriculture economy. North Dakota's GDP growth benefits the entire country by supplying oil that brings energy prices down across the USA. An oil worker pays Social Security taxes that are sent to a Florida retiree, who buys an early-bird special meal from a waitress, who pays her child's day-care provider from her wages and tips."

3) Coordination with multiple state agencies has created greater awareness of pipeline growth, challenges to education, and the need for affordable housing across the state, as well as created a user-friendly website (NDDisasterInfo.com) to assist citizens impacted by flooding with needed support.

In conclusion, the Commerce marketing and communications program works diligently to provide public information, image enhancement, and coordination with a focus on results for North Dakota and our partners. Our willingness to assist and do what is right for our state can be seen throughout our efforts.

#### **2012 STATEWIDE PLANNING SURVEY RESULTS**

Cities with no community-wide plan in place (23 total respondents to survey):

NE region:	NW region:	SE region:	SW region
Calvin	Max	Arthur	Bowman
Kramer	Parshall	Ashley	Golva
Lakota	Sherwood	Berlin	Reeder
Maddock	Watford City	Ellendale	
Rolette	Westhope	Fullerton	
		Gwinner	
		Hazelton	
		Tuttle	
		Wing	
		Wyndmere	

Respondents who intend to update whatever plan they have in place in 2013-2014 (78 total respondents to survey):

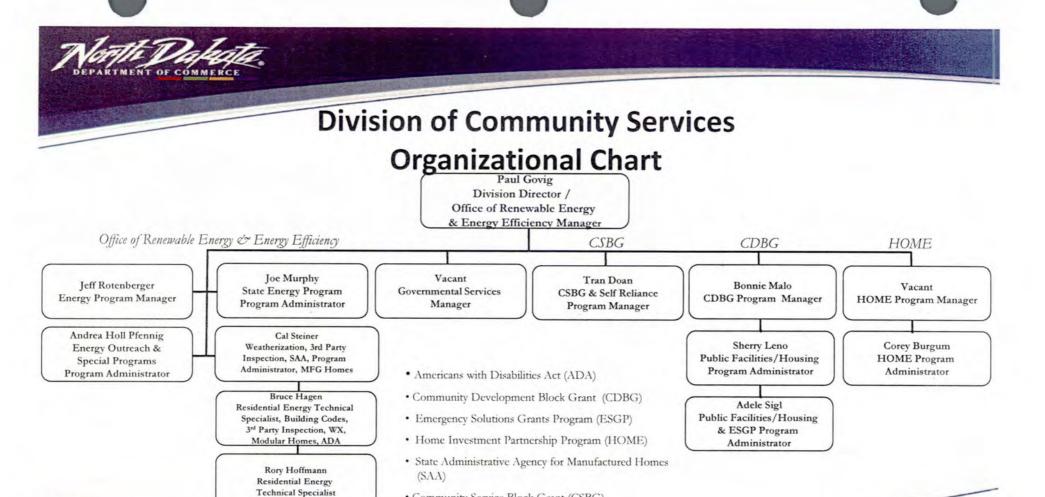
NE region:	NW region:	SE region:	SW region:
Bottineau	Alexander .	Ashley	Amidon
Calvin	Arnegard	Casselton	Beach
Cooperstown	Bowbells	Dazey	Belfield
Fessenden	Crosby	Edgeley	Bowman
Grand Forks	Dunn Center	Fargo	Carson
Harvey	Glenburn	Fullerton	Dickinson
Kramer	Hazen	Jamestown	Elgin
Mayville	Killdeer	Kindred	Flasher
Minto	Manning	Kulm	Fort Yates
Newburg	Max	Lincoln	Golva
Northwood	Minot	Linton	Hebron
Towner	Mohall	Spiritwood	Hettinger Count
Turtle Lake	Palermo	Valley City	Mandan
Velva	Parshall	Verona	Mott
	Ross	Wishek	New England
	Sherwood		New Salem
	Stanley		Richardton
	Surrey		
	Tioga		
	Washburn		
	Watford City		
	Westhope		
	Williston		



#### **Community Services**

#### IN THIS SECTION:

- Paul Govig's Testimony
- Division Budget Charts
  - Funding Source
  - o Line Item
  - o Program Area



· Community Service Block Grant (CSBG)

# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 MARCH 15, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION ROUGHRIDER ROOM REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

#### PAUL GOVIG - DIRECTOR OF THE DIVISION OF COMMUNITY SERVICES

Good morning Mr. Chairman and members of the committee. I'm Paul Govig, Director of the Division of Community Services.

The total appropriation request for the biennium for the Division of Community Services is \$60,937,404. In the 2011-2013 biennium, the division's budget was just under \$329 million. We received spending authority of \$235 million during the 2011 Special Legislative Session in anticipation of federal Community Development Block Grant Disaster Recovery funding. The actual amount of funding that was received from the federal government was \$11.7 million.

I'd like to refer you to the pie charts I've included in your handouts. The first chart is the "Funding Request by Funding Source".

- 97% consists of federal or special funds.
- 3% or \$2,042,710 comes from the general fund. Last biennium, the general fund request was \$3.9 million.

The second chart, "Funding Request by Line Item", shows where the dollars will be spent.

- 9 out of every 10 dollars we receive will in turn be provided to local organizations in your communities (city/county governments, Community Action Agencies and Regional Councils).
- 4.9% will be used for salaries and wages.
- 2.3% will be used for operating expenses.

The third pie chart is the "Funding Request by Program Area" 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 and Admin.

The Community Development Block Grant (CDBG) program normally invests from \$15 to \$25 million in development projects during a biennium. In calendar year 2012, the program provided \$1,800,000 for 7 economic development projects, \$2,500,000 for 10 housing projects, \$2,700,000 for 30 public facility projects and \$5,100,000 for disaster/flood recovery. The following are a few examples of the diverse type of community projects we get involved with all across the state:

- \$600,000 for infrastructure development for Horsch Anderson facility near Mapelton.
- \$777,000 to Legacy at Central Plaza. This project involves the conversion of the former junior high into 44 one and two bedroom affordable housing units in Williston.
- \$70,000 to Hebron for lagoon sludge removal.
- \$49,000 to Rolette for courthouse improvements.
- \$14,000 to Fort Ransom for a flood improvement study.

The HOME Investment Partnership program is a federal affordable housing block grant the Department of Commerce receives from the U.S. Department of Housing and Urban Development (HUD). The state of North Dakota receives approximately \$3 million annually. These funds are used to provide affordable housing opportunities to low-income persons, those at or below 80% of the median family income.

The HOME program provides financial assistance for:

- Development of affordable multifamily housing projects;
- Single-family housing rehabilitation for low-income homeowners;
- · Security deposit assistance; and
- Down payment and closing cost assistance for low-income home buyers.

Recent examples of some HOME projects include:

- Provided \$285,000 to Williston Senior apartments for a 40 unit affordable housing development in Williston.
- Provided \$333,641 to Prairie Hills Townhomes for a 36 unit affordable housing development in Dickinson.
- Provided \$700,000 to Washington Townhomes for a 32 unit affordable housing development in Minot.

It should be pointed out that the Governor has included in SB 2018, an additional \$193,215 to fund operating expenses for the program for the biennium. The additional operating funds are needed because of federal reductions to the program and the fact that the affordable housing real estate transactions continue to get more and more complex and therefore require more and more staff time to successfully develop and complete.

The Office of Renewable Energy and Energy Efficiency is also involved in a wide range of activities throughout the state. Some recent examples of activities include:

- Last year, 949 homes occupied by low income families received weatherization assistance and 307 homes received furnace repair.
- The state received approximately \$9.6 million (stimulus dollars) from the Department of Energy for the Energy Efficiency and Conservation Block Grant program (EECBG). Most of the funds were used for energy efficiency upgrades to local government buildings. 101 communities or counties received funds to enhance the energy efficiency of their buildings. The largest grant was \$389, 230 for New Salem and the smallest grant was \$6,497 for Zap. The average grant was just over \$92,000.

The Governor has proposed that .5% of the funds that are transferred to the Resources Trust Fund be provided as grants to political subdivisions to improve the energy efficiency of non-federal public buildings. The Office of Renewable Energy and Energy Efficiency has delivered similar programs in the past like the Local Government Energy Conservation program and the Energy Efficiency Conservation Block Grant program previously mentioned. Reducing energy costs and/or operating costs is important to units of local governments and so considerable demand still exists for energy efficiency upgrades to local government buildings.

The Self Sufficiency program area includes the Community Service Block Grant program which is delivered through the 7 state-wide Community Action Agencies. The program provides various services including Head Start, Weatherization, commodity food distribution, Energy Share and housing programs to low income households and persons. In addition, this program area includes our homeless prevention programs. We provided over \$1,000,000 during the last biennium to 27 homeless shelters, including shelters in Bismarck, Dickinson, Fargo and Grand Forks. On any given night, the shelters serve approximately 1,000 men, women and children.

The final program area is the Technical Assistance and Admin. This includes the Renaissance Zone program which we manage. The purpose of the program is to revitalize communities in our state and encourage development through income and property tax exemptions. We now have 55 cities with zones. Besides Lehr, Lansford and Ryder, all of you are from communities with Renaissance Zones. 1,178 Renaissance Zone projects have been approved and 925 have been completed.

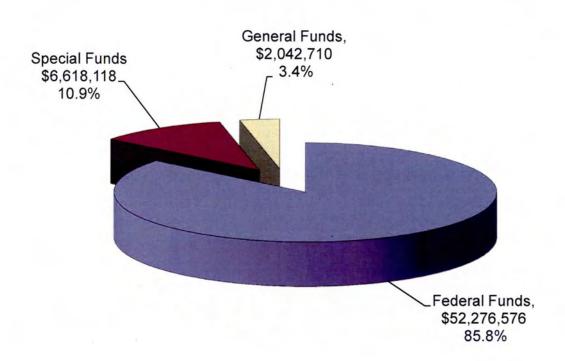
This program area also includes the manufactured home installation program. The program was implemented in 2006. The purpose of the program is to ensure the proper installation of manufactured homes; thereby, reducing problems with the new homes. Manufactured homes have been and will continue to be part of the solution to the extremely tight housing market in the 17 oil and gas producing counties. We have 3 individuals that are involved with this program and they have been working very hard to deliver this program in a timely and efficient manner.

In closing I'd just like to acknowledge that we would not be able to do our job without the hard work and dedication of the 8 Regional Councils and the 7 Community Action Agencies. These organizations are valuable partners of ours and provide excellent service to a wide range of clients all across the state.

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 make North Dakota a great place to live, work and be in business.

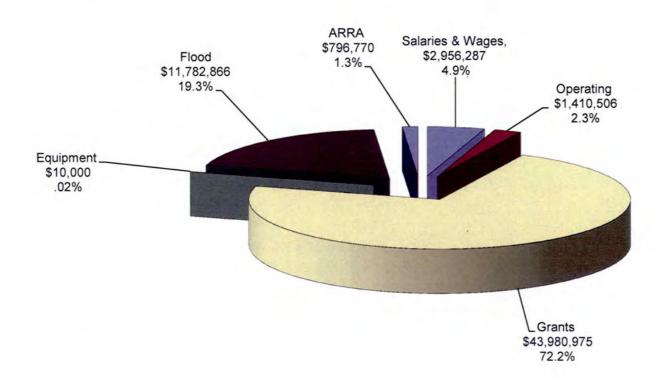
### Division of Community Services 2013 - 2015

Funding Request by Funding Source



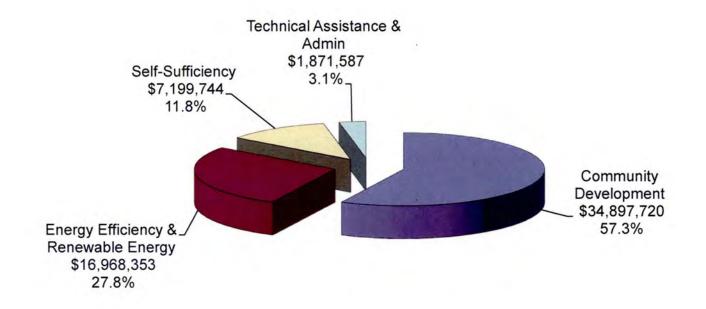
## Division of Community Services 2013 - 2015

Funding Request by Line Item



## Division of Community Services 2013 - 2015

Funding Request by Program Area





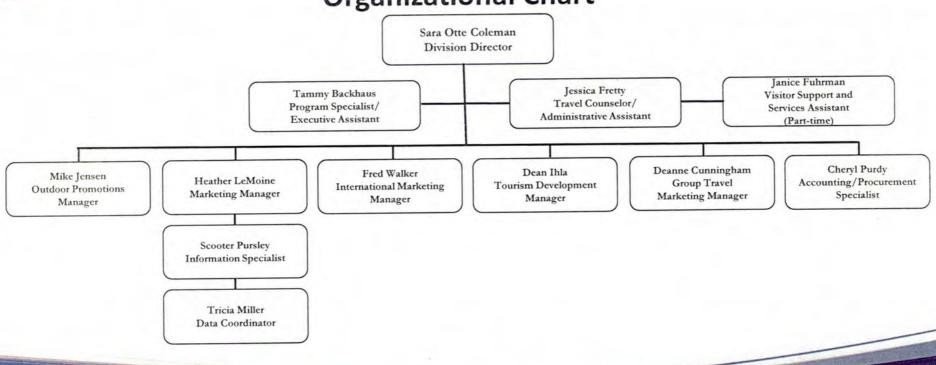
#### Tourism

#### IN THIS SECTION:

- Sara Otte Coleman's Testimony
- North Dakota Travel & Tourism Industry Facts



#### Division of Tourism Organizational Chart



# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 MARCH 15, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION ROUGHRIDER ROOM REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

#### Sara Otte Coleman - Director, Tourism Division

Chairman and members of the committee, I am Sara Otte Coleman, Director of the Tourism Division of the Department of Commerce.

In the Tourism Division, we primarily work to invest in marketing programs which attract new business from out-of-state visitors and retain residents' travel dollars by encouraging them to travel in-state. We also work to expand what we offer for traveler experiences.

Today I will brief you on some of the results we have realized from our efforts and discuss a few program highlights. I will then address the Governor's budget which includes additional dollars for tourism marketing and infrastructure development.

#### **Tourism in North Dakota Attracts Guests**

For the past five years, traveler spending in North Dakota has grown faster than the national average. Tourism continues to be one of the state's leading industries, and has been since North Dakota State University started tracking it in 1990. Visitors are interested in the activities our great outdoors offer and are expressing increased demand for agri-tourism and energy tours. It isn't just oil that attracts people to North Dakota. Take Don and Kathy Kilkening from California who fell in love with the Pioneer Trails Museum in Bowman. They moved to North Dakota and now work out of the museum doing field studies and digs that are open to the public. Or Jessie Veeder, who moved back to Watford City a few years ago, and has become a bit of a local celebrity. Jessie is using her talents as a writer and singer to create a brand for herself and the Watford City area. She and her husband hope to offer a guest ranch experience to visitors soon. Then there's Sara Watson, who returned from Colorado to showcase her culinary skills in Fargo. She and her husband now serve their own style of North Dakota cuisine at their newest restaurant Muzzaluna.

While tourism in North Dakota is certainly known for its events like the Medora Musical and the State Fair; it is also made up of 883 hotels, lodges and campgrounds, 646 attractions and more than 500 festivals and events. Tourism pumps millions of dollars into every county in North Dakota.

The scenery and fun displayed in our advertising and earned media pieces not only attract visitors, it also helps create a positive image for our state, which helps attract workforce and bring families to our state. Our photography has been requested and used in countless business and physician recruiting documents, articles about the state and websites as far away as Australia. The events and businesses serving visitors also improve our residents' quality of life.

**Tourism Investment Pays Back** 

Our advertising effectiveness research shows that despite our decreased buying power due to increasing costs, the North Dakota Legendary ad campaign is delivering a strong return on investment (ROI) and is having a positive impact on the state's image. Longwoods International, an internationally-known tourism research firm just completed the study on our 2012 campaign and it shows money invested in tourism advertising is an excellent investment, in-fact, it is self-sustaining.

\$1.9 million in media advertising resulted in \$231.6 million in increased visitor spending

 a \$119 return on investment for every \$1 spent on advertising.

\$1.9 million in media advertising resulted in \$17.8 million in taxes paid by visitors – a \$9 return for every \$1 invested.

 Awareness of the campaign in our target markets improved by 14% and the image benchmarks were all drastically better ranked by those who saw our advertising compared to those who had not.

 One of the image benchmarks in the Economic Development Foundation's strategic plan (50% top ranking) has been met thanks to Tourism marketing.

According to the U.S. Travel Association's report on the Impact of Travel on States' Economies, North Dakota's tourism industry has sustained growth in traveler expenditures and industry wages and employment while other states are economically rebounding. The 2012 report shows that through 2010, North Dakota led the nation in growth of travel expenditures, up by 15%. The travel-generated payroll in North Dakota saw a 7.6% increase and in terms of travel-generated taxes to the state, North Dakota experienced a 6.2% growth to \$344.7 million. North Dakota actually dropped slightly (.4%) in travel-generated employment.

NDSU research ranks tourism as North Dakota's third-largest industry with a \$4.8 billion in spending 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.

We also just received our report from IHS Global Insight who gathers economic impact data and delivers a Tourism Satellite Account. North Dakota's tourism - including the key industries of accommodations, entertainment, retail, dining and transportation -has grown 23.5% since 2008. The report shows that overnight business travel grew by 6% from 2008-2011 while business day trips were down slightly. Leisure travel grew by 15% and continues to be the largest travel segment. This demonstrates tourism growth is independent of industry-driven business travel.

A Tourism Satellite Account uses tax data and information from the U.S. Bureau of Economic Analysis and Bureau of Labor Statistics. Data is not subjective and can be offered at the county-level. This data is very useful for local tourism and development officials. The country breakdowns are valuable for planning local development.

**Tourism Program Highlights and Results** 

Leisure Travel Marketing Continues to Out-Perform

- Research and travel metrics show that visitor interest and traffic in North Dakota is high and growing. In 2012, state park and national park visitation was up 12% and 13% respectively. Canadian border crossings were up 12%, and deplanements in North Dakota were up 18%.
- Through digital marketing and social media, we have reached a unique digital audience of more than 4.7 million in 2012. With click-through-rates (CTR) on North Dakota online ads and the open-rates of our branded emails far above industry norms.
- We recognized the 10<sup>th</sup> year of the Legendary brand with our industry partners at our April travel industry conference and produced a brand book which celebrates the tremendous qualities and characteristics of the state.
- We are currently working on a new travel website and have strategic goals to funnel
  increased traffic to in-state partners. It will also allow us to improve the online presence
  for North Dakota.
- Leisure travel marketing is the primary focus of our advertising, however, we recognize
  the increased traffic by business travelers and note they are part of the travel
  industry and our partners serve them and help foster business-leisure travel growth.

#### Public/Media/Social Media Relations Building the Brand

- Public relations efforts enhance North Dakota's image, garnering more than 270 positive stories in 131 media outlets in the past year.
- A recent Facebook-promoted post campaign for "10 Years of Legendary and 10,000 Fans" garnered 2,953 "likes," 811 shares and the Travel Fan Page gained 414 new fans. Engaged Users who clicked on the post totaled 7,471.
- The editor of National Parks Traveler, Kurt Repanshek, visited North Dakota in 2012 and has, to date, written 19 stories about the state's national historic sites. In addition, this also helped to foster relationships with National Park staff.
- A Twitter campaign in June of 2011 increased followers from 3,500 to 6,300 and also allowed ND Tourism to become a verified (credible) account. We are one of only 11 state tourism entities to have a verified account.
- This year, Medora and the North Dakota Badlands received a six-page feature in the May/June issue of Midwest Living.

#### **Outdoor Promotions a Key Focus**

- The Tourism Division coordinated with Game & Fish last fall to host writers from Field & Stream, resulting in a five-page feature of North Dakota duck hunting in the November 2012 issue.
- Brad Durick Outdoors has become the most successful cat fishing operation in North
  Dakota and he credits the speed of his business growth to North Dakota Tourism and the
  marketing grants he's received. In fact, in attending an Omaha sport show with our
  office, he was able to book his entire June schedule.
- Greater participation among partners at sport shows have led to more stories and bookings. North Dakota had 16 booth partners in 2012, including Woodland Resort and the cities of Harvey and Devils Lake. Each has reported increased bookings and media exposure.
- Professional angler Jim Carroll was sponsored by North Dakota Tourism this year and worked the North Dakota booth at a Milwaukee show. More than 240 additional people

stopped by the booth last year to "talk to the pro" and Carroll's boat, wrapped to display our brand, was seen by thousands of people at tournaments in Ohio, Michigan, Minnesota and Wisconsin – and the miles in between. The partnership also enabled two episodes of the popular fishing show "The Next Bite" and online videos about hunting and fishing in North Dakota.

#### Group Travel Sees Increased Interest in North Dakota

- In 2011, North Dakota and Amtrak partnered for a familiarization tour that included Amtrak providing round-trip accommodations, meals and tickets for seven tour participations. Through this partnership we were able to save money and generate group tour interest from three companies in Vermont, Michigan and Virginia. A tour from Vermont brought a group to North Dakota in 2012 and that visit resulted in an estimated direct spend of more than \$10,000 with room nights, meals, transportation, shopping, attraction fees and receptive operator fees.
- A North Dakota Group Tour Guide was developed with itineraries crisscrossing the state.
   It was sent to more than 1,000 motor coach industry leaders.
- The Travel Alliance Partners group provided a report this year on their tour traffic to North Dakota. Those accommodations and tour days show an economic value of \$107,275. And the Travel Alliance Partners group is one of 900 tour operators with North Dakota itineraries.

#### **International Marketing Growing**

- Consistency in attending shows and hosting familiarization tours (FAMs) for our international markets has resulted in increased awareness and attention. FAMs have produced \$1.47 million worth of earned media in the past 18 months.
  - o 12 individual or group FAMs from 6 countries in 2012
  - o 17 FAMs from 5 countries in 2011
- A partnership with BRAND USA the international marketing arm for the U.S. helps North Dakota expand its advertising reach through website participation and magazine advertising. Their central website and magazine promote making U.S. travel planning easier for the international traveler.
- A multi-state guide has been developed for shows in Australia and New Zealand as well
  as the Nordic region for the first time in 2013. Ten-thousand REAL AMERICA copies
  will be distributed showcasing North Dakota with South Dakota, Montana, Wyoming and
  Idaho.
- We have also created 1-, 2- and 3-minute videos showcasing North Dakota and numerous activities.

#### Traveler Services are Responsive

- The Tourism Division annually fields thousands of phone calls for travel information.
   Email requests for information have increased 178%. We have embraced online travel counseling as well, by monitoring Trip Advisor and other online travel review sites.
- The tourism staff provides information and routes calls for people not only interested in traveling the state, but also those looking for information about living and working in North Dakota.

 During the 2011 floods, our travel counselors were able to provide up-to-date information to travelers about travel conditions, closures and detours – providing an invaluable service to in-market travelers.

#### Support Staff Linking All Operations

- Tourism Division personnel are always looking for ways to create efficiencies, including changing Travel Guide and state map fulfillment. This biennium, a switch to mailing First Class instead of Priority has saved 30% in postage.
- We provide industry communication through newsletters, emails and an industry Facebook page.
- Future new programs include a Ride North Dakota motorcycling-and-scenic-byways partnership.

#### **Tourism Development is in Demand**

- In the past biennium, 49 tourism grants totaling \$1,089,600 were awarded in four unique grant programs: marketing, event marketing, expansions and large infrastructure projects.
  - This included \$750,000 that the legislature appropriated for the new large infrastructure program.
  - A total of 144 projects applied for \$5.23 million.
- Passage of HB 1142, the Agritourism Limited Liability Legislation has resulted in 22 businesses registered with the tourism division seven being new businesses established within the past three years. We are also hosting education and networking opportunities for operators and potential operators.
- Forty-two new hotels have opened in North Dakota in the past two years, adding 3,500 rooms to the state's inventory. While much of this growth has happened in western North Dakota, new hotels have opened or are under development in 11 communities east of US Highway 83.
- Hotel growth continues with 38 properties adding another 3,600 rooms in development for opening in 2013.
- The hotel accommodation and revenue figures in North Dakota have led the nation
  in recent years. But we are now starting to see decreases in occupancy rates which
  will likely lead to lower room rates. This is somewhat concerning with the number
  of new rooms still to open and makes it imperative that we continue strong
  marketing efforts to regain the leisure traveler.

#### **Partner Collaboration**

The marketing resources and services available to partners continues to grow and includes news releases, media pitches, cooperative advertising, free listings in the Travel Guide, unlimited referrals from and online information on the official state travel website, free photos, social media assistance and posts, research, representation at sport, travel and trade shows, and continuing education. In 2012, we customized email and online display ads in addition to traditional media to help partners draw in more visitor dollars. As an example, in the last biennium, a unique sponsorship of the UND hockey series with rivals at the University of

Minnesota coordinated partners from Devils Lake, Grand Forks and Medora and was successful on-air and online.

Opportunity

While we can no longer claim to be America's most affordable state to visit, we are claiming newfound attention. With North Dakota's strong economy in the news, many want to come and see for themselves what the buzz is about. We have a tremendous opportunity to convert this interest into visitation, and then convert visitors into residents to help with workforce shortages. The additional \$1.5 million the Governor has requested for our budget will help us extend our marketing in an effort to gain market shares from our regional competitors and build positive image. We also have a tremendous opportunity to expand our tourism offerings. These new or expanded attractions will provide new entertainment and recreation for visitors and residents, for years to come. The new \$1.3 million in the proposed budget will be used to continue the large infrastructure grants. This program was started last biennium when you entrusted us with \$750,000 for this purpose. Annie's House at Bottineau Winter Park is an example of an infrastructure investment. This adaptive ski facility will be only the second of its kind in the U.S. and is one of six projects funded, out of 16 applications.

I hope you can see the impact that we've made and the importance of investing in both our marketing programs and tourism development projects. This is an industry that impacts every county in North Dakota and one that's an investment in the quality of life for North Dakotans. Increasing our reach will help continue to grow North Dakota's third-largest industry.



#### **North Dakota Travel and Tourism Industry Facts**

#### **Tourism Creates Jobs and Revenue in 2011**

- Non-resident spending contributed \$4.8 billion to North Dakota's economy, making tourism the third-largest industry after agriculture and oil.
- 33,351 jobs were created by travel and tourism economic activity.
- Approximately \$943 million in total wages and salaries were generated by travel and tourism.
- One out of every 12 jobs is attributed to tourism in North Dakota.

#### **Promotion Improves Image and Attracts Guests**

- Public relations efforts garnered more than 270 positive stories in 131 media outlets in 2012.
- Digital and social media and promotions reached a unique audience of more than 10.2 million.
- 17.2 million people visited North Dakota, an increase of 12.7% from 2008.
- · 60% of visitors are non-resident travelers.
- North Dakota was the 10th-most visited U.S. state by Canadians in 2011, spending 1.5 million nights (an 11% increase over 2010) and more than \$242 million.

# St. 25 billion Coal S1.7 billion Manufacturing \$2.42 billion Tourism \$4.8 billion

#### Advertising North Dakota returns on investment

- Every \$1 invested in advertising the state returned \$119 in visitor spending, including \$9 in tax revenue.
- Advertising generated 1.4 million trips to North Dakota.
- Advertising-generated visitor spending totaled \$231.6 million.
- Advertising's impact on North
   Dakota's overall image generated its
   highest performance to date 50%
   of both regional U.S. and Canadian
   travelers call North Dakota "a place
   I'd really enjoy visiting."



Kurt Repanshek is the founder and editor-in-chief of National Parks Traveler. He visited in June 2012 and to date has written 23 stories about North Dakota.

#### **Visitors Increase Local and Statewide Dollars**

- Each North Dakota visitor generates about \$174 in expenditures.
- Total tourism expenditures reached \$3 billion in 2011, an increase of 23.5% from 2008.
- North Dakota's 53 counties all recorded tourism growth from 2008 to 2011.
- Tourism generated \$571 million in federal, state and local taxes in 2011.
- Tax revenue generated by the tourism industry lessens the annual tax burden by \$943 for every North Dakota household.
- North Dakota led the nation in growth of travel expenditures in 2008, 2009 and 2010. It was up 15.8% in 2010, compared to the national average of 8%.

Source: Longwoods International; IHS Global Insight; Statistics Canada; North Dakota State University; U.S. Travel Association



#### **North Dakota Travel and Tourism Industry Facts**

2012 Industry Growth					
Quarterly Stats	3rd Quarter	YTD			
State Parks Visitors	8%	15%			
National Parks Visitors	4%	12%			
Attractions Visitors	35%	23%			
Visitor Centers Visitors	8%	11%			
Lodging Tax Revenue	22%	26%			
Deplanements	15%	19%			
Canadian Border Crossing	14%	30%			
Tourism-Generated Taxes	20%	25%			

#### **Travel Demand and Infrastructure Growth**

- North Dakota's hotel occupancy rates have been higher than the U.S. average since 2007.
  - North Dakota continues to lead the nation in hotel profitability with double-digit increases in Revenue Per Available Room (RevPAR) in 2009, 2010 and 2011. RevPAR is up 13.2% over 2011 through third quarter of 2012.
- Traffic into the state via auto crossings at Canadian borders and airport deplanements continues double-digit, year-over-year growth.
- National park sites, state parks, attractions and visitor centers all increased visitation in 2012.

#### **Attractions and Accommodations Expanding**

- In the past biennium, 49 tourism grants totaling \$1,089,600 were awarded, out of 144 projects applying for \$5.23 million.
- Five major tourism projects receiving tourism development grants opened in 2012.
- Hotel development is booming:
  - 42 new hotels have opened in the past two years adding 3,500 rooms to the state's inventory. While growth has happened in western North Dakota, new hotels also have opened or are under development in 11 communities east of U.S. Highway 83.
  - 38 properties are expected to open in 2013, adding another 3,600 rooms.
- AgriTourism interest remains high with travelers and visitor options and recreational
  packages are identified gaps in service an opportunity for future growth. Since the
  2011 passage of limited liability legislation, seven new agritourism businesses have registered with the Tourism Division for
  promotion, bringing the registered total to 22.

#### **Opportunities for Tourism Partners**

- North Dakota Tourism offers many partnership opportunities:
- · Group tour marketing
- · Sport show representation
- · International marketing
- · Brochure distribution
- · Niche marketing
- · Legendary merchandise
- Video/photo access
- NDTourism.com partner-managed listings
- Cooperative advertising offering reduced-rate ad buys
- · Marketing and media research
- · Distribution of partner press releases
- Digital strategy: website, blog, e-marketing, social media listings
- Publications: Travel Guide, Hunting & Fishing Guide
- Annual matched-grant programs: marketing, events, infrastructure









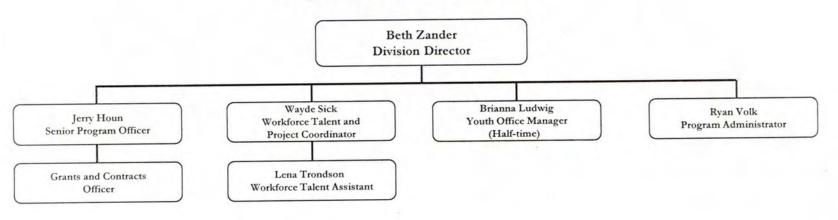
#### **Workforce Development**

#### IN THIS SECTION:

- Beth Zander's Testimony
- Workforce Development Strategic Plan
- Workforce Enhancement Grants Summary



# Division of Workforce Development Organizational Chart



# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 MARCH 15, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION ROUGHRIDER ROOM REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

#### BETH ZANDER - DIRECTOR OF THE 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.

The Division continues to engage in activities to help the state address its workforce needs. Our key activities include the following:

- Coordination of state strategic planning for workforce development. We formed the North Dakota Workforce Leadership Team in 2012 to develop and implement strategies to address the state's workforce needs. Our strategic plan, Strengthening Our Workforce, includes four primary goals that target preparing our future workforce, facilitating the connection between business and workforce, expanding and retaining workforce, and promoting North Dakota's learning and work opportunities. The strategic plan summary sheet is included in your documents. The North Dakota Workforce Leadership Team is comprised of representation from my division, Career and Technical Education, Department of Human Services, Job Service North Dakota, Adult Education, and the North Dakota University System. We meet regularly to implement plan strategies, consult on issues or opportunities, and share information.
- Coordination of workforce intelligence through a team of representatives from partner
  agencies. We also reach out to the economic development community to identify
  workforce intelligence solutions.
- The AmeriCorps program, which supports volunteerism to fill unmet community needs, while keeping individuals connected to their communities and providing them with educational assistance.
- Operation Intern, a program enacted in 2007 to expand internship, work experience and apprenticeship positions with North Dakota employers.
- The Relocation Program, by which we reach out to people interested in moving to North Dakota for employment. We are beginning efforts to expand our connections beyond individual contacts, to other household members. We want to increase our pool of workers. But we also want to engage the whole family in moving to North Dakota for the long term, rather than bringing one family member here temporarily, to make some money and return home.
- Workforce Enhancement Grants, enacted in 2007 to increase training responsiveness to employer needs through matching grants to the four designated training community colleges.
- During the current biennium, we developed an electronic portfolio pilot project in collaboration with Job Service North Dakota, North Dakota State College of Science, Valley City State University, and the NDUS Systems Office. This project is the result of

legislation enacted last session and it will end in June. We provided a report to the Budget Section in advance of the legislative session. Project members and students found the electronic portfolio to be an exciting tool for managing education and work information.

- We provide administrative support to the North Dakota State Commission on National and Community Service and the Faith & Community Based Initiatives Advisory Council. The missions of the two groups have similarities and we are pursuing uniting them for stronger, more effective results.
- The North Dakota Youth Office is designed to invite young people to stay in North Dakota by exposing them to the many ways to live, work and play in our great state. Tools such as the Youth Forward website, a collaborative North Dakota Youth Matters newsletter and video Career Conversations assist students, parents and educators in seeing the diverse, exciting opportunities at their doorstep.
- Our participation in collaborations such as Succeed 2020, Early Childhood Education Council, Statewide Visioning Strategy Coordinating Committee for Public Health, ND Center for Nursing Workplace Planning, Workforce Development Council, meetings of the College Technical Education Council (CTEC) and TrainND, and a joint Society for Human Resource Management (SHRM)/Governor's workforce conference planned for next fall exemplify our overall effort to bring together the many partners striving to ensure that North Dakota's workforce is sufficient and qualified to meet the needs of our growing economy.
- Childcare issues can create workforce issues. Quality childcare allows parents to go to
  work, confident that their children are in a safe, learning environment. We partner with
  the Division of Community Services and the Department of Human Services in efforts to
  expand quality childcare as a key component of workforce development.

We are requesting increased allocations in two areas, to expand ways in which we grow our workforce: Workforce Enhancement Grants and Operation Intern.

The Workforce Enhancement Grant program is funded at \$1.5 million for the current biennium and is budgeted at \$2 million for 2013-15. Funds are available to Bismarck State College, Lake Region State College, North Dakota State College of Science, and Williston State College for creation or enhancement of programs that address workforce needs of private sector companies. Approved grants must include dollar-for-dollar matching funds from the private sector. Current funds are fully committed and we continue to see high demand due to rapidly changing technology and strong need for skilled workers throughout the state. Match has exceeded the dollar-for-dollar requirement, demonstrating employer demand as well as the collaboration among colleges and industry.

The new or enhanced training made available this biennium includes mechatronics, high fidelity nursing simulation, energy programs, and precision agriculture. A summary of the 2011-13 grants within your accompanying documents shows the programs created or enhanced and the match provided.

Operation Intern emphasizes higher education internships in target industries. Matching funds equal to 50% of expenses up to \$3000 per school term for a maximum of two school terms per

position are available to businesses for 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.

Work experience activities such as internships, cooperative experience and apprenticeships are critical components in North Dakota's workforce development. They serve as a pipeline of fulltime employees, mitigate risk in new hires, and engage students with employers. North Dakota is experiencing unprecedented demand for workers, and it is critical that employers recognize the value of internships in their recruitment toolbox.

The Governor's budget increases Operation Intern funding from \$900,000 to \$1.5 million, which would be applied to two components:

- Increasing the pool of matching funds from \$900,000 to \$1.28 million. The program provided matching funds to 109 businesses for 361 individuals in the current biennium. Seventy-nine percent of the employers utilizing the program are in the state's target industries, and 47% of them are utilizing Operation Intern for the first time. Funds allocated for 2011-13 were fully committed last summer.
- Operating funds to increase the use of internship activities as critical components of workforce recruitment, skill development and career exploration. We will provide employers with tools and one-on-one assistance to create or grow internship programs. We will embark on a promotional campaign to ensure that employers and students understand the benefits of internships. And, we will create a strong partnership among the facilitators of internship activities throughout the state, such as higher education and Career and Technical Education. The partnership will collaborate to simplify processes, maximize promotion, and develop or enhance a shared website that will simplify the connection between employers and prospective interns. It will serve as a portal to career and internship information, support, and linkage to partner programs. Our vision is modeled after Indiana's statewide internship website, Indiana Intern.net, which highlights career opportunities and industries, posts promotional articles and success stories, and provides a labor exchange matching tool for internships.

Cooperative experience activities are akin to internships for high school students. We see potential for an expanded Operation Intern program to support cooperative experience in helping with an area of concern in our rural communities. That is, sole proprietors are nearing retirement or wanting to expand and are unable find replacements or partners in the business. By helping these sole proprietors to establish cooperative experience programs, we can expose local youth to occupational and business ownership opportunities they may not otherwise recognize.

We are also asking for an emergency clause on the appropriation so we can continue to offer the program during the upcoming spring and summer months.

Mr. Chairman, members of the committee, this concludes my testimony. I would be happy to answer your questions.



#### STRENGTHENING OUR WORKFORCE

North Dakota's Strategic Plan for Workforce Development

Vision: An enterprising workforce that drives North Dakota's global competitiveness, has regional access to exemplary skill development, embraces lifelong learning and contributes to state and community vitality.

#### GOAL 1: PREPARE OUR FUTURE WORKFORCE

- STRATEGY 1: Engage students, parents, schools and businesses in a comprehensive career planning process

  Expand the use of RUReadyND.com, an online computer-based career development system,
  and a statewide grade 7-12 career planning curriculum.
- STRATEGY 2: Expand access to career and technical education and training

  Make more career and technical program options available to more students statewide, helping to meet workforce demands and increase school completion rates.
- STRATEGY 3: Increase employer use of internships and cooperative work experiences

  Expand work-based learning through a core resource for information, promotion and assistance for internships and cooperative work experience activities.

#### GOAL 2: FACILITATE THE CONNECTION BETWEEN BUSINESS AND WORKFORCE

- STRATEGY 1: Build partnerships for future workforce needs and opportunities

  Enhance linkages between employers, students, parents and schools for shared understanding of workforce needs and opportunities.
- STRATEGY 2: Create a site for displaying employer-provided training and education resources

  Provide an online inventory of employer-provided opportunities such as scholarships, training, internships, speakers, etc. for access by youth, parents and other career influencers.



#### GOAL 3: EXPAND AND RETAIN OUR WORKFORCE

STRATEGY 1: Provide communities and employers with tools to support efforts to meet their workforce needs

Assist communities and employers as they encourage new workers and their families to make North Dakota their home.

STRATEGY 2: Establish a pilot program utilizing federal demonstration grant funds to train unemployed, underemployed and dislocated workers in oilfield and construction trade occupations

Focus on securing employment with North Dakota employers experiencing worker shortages. The grant places priority on veterans and Native Americans.

STRATEGY 3: Ensure the continuing competitiveness of North Dakota's employers by enhancing the knowledge and skills of current workers

Offer frequent opportunities to communicate with employers regarding existing training, training needs and the return on investment resulting from training.

#### GOAL 4: MAP WORKFORCE DEVELOPMENT ACTIVITIES FOR PLANNING AND PROMOTION

STRATEGY 1: Create an inventory of existing workforce development services and programs, and analyze for strategies and policy recommendations

Create a detailed map of the training, education and development activities available in North Dakota for identifying gaps and potential solutions, and promoting North Dakota's opportunities.

STRATEGY 2: Promote North Dakota's training and education opportunities

Market the value of North Dakota's career opportunities in-state and out-of-state to encourage current, new and future residents to work, stay and play in North Dakota.

#### North Dakota Workforce Leadership Team













Our purpose is to identify North Dakota's current and emerging workforce needs and work collaboratively to develop and implement strategic, goal-oriented action plans that strengthen our state's workforce.

#### Workforce Enhancement Grant Program 2011-2013 Biennium

#### Bismarck State College

High Fidelity Simulation for Dakota Nursing Program, \$150,000
 Funds to be used for purchase of high fidelity simulation equipment for simulation labs in the nursing and emergency technology programs. The equipment is to enhance the current labs and provide hands-on training geared toward much more complex medical scenarios (both inhospital and ambulance based patient care).

Degree and non-degree programs

o Available match: \$167,000

Enhanced Energy Labs, \$225,420
Funds will provide equipment for three energy industry related programs in order to address the demand for skilled workers: Instrumentation and Control, Mechanical Maintenance, and Renewable Generation. Equipment will be housed on BSC's main campus in the Bismarck Public Schools Career Academy (a shared facility) and the BSC Mechanical Maintenance facility in Mandan. This project enhances BSC's ability to offer hands-on training to more students at one time and expose them to more uniform training.

Degree and non-degree programs.

Available match: \$232,240

Precision Agriculture Program Enhancement, \$50,000
Funds will be used to enhance the precision agriculture component of curriculum for student in
the Agriculture Industry and Technology program (Associate in Applied Science Degree) and
the Farm and Ranch Management program (Associate in Applied Science Degree). Additional
precision agricultural equipment and software will be purchased; curriculum will be developed or
enhanced; and training provided for faculty.

Degree programs

Available match: \$90,170.

BSC Total: \$425,420

#### Lake Region State College

Precision Agriculture, \$288,600
Funding to develop curriculum, equip and deploy training to employees housed in agriculture implement dealerships, ag producers and other ag businesses. Includes training on GIS spatial imagery equipment, so that businesses can troubleshoot and assist customers with the high tech nature of modern farm equipment. Training modules address varying computer systems among the businesses and will be adapted to employer needs. The project has long-term potential for delivery of credit courses, certificates of mastery and degrees.

Non-degree programs

o Available match: \$288,600

LRSC Total: \$288,600

#### North Dakota State College of Science

- Mechatronics Training Initiative, \$375,000
  Funds are being used to develop a mechatronics training initiative. The field of mechatronics is a fusion of electrical / electronic control systems, computer technology, and mechanical systems. This proposal is designed to offer an Associate in Applied Science Degree in Mechatronics Technology by offering course modules and lab activities. It also provides current workforce with opportunities to upgrade skills.
  - Degree and non-degree programs
  - Available match: \$418,421
- Funds will be used to ensure safe operation and improve the durability of vehicles and equipment in the transportation, heavy-duty / diesel and manufacturing industries, technicians need to understand the importance of torque in fastening procedures. With these industries transforming as new technologies and new materials this training will assist with the changing in skills needed to maintain and repair cars, trucks, recreational vehicles manufacturing equipment and agricultural equipment. The skills needed are changing such that The National Coalition of Certification Centers (NC3) now recommends torque certification for all new technicians.
  - Degree and non-degree programs
  - Available match: \$96,278

NDSCS Total: \$425,000

#### Williston State College

Oilfield Training Programs, \$375,000
Funds are being used for two areas of training in the oil industry. The project includes hands on training for current and potential workers to have a clear understanding of safety in rig-up and rig-down activities for various frac jobs. The second area, Petroleum Technology degree and certificate programs, trains individuals to maintain the oil wells as lease operators or pumpers. This project will assist in developing the program in a quick-to-market format via three short-term certificate courses.

Degree and non-degree programs

Available match: #375,000

Pending Request: Mobile Equipment Training: \$32,500

WSC Total Awarded to Date: \$375,000

Total Funds Committed During 2011-13: \$1,514,020



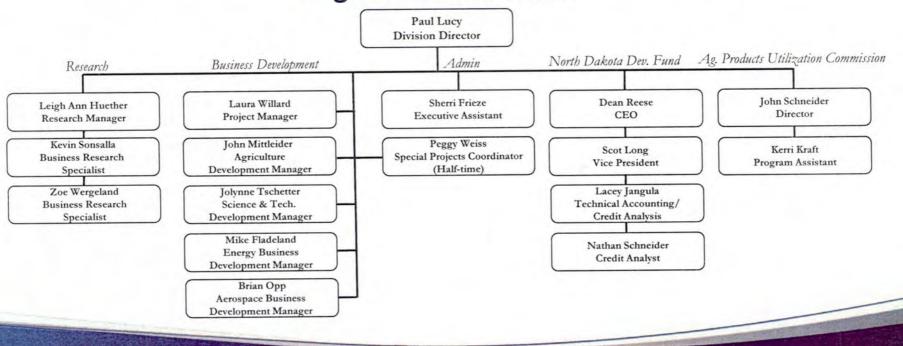
## Economic Development & Finance

#### IN THIS SECTION:

Paul Lucy's Testimony



# Division of Economic Development & Finance Organizational Chart



# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 MARCH 15, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION ROUGHRIDER 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 funding to be invested specifically into childcare services businesses. This childcare loan program is the only diversion from the primary sector business investment focus of the Development Fund.

The new childcare loan program began on July 1, 2009. As of March 1, 2013 there has been \$1,110,082 committed to childcare based loans to support 20 childcare operations. The childcare loan fund currently has a fund balance of just over \$572,708. This program has seen steady demand since its inception. The childcare loan program presently, through legislation, has a sunset clause of June 30, 2013. We are requesting a change in our Commerce agency bill to remove the sunset to allow the Development Fund to continue to make childcare loans as the fund continues to be replenished by repayments from existing and future loans.

The Development Fund received an additional appropriation in the 2011-2013 biennium in the amount of \$1,000,000 to be used for funding start-up primary sector technology-based businesses. The funding program is called the Small Business Technology Program. The Fund has received inquiries regarding the program, and has approved 1 funding request in the amount of \$50,000.

The ED&F budget is not requesting any additional appropriation for the Development Fund.

Regarding primary sector business investment activity; from July 1, 2011 to December 31, 2012, the Development Fund has funded 36 new projects for a total of \$8,537,069.

On June 30, 2013, the Development fund is projecting to have a cash balance of approximately \$8,811,347.34. The Development Fund has averaged approximately \$6.0 million in new loans/investments per year over the past 3 years, and averaged approximately \$4.5 million per year of loan/investment collections. The Development Fund covers all operating expenses, averaging \$401,808 per year, from its loan/investment returns.

If the Development Fund maintains the prior year's averages, it is estimated there will be approximately \$6.2 million available to make loans/investments in the final year of the 2013-2015 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 \$31 million in legislated general fund appropriations, but has also returned funds to the general fund of approximately \$2.7 million. In turn, the Development Fund has invested \$94.2 million in 546 projects involving 519 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 3.40 times more dollars than it has received in general fund appropriations.

The North Dakota Development Funds has averaged 26 projects a year since its inception and an average total funding per year of \$4.4 million. The average outstanding portfolio of the Fund from 1999 to 2012 has been \$19,875,210 (loans & equity). The Fund has averaged \$1,086,349 per year in average income and has had an average administrative expense of \$279,263. The average annual net income to the Fund after expenses has been \$818,769.

During the 2011-2013 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.

A copy of the North Dakota Development Fund's annual report is included in the testimony packet.

#### **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 20011-2013 biennium, APUC has awarded \$1,527,795 to 36 projects (including sponsorships). The breakdown into the various program areas are as follows:

- Basic and applied research = \$450,584
- Farm Diversification = \$26,000

- Marketing and Utilization = \$886,182
- Prototype Development = \$105,500
- Technology = \$0
- Technical Assistance = \$35,529
- Nature Based Agri-Tourism = \$21,000
- Sponsorships = \$3,000

APUC is currently one of the last state granting sources for companies looking to fund intangible costs necessary to move projects forward, but have difficulty in accessing capital to fund. This includes 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:

- Crunchfuls Inc. Marketing and Utilization APUC funds were used to assist with the
  development of a supplement bar utilizing North Dakota grown dry beans, peas, lentils,
  and chickpeas (DPLC). The DPLC's bar would be focused on bringing new and
  nutritious foods, like healthy recovery snack bars, to the Soldier Fueling Initiative
  Program for military subsistence.
- Dakota Sun Garden Nature Based Agri-tourism APUC supported this family operation by helping to defray the costs for marketing of the gardens and winery located near Carrington. Funds also assisted in the building of visitor attractions, and the development of a unique wine variety.
- Northern Corn Development Corp –APUC provided financial assistance for professional services involved in the business planning efforts to convert flared gas from oil wells into nitrogen fertilizer and other products. It is the intent of this planning effort to add value to crops raised using this fertilizer by claiming a reduction of greenhouse gas emissions.

The APUC general fund request for the 2013-2015 biennium is \$1,208,252. This reflects a \$500,000 decrease in general fund appropriation. The proposed budget also reflects an increase to APUC's special fund spending authority from \$738,284 to \$1,738,284.

It is also worth noting that a portion of APUC's past and present budget comes from dollars received from the agricultural fuel tax refund. The proposed budget bill proposes to eliminate a majority of these funds as a funding source for APUC. During the 2009 legislative session the legislature approved the transfer of 5% of the state mill and elevator's net income to the Agricultural Fuel Tax Fund to support APUC project funding.

We are also requesting continuing appropriation for the Agricultural Fuel Tax Fund or newly named Agricultural Products Utilization Fund.

The most recent APUC Grant Report (2010-2012) is included in the testimony packet.

#### **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. This team brings background and knowledge to the following target industries.

- Value-Added Ag
- Technology Based Business/Science & Technology
- o Energy
- o IT/Backoffice/Business Services
- o Manufacturing/Aerospace

Business development staff also includes expertise in the area of business retention & 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 rural North Dakota community lost a long-time employer in their community. ED&F staff has worked with an in-state entrepreneur to put together a finance package and coordinate state agency assistance to support their efforts to acquire the vacant facility and start-up a new company to replace the company that closed.
- Assisting out-of-state companies moving operations into North Dakota
  - EXAMPLE: The largest commercial provider of vendor credentials for the Department of Defense was searching for a location to site a development center. ED&F staff worked with the company and community to identify business finance and incentive offerings, and facilitate connections with appropriate government officials to support the company's needs. The company selected North Dakota to site their facility and hired 35 new employees their first year.
- Linking existing in-state businesses to new business opportunities
  - EXAMPLE: ED&F staff has worked with an out-of-state company interested in learning about contract manufacturer suppliers in North Dakota. ED&F staff hosted the company to visit/tour North Dakota manufacturers. The company continues to have discussions with a manufacturer that is expected to lead to a production contract.
- · Community & Company Capacity Marketing
  - EXAMPLE: The ED&F Research staff created and maintains an online system to assist communities to market their available buildings/properties as well as list all relevant community data to support on-line inquiries. 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
  - o 112 companies certified or recertified for Primary Sector status
  - o 13 companies certified or recertified for Seed Capital Investment Tax Credit

- 4 companies certified for Agricultural Business Investment Tax Credit status
- 14 Angel Funds certified to be eligible for the Angel Fund Tax Credit
  - 6 were re-certifications and 8 were newly certified angel funds
- 1 company certified as a Microbusiness
- Targeted marketing and business recruitment
- · Community & stakeholder support services
- · Liaison services between the private sector and State government and other public sector
- University linkage 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 and other efforts 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 2017 as a result of the location and expansion of these projects in the state.

- 2,300+ jobs (direct and indirect)
- · \$600+ million dollars of personal income
- \$125+ 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 .

- 84 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.

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 visited:

- 38 Communities
- 31+ Primary Sector companies

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.

We are occasionally asked why North Dakota continues to have an aggressive business development effort considering the state's positive economic situation. There are a number of reasons to do so, but I want to highlight a couple here.

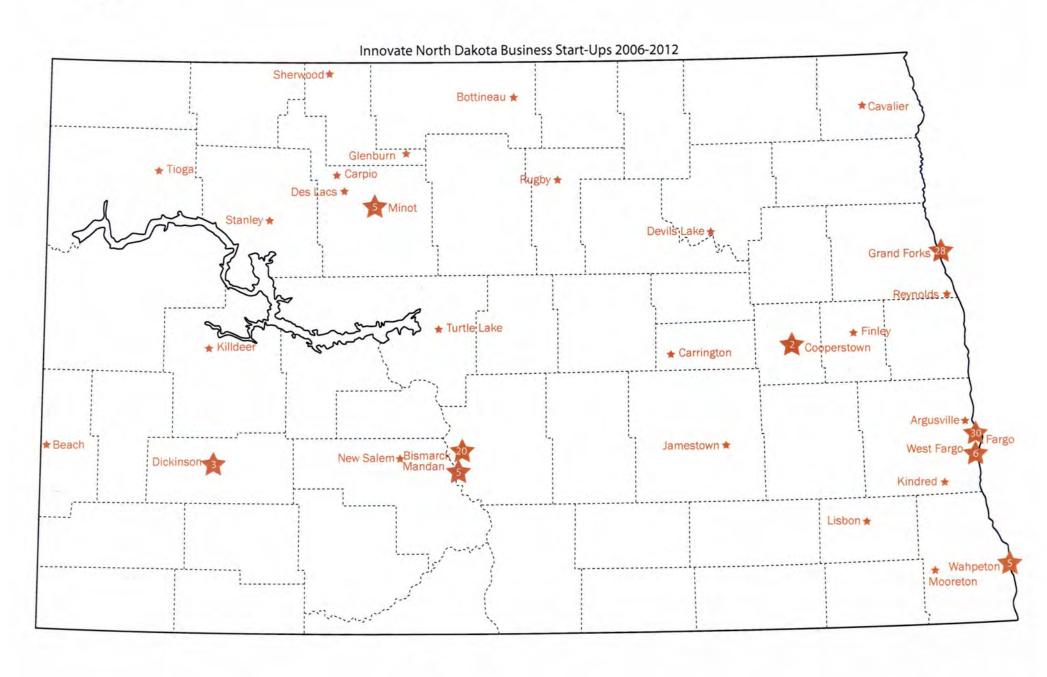
- The 2010 Census identified 41 counties that lost population from 2000 to 2010.
- 22 counties are still projected to lose population between 2010 to 2025
- We need to continually diversify the economy. As industries evolve and new industries
  develop, we don't want to miss out on developing industries in North Dakota that could
  potentially be a primary driver in the national and world economy.

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.





## Office of Innovation & Entrepreneurship

#### IN THIS SECTION:

- Justin Dever's Testimony
- Map of Innovate ND Startups
- Mark Nisbet's Testimony



# Office of Innovation & Entrepreneurship Organizational Chart

Justin Dever Office of Innovation & Entrepreneurship Manager

Entrepreneurship Program Manager

Research Program Manager

#### Centers of Excellence Testimony for Senate Bill 2018

## Mark Nisbet, Chairman, Centers of Excellence Commission

#### March 15, 2013

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 Centers of Excellence and Research Excellence program, the monitoring of the current centers, and the proposed Research North Dakota program.

#### **Building on Success**

We have provided you with copies of the 2012 Centers of Excellence and Research 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, 2012, the centers have spent \$44.1 million of the awarded funds and have leveraged over \$189 million from the private sector and other sources.

We commissioned North Dakota State University 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 \$635 million.

The program has lead to the creation of 1,082 direct jobs with an estimated annual payroll of \$69.2 million. Twenty-four 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 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 eleven centers in April, 2012, that had been in existence for three full fiscal years. Of these eleven, the Commission had determined that nine were on track to meet their desired economic impact, that the Center of Excellence in Life Sciences and Advanced Technologies needed improvement in order to achieve its desired economic impact, and that the Enterprise University did not meet its stated goals, but it did have a significant impact on the community of Valley City and positively impacted Valley City

State University. The VCSU Enterprise University was successful in helping launch Eagle Creek Software Services in Valley City, but was not been able to develop additional partnerships. The Department of Commerce worked with VCSU personnel, as well as local economic developers, in an effort to help them find additional partners to attract to Valley City. VCSU has returned \$200,000 of their \$1 million grant to the general fund. The Commission will be reviewing the centers again in the upcoming months to make another determination based upon the most recent data collected.

#### Research North Dakota Proposal

Governor Dalrymple recommends in his budget that we take a break from establishing new Centers of Research Excellence and instead focus on a Research North Dakota program. Research ND builds upon the successes of the Centers of Excellence and Research Excellence program and will utilize the improved research capabilities of UND and NDSU. Through Research ND, the Centers of Excellence Commission would award grants for research, development and commercialization projects that are done in collaboration with private partners. The return to the state will be in the form of new economic activity that will occur related to the commercialization of new technologies. This will lead to a growing and more diversified economy.

In order to access funding, personnel at a research university will develop proposals in cooperation with a private company. These proposals will then undergo an internal review process at the university to determine which proposals are ready to be forwarded to the Department of Commerce and ultimately to the Centers of Excellence Commission. The department reviews proposals for completeness and compliance and conducts due diligence to assist the Commission in determining the likelihood of a successful project. The applicants, including the university personnel and representatives from the private partner, will provide a presentation to the Commission and the Commission will then decide to approve or deny the proposal.

The focus of Research ND will be on projects related to the target industries including advanced manufacturing, energy, value-added agriculture, and technology-based businesses. This will include emerging technologies such as unmanned aircraft systems and the life sciences. This program will be used to support existing North Dakota businesses, startup businesses, and businesses that are willing to relocate commercialization activities within the state. The program will require a one-to-one cash match, similar to the matching requirements in the Oil & Gas, Lignite, and Renewable Energy research programs of the Industrial Commission.

I encourage your support for the Research North Dakota proposal included in SB 2018. I would be happy to answer any questions you may have.



## **UAS Test Site**

## IN THIS SECTION:

• Al Palmer's Testimony

#### **UAS Integration into the National Airspace System (NAS)**

Mr. Chairman and members of the Committee my name is Al Palmer. I'm here testifying today as the Chairman of the North Dakota Airspace Integration Team (ND AIT) in support of the \$5,000,000 proposed within the Department of Commerce budget to support the State's efforts to receive designation by the Federal Aviation Administration (FAA) as a Unmanned Aircraft System (UAS) test site (TS) and to fulfill the requirements of that designation. I serve on a volunteer basis in my role as AIT Chairman, appointed by the Governor and our Congressional Delegation to further our State's efforts to receive the NTS designation. My full time position is the Director of the UND Unmanned Aircraft Systems Center of Excellence in Grand Forks.

A little <u>background</u> on what has lead us to this request: The FAA governs all airspace access in the United States. Currently UAS are authorized to be flown only by <u>public entities</u>. These public entities must receive a special provision or waiver from the FAA called a <u>Certificate of Authorization</u> (COA) in order to fly in defined boundaries within the National Airspace System (NAS). Commercial uses of UAS are not allowed in the NAS.

On February 14, 2012 President Obama signed into law the Federal Aviation

Administration Modernization and Reform Act. This legislation requires the FAA to choose six (6) UAS test sites. These TS's will provide controlled environments where limited integration of UAS into the national airspace will occur. The test sites will become prime locations for industry to research, develop and deploy UAS and new technologies developed. Additionally, the UAS test site allows for the development of standards and serve as a blueprint for the eventual full and safe integration of UAS into the NAS. Congress also called for the full integration of UAS into the National Airspace System (NAS) by September 30, 2015. This includes the commercial use of UAS in the NAS.

The <u>FAA selection</u> process began on February 14, 2013 with final selection in <u>December 2013</u>. The FAA has stated that it does not anticipate that any of the six test sites will receive funding from the FAA.

According to Association of Unmanned Vehicle Systems International (AUVSI) President & CEO Michael Toscano: "Unmanned aircraft will be the next big revolution in the aerospace industry, and the creation of these test sites will mark the beginning of what will one day be a common occurrence, manned and unmanned aircraft safely flying together in the same airspace".

In a 2012 study, the <u>Teal Group estimates</u> that the global UAS market will nearly double over the next decade from current annual expenditures of about <u>\$6.6 billion to \$11.4 billion</u>. These expenditures include <u>UAS research</u>, <u>development</u>, <u>testing</u>, <u>evaluation</u>, <u>and procurement expenditures</u>. If UAS operations and maintenance expenditures are broadened and civilian and commercial applications are added, these totals will be <u>even greater</u>.

Becoming one of these six (6) UAS test sites is an extremely competitive process amongst numerous states across the country. The six (6) test sites are sure to become economic engines that attract significant private sector activity. If North Dakota receives the TS designation the State will be positioned to be a world leader in this fledgling, but burgeoning UAS industry and ultimately benefit from all the associated economic activity. North Dakota's action in developing a UAS test site capability creates the opportunity to develop the State's commercial UAS industry along with the attraction and development of new primary sector business that will develop to serve this emerging industry.

The UAS industry offers very high-paying research, technical and management jobs and should produce considerable scientific benefits. To date the reported non-military UAS economic impact for activities in North Dakota (2008-2011) is \$27M, providing 231 jobs and \$8.3M in direct payroll contributions. There are currently 15 companies and organizations operating in North Dakota.

Extremely conservative future impact numbers developed by the AIT's research forecasted that with the NTS designation North Dakota could see an additional 250 new jobs created with an impact of between \$160M and \$213M statewide over the next 10 years. Please understand that these numbers are very conservative projections.

A <u>significant influencing factor</u> in North Dakota's successful selection as one of six (6) UAS test sites is <u>statewide engagement and financial support</u>. <u>Economic sustainability</u> of the UAS test site will be <u>critical evaluation</u> factors in the FAA's selection process. The proposed Northern Plains Unmanned Aircraft Systems Test Site (NP UAS TS) requires investment from the State of North Dakota to <u>underwrite the start-up costs and labor associated</u> with an effort of this magnitude.

The <u>Legislature has supported</u> UAS development activity in the state in recent years. It is that past investment which has <u>positioned us as a frontrunner</u> in this FAA TS competition. UAS hold tremendous <u>potential to keep the public safe</u>, <u>create lasting jobs</u>, and <u>boost local economies</u> and further advance North Dakota as a <u>leader in technology and innovation</u>.

There are currently dozens of non-military uses of unmanned systems that North Dakota and the world can benefit from, including the use for <u>agriculture applications</u>, <u>law enforcement</u> & <u>disaster operations</u>, <u>search & rescue</u>, <u>environmental research</u>, <u>infrastructure monitoring</u> (i.e. <u>electrical lines</u>, <u>pipelines</u>, highways, etc.), <u>mapping and many more</u>.

North Dakota's efforts to pursue the TS designation are provided through the Airspace Integration

Team (AIT). This is an <u>appointed group of volunteers</u> made up of ND aviation professionals and

experts from across the state. <u>As mentioned earlier the AIT was formed in cooperation between the</u>

Governor and our Congressional delegation.

It is now time to take this effort beyond the volunteer status and bring it up to a level with a full-time director to lead the effort to receiving the designation and ultimately guiding the process for implementing the Northern Plains Unmanned Systems Test Site plan. The Director will fall under the oversight of what will be referred to as the Northern Plains Unmanned Systems Authority. This Authority, which is proposed to be created as a result of Executive Order will be made up of the following members: The Lieutenant Governor, serving as Chairman, and a representative from the following groups — North Dakota Aeronautics Commission, University of North Dakota Odegard

School of Aerospace Studies, North Dakota Department of Commerce, and the North Dakota Adjutant General's Office.

The FAA has stated that they will not be providing funding to support the TS activities implemented by the designated states. The Commerce budget is requesting \$1,000,000 to support the efforts to continue pursuing the TS designation and assure success. An additional \$4,000,000 would also be provided if North Dakota receives the FAA TS designation. These resources will be used to establish the UAS test site and fund operations while efforts continue to develop the commercial UAS industry in North Dakota. Particular focus of the funding will be applied in the areas of operations, airspace management research & engineering & technology, training & education and business & finance. The NP UAS TS will consider all options to minimize costs and leverage existing North Dakota resources, such as using existing capabilities at UND and the Odegard School's existing research, education, training, flight operations expertise and infrastructure.

As I stated earlier, funding for this activity is not anticipated from the FAA. Without State resources to support a TS initiative, North Dakota's opportunities to receive designation would be severely impacted.

Therefore I encourage you to support the Unmanned Aircraft Systems Program proposed in the North Dakota Department of Commerce budget.

I would be happy to answer any questions.



## **Partner Programs**

## IN THIS SECTION:

- Paul Govig's Testimony
- ND Trade Office

# DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018 MARCH 15, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION ROUGHRIDER ROOM REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

#### PAUL GOVIG-DIRECTOR, THE DIVISION OF COMMUNITY SERVICES

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
- · North Dakota Trade Office

#### Small Business Development Centers (SBDC)

The Small Business Development Centers 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.

Full time consultants are located in Minot, Bismarck, Grand Forks, Fargo, Jamestown, Dickinson, Williston and Wahpeton. Part time business advisors are located in Underwood, Crosby, Tioga, Watford City, Tri-County Regional Council, Grafton, Bowman, Beach, Devils Lake and Belcourt.

The proposed budget is \$767,044 which is the same as last biennium.

## Rural Development Council/Center for Technology and Business

The Department of Commerce contracts with the Center for Technology and Business to deliver the services of the Women's Business Development Office and the Rural Development Office. These programs are involved with computer education, rural outreach, rural housing, childcare and the North Dakota Young Professionals network.

During the past year, the Center for Technology and Business had the following results:

- 13 new business starts.
- · 69 jobs created.
- 1.861 clients trained.
- 39 clients counseled.
- Delivered courses to 329 students.
- · Delivered courses to 362 parents.

The proposed budget is \$205,000 which is the same as last biennium.

#### American Indian Business Development Office

The purpose of the office is to enhance the business opportunities available to Tribes and tribal members and improve the business climate on the reservations by:

- · Facilitating partnerships between American Indian and non-American Indian businesses.
- · Facilitating local community and business development on each reservation.
- Enhancing tourism development on the reservations.
- Facilitating effective partnering within and off the reservations to enhance community and economic development.
- Providing a link to government and private resources and programs.

The North Dakota Department of Commerce works closely with Scott Davis of the Indian Affairs Office to deliver this program. In addition, Al Nygard of Al Nygard Consulting was granted a contract to handle the actual day to day operations of the initiative.

The proposed budget is \$100,000 which is \$50,000 less than last biennium.

#### Dakota Manufacturing Extension Partnership (MEP)

Dakota MEP is committed to maximizing enterprise performance. They provide companies with services and access to public and private resources that enhance growth, improve productivity and expand capacity. They work with companies willing to invest in their future, to make improvements in the short term and to position themselves to be long-term competitors both domestically and internationally.

Dakota MEP is a leadership organization that provides value to those companies dedicated to creating new opportunities for their people and organizations. They strive to maximize enterprise performance including growth, innovation, productivity and profitability. Working with partners who share their mission-they specialize in helping companies develop best practices and supporting strategies which enable them to better compete today and tomorrow.

MEP has nine staff members. The proposed budget is \$950,000 which is the same as last biennium.

#### North Dakota Trade Office

The North Dakota Trade Office works to expand trade partnerships between North Dakota and the world. The Trade Office facilitates business between North Dakota's global companies and their clients through programs and services including the annual Big Iron Farm Show's International Visitors Program.

The Office is a public-private partnership dedicated to expanding trade through advocacy, education and expertise. The Trade Office and its network of International Business Resources

provide a full range of services to assist North Dakota's emerging and experienced global businesses throughout the export process.

The Trade Office has 14 employees. The proposed budget is \$2,613,400 which is the same as last biennium.

Information about the economic impact of the North Dakota Trade Office is included in the testimony packet.



#### Economic Impact: Biennium 2011 - 2013

#### Mission

The North Dakota Trade Office mission is to expand export volume through advocacy, education and expertise.

#### **State Funds**

The NDTO received \$2.613 million in state funding in the present biennium, with a match requirement of \$784,000 in private funds from exporters, export service providers and federal grant authorities.

#### **Profitable Entity for the State**

In the current biennium the NDTO has been true to its mission and has continued to be a highly profitable entity for the state.

Data based on surveys returned from NDTO members (representative sample) and data returned on surveys from North Companies who traveled on Trade Missions or who took part in reverse missions indicate these companies generated \$95.5 million in incremental export sales over the previous 12 months resulting in \$5.35 million in incremental state tax revenue. In essence, the annual state tax revenue generated from these members represents almost twice the state funding provided the NDTO during the biennium.

#### Increased NDTO membership by nearly 10%

July 2011 membership = 71 January 2013 membership = 76 Member renewal rate of 90%

#### **Expanded Global Offices**

NDTO currently has representation in China/Hong Kong, Kazakhstan, Singapore, Turkmenistan, Ukraine and South Korea. The first four countries listed have dedicated overseas representatives living in these markets to continue business development and to strengthen partner relations. South Korea is managed by one full-time NDTO employee currently residing in Fargo. 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 critical to advancing our success.





#### **Outreach and Resources to Members**

- Export Management Course: NDTO continued to offer our (for credit) Export Management Certificate Course in conjunction with the University of North Dakota (fall of 2011 and 2012) and North Dakota State University (spring of 2012 and 2013). The course was expanded to include Jamestown College in the fall of 2012. The course is 12 weeks and educates university students, export assistants, and international export staff with training from industry experts and business resource providers. The course is unique in that each week it is taught by experts in their field of international business. Panel discussions with an array of local business leaders provide students with insight into 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 to 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, 23 events were held, with 431 participants and a 90% satisfaction rating. The NDTO Trade Talks include technical export issues, high level trade discussions from experts, and country market experts. We are committed to utilizing local business resource 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 University of North Dakota, work up to 20 hours a week and full time over the summer. The students gain work experience related to their graduate studies and receive college credit and tuition assistance. Upon graduation, export assistants often 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 15 assistantships with nine of those filled and two are pending.
- Information Systems Updates: Four data software services, A to Z World Trade, KOMPASS, GTIS and Piers, were purchased by NDTO to assist North Dakota companies in gathering market research to gain a competitive edge in international markets. NDTO members have direct access to A to Z World Trade and KOMPASS as a member benefit. The other databases are used by NDTO to help increase exports for the State of North Dakota as a whole.
  - In 2012, NDTO also began implementation of Microsoft Dynamics Customer Relationship Management (CRM) system to serve as an in-house database for member





information including company contact, background information, benefit usage, market experience and project involvement.

- ExporTech: Launched in spring 2009, the ExporTech program is designed to help small to medium sized companies enter or expand into global markets by helping them 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 companies move quickly beyond just planning and into actual export sales. Our local team consists of Dakota Manufacturing Extension Partnership (MEP), US Commercial Service and NDTO. During the current biennium we have held two ExporTech programs and an additional program is being planned for spring 2013.
- Global Conference: The Global Business Connections conference focuses on bringing exporters together with service providers and international industry professionals for networking and information sharing centered around current subjects of international interest. Over the current biennium, the NDTO has changed Global Business Connections (GBC) from a conference that was held every other year to an annual conference. GBC 2012 was held on April 11, 2012 and featured Ben Stein as the keynote speaker. GBC 2013 will be held on February 19, 2013 in Bismarck, ND. Troy Hazard, Global Entrepreneur, Author and TV Host, is scheduled as the keynote speaker and moderator.

#### **Trade Missions**

- Escorted 60 companies to 8 countries
- Total reported immediate sales: \$1.35 million
- Total reported projected increase in sales: \$4 million

#### **Reverse Missions**

- Hosted 313 visitors from 27 countries with 159 companies participating
- Total reported immediate sales: 17.53 million
- Total reported projected increase in sales: \$72.9 million

#### The Road Ahead:

The road ahead will be challenging given the current worldwide economic situation:

Logistics and regulatory issues continue to be a problem for North Dakota exporters
adding to the cost of their products. NDTO will continue research on transportation and
the Food Safety Modernization Act in hopes of implementing a plans to address these
issues and maintain North Dakota's competitive edge in the international marketplace.





- We will explore new ways to promote NDTO and the benefits of exporting to small, North Dakota companies
- 3. Lack of skilled professionals in North Dakota continues to be an issue
- 4. Increasing membership while successfully catering to current members is an ongoing initiative
- Continue the Resource Management Initiative to solicit, educate and enable access to growth capital for North Dakota companies with substantial international expansion opportunities
- Access to assistance in finding qualified customers in priority markets will be sought after
- 7. Continue to develop the current workforce through ongoing education and training
- International management expertise/education must be increased significantly to enable export success on both sides of the ocean

#### **ND Export Growth**

What does trade means to North Dakota? Trade means jobs.

- In 2011 North Dakota exported nearly \$2 billion in manufactured goods, which supported over 23,606 manufacturing jobs.
- Manufacturing exports have increased 309% from 2000 to 2011
- North Dakota exports of agricultural products increased from \$3.02 billion in 2009 to \$3.96 billion in 2011, which accounts for 24 percent of jobs.
- North Dakota exports over \$500 million in services
- 1 in 3 acres of agricultural product is exported

#### **North Dakota Exports Economic Impact**

Total North Dakota Exports in 2011 were \$7.34 billion, which is a 27 percent increase over 2010.

#### Increased exports:

- √ \$3.37 billion in merchandise exports represents an 185% increase in 2011 over 2005 merchandise exports of \$1.2 billion; and one of the top three growth rates among the 50 states over that same time period.
- ✓ Increased merchandise exports in 2011 over 2010: \$857 million
- ✓ Estimated Gross State Product in 2011: \$34.3 million (adjusted for inflation)
- ✓ Estimated new state tax revenue: \$5.35 million
- √ NDTO member growth from 71 members in 2011 to 76 in 2013.



Attachmen 2. March 14, 2013 SB 2018



## **North Dakota State University**

Testimony on SB 2018: Research North Dakota Grant Program

> Philip Boudjouk, Ph.D. Vice President

**NDSU** 

RESEARCH, CREATIVE ACTIVITIES AND TECHNOLOGY TRANSFER

March 15, 2013

## **Introductory Comments**

- Good morning, Mr. Chairman, members of the committee, and Commissioner Anderson. Thank you for the opportunity to speak to you today about SB2018.
- My name is Philip Boudjouk. I am an Vice President of NDSU Office
  of Research, Creative Activities, and Technology Transfer (RCATT)
  and one of my roles at NDSU is to facilitate R&D interactions with
  the private sector to promote economic diversity and development
  through state funded programs such as Centers of Excellence
  (COE) and Centers of Research Excellence (CORE).
- I am here along with invited guests from certain private sector partners/companies to provide testimony in favor and support of SB2018, particularly the Research North Dakota and venture grants program

NDSU

## **Introductory Comments**

- NDSU is very excited about the Research ND and venture grants program –
  it is an outstanding program that helps to create new public-private R&D
  partnerships that will broaden and enhance the overall economic diversity in
  N.D. particularly in targeted industry clusters such as advanced
  manufacturing of electronics and new materials such as crop-based
  polymers, protective coatings, etc.
- Research ND and venture grants program enables the N.D. research universities to work with and for the private sector to perform commerciallyrelevant, market-driven R&D and commercialization activities that assist the private sector in improving the economic base of the state.
- Put another way, the Research ND Grant program permits the private sector to access the state-of-the-art research facilities, equipment, expertise and experience of faculty and staff of ND research universities to grow their business and thus promote economic diversity and development

## **Introductory Comments**

- Research ND Grant program not only builds upon the prior successes and achievements of the COE/CORE program that precedes it.... BUT – Research ND and the venture grants program goes above and beyond the COE/CORE program to foster new opportunities for N.D. research universities to partner with private sector to benefit North Dakota.
- In that regard, Research ND Grant program closely mirrors the business and research model that NDSU established for its COE and CORE centers, that is, private sector-driven, research, development, and commercialization of technologies and products.
- So.... the founding principles of Research ND are the same ones that NDSU follows in its COE/CORE R&D partnerships with the private sector.

NDSU

## **Introductory Comments**

- And.... we find that this model works well it produces outcomes and achievements that are highly valued by the private sector.
- In fact, NDSU has a small, pilot program that is similar to the Research ND venture grants program that has been successful in commercializing a new coating technology – R&D by NDSU added value and moved the coating from lab bench to market through a new startup company – Elinor Specialty Coatings LLC (first NDbased coating company)
- And.... I would like to provide you with some background information on other successful research, development, and commercialization activities by NDSU involving the private sector which will demonstrate why NDSU supports the Research ND and venture grants program specified in SB2018.

#### Business & R&D Model for NDSU COE/CORE Centers: Bridging the "Valley of Death" from Lab to Market

- Private sector is involved at very beginning of R&D
- Private sector needs drive R&D
  - Private sector-defined
  - Market-driven
  - Commercially-relevant
- Focused on commercialization of technologies & products
- Proven economic development outcomes:
  - Attract new companies to N.D.
  - Stimulate creation of startups and spinoffs in N.D.



NDSU

#### **NDSU Research delivers Results!**

R&D & Commercialization Partnerships with Private Sector: In-test or Deployed Technologies and/or Products

Safe RFID tagging technologies for munitions

Antimicrobial and insecticidal coatings to protect soldiers (manufactured in ND by Sioux Manufacturing & Triton-ND)

"Hard" coating technologies for construction and energy applications

Electronic technologies for skidsteer applications











**CATERPILLAR**°



**Bobcat** 

#### **NDSU Research delivers Results!**

R&D & Commercialization Partnerships with Private Sector: In-test or Deployed Technologies and/or Products

Mg-based, non-toxic anticorrosion primer coating for airplanes Akzo-Nobel - #1 in world





MicroObserver unattended ground sensors to protect assets, borders, etc.

Textron & Killdeer Mtn. Mfg. (manufactured in ND by Killdeer)



**TEXTRON Systems** Killdeer Mnt. Mfg.

Antifouling/fouling release marine coatings for ships PPG Industries - #2 in world





#### NDSU COE/CORE Centers deliver Commercial Results for Private Sector Partners!

Leverage Federal/State/Private Funding for Commercialization:

Federal R&D \$\$ & N.D. R&D \$\$ → New Tech & Products for Commercial Customers

NDSU



TEXTRON Systems Killdeer Mtn. Mfg.



MicroObserver sensor system: New vending machine tech

NDSU • Bobcat.

Microelectronic technologies: New electronic-based products







Biodefensive antimicro coatings: New coatings for biomedicine

NDSU





Marine coatings for ships: New materials for optics

## NDSU is Performing Market-driven, Commercially-relevant R&D with Private Sector Partners including Startups

- University-based startups an average of 1 startup per \$100 million in university R&D expenditures
- 6 startups and spinoffs involved with NDSU technologies and/or IP (4 since 2010) development of tech/IP portfolios is key!
  - Elinor Specialty Coatings LLC 1st Coatings company in N.D.
  - Treeminer Inc. datamining for security, health informatics, etc.
  - c2Renew Corp. Biocomposites from renewable crop waste
  - Dakota Technologies Inc. Fluorescence-based detection of environmental contaminants
  - Fluorescence Innovations Inc. Fluorescence-based diagnostics
  - Triton Systems-ND (a spinoff company) Plasma deposition-based thin film coatings for biomedical and defense applications









NDSU

#### NDSU COE/CORE is Current Platform for Market-driven, Commercially-relevant R&D with Private Sector Partners

- Promoted continuation and/or expansion of R&D, technical, manufacturing, or other business operations in N.D.
  - COE-CSP → Caterpillar Remanufacturing and Drivetrain
  - COE-CSP → Marvin Windows & Doors
- Promoted R&D and commercialization of technologies and/or products
  - COE-CSP → 4 technologies undergoing further commercialization
  - COE-CAEDM →1 technology fully commercialized and product being made/sold
- Created R&D and business relationships with new companies (several with operations or subsidiaries located in N.D.)
  - Mid-America Aviation and MOOG

INVISTA

PPG

Amity and AGCO

Arkema

CertainTEED

- Promoted startups in N.D.
  - COE-CSP → Elinor Specialty Coatings, LLC
- Attracted spinoffs of other companies to locate/operate in N.D.
  - Triton Systems, Inc. → New production and development center in NDSU-RTP

#### **Research North Dakota Program**

Next platform for N.D. research universities to perform not just R&D BUT also help private sector to commercialize technologies into products and thus grow private sector and ND

- Builds upon the successes (of prior COE/CORE program), but will do so in a far broader and more comprehensive manner with a focus on commercialization
- Stimulates formation of R&D and business relationships with existing & new companies and thus broaden and diversify the economy of N.D.
  - Research ND venture grants will promote startups and spin-offs in N.D.
  - Enables expansion of company's business & operations in N.D.
  - Attracts new companies to establish operations in N.D.











NDSU

#### Research North Dakota Program

New platform for N.D. research universities to perform not just R&D BUT also help private sector to commercialize technologies into products and thus grow private sector and ND

- Permits N.D. research universities to use state-owned facilities and equipment, utilize university personnel, and access other capabilities to assist the private sector in its market-driven, commercial activities
- Enables N.D. research universities to help the private sector be more competitive and profitable by assisting with creation of new technologies and/or products or improve or enhance existing products or technologies
- Assures that private sector will have access to R&D and commercialization capabilities of N.D. research universities











#### **Research North Dakota Program**

New platform for N.D. research universities to perform not just R&D BUT also help private sector to commercialize technologies into products and thus grow private sector and ND

- Utilizes NDSU's Core R&D Competencies: Advanced Materials
  - Established companies and other private sector entities in ND examples:
    - Caterpillar Remanufacturing and Drivetrain LLC
    - Mid-America Aviation
    - Technology Application Group
    - Amity
  - Startup and spinoff companies in ND examples:
    - Triton Systems-ND
    - Elinor Specialty Coatings











NDSU

#### **Research North Dakota Program**

New platform for N.D. research universities to perform not just R&D BUT also help private sector to commercialize technologies into products and thus grow private sector and ND

Utilizes NDSU's Core R&D Competencies: Microelectronics/hardware, software, and services

- Established companies and other private sector entities in ND examples:
  - Appareo
  - Doosan-Bobcat
  - AGCO (parent of Amity in Fargo)
  - MOOG (parent of Mid-America Aviation in Fargo)
  - John Deere Electronic Solutions
  - Sanford Health
- Startup and spinoff companies in ND examples:
  - Myriad Devices











#### **Research North Dakota Venture Grants**

New Platform for N.D. research universities to promote new startups and spinoff companies through university-developed technologies

- Will promote potential startups and spinoffs based upon or associated with NDSU technologies and/or IP
- Up to 7 startups (in various stages of development) interested in NDSU technologies & could benefit from Research ND venture grants:
  - New polymers & plastics from renewable crop oils
  - Polysilanes & other, related materials for batteries, PV/solar, electronics
  - Engineering of new, cardiovascular-based medical devices
  - Educational software
  - Biological testing of antimicrobial materials
  - New, laser-based, "technology for producing IC chips, LEDs, etc.
  - Agrobiotechnology-based, crop testing









NDSU

#### **Research North Dakota Program**

New platform for N.D. research universities to perform not just R&D BUT also help private sector to commercialize technologies into products and thus grow private sector and ND

Comments by Private Sector Partners of NDSU interested in Research ND Program:

Doosan-Bobcat

Troy Kraft, Vice President

**Triton Systems-ND** 

David Zupi, Director











## Thank you!

## **North Dakota State University**

Testimony on SB 2018: Research North Dakota Grant Program

Philip Boudjouk, Ph.D. Vice President

**NDSU** 

OFFICE OF RESEARCH, CREATIVE ACTIVITIES AND TECHNOLOGY TRANSFER

March 15, 2013

**NDSU** 

## **Additional Information**

**North Dakota State University** 

Testimony on SB 2018: Research North Dakota Grant Program

Philip Boudjouk, Ph.D. Vice President

NDSU

OFFICE OF RESEARCH, CREATIVE ACTIVITIES AND TECHNOLOGY TRANSFER

March 15, 2013

#### NDSU R&D of interest to Private Sector Agriculture and ag-biotechnology Life sciences: Biopharmaceuticals, genomics, & bioinformatics Chemistry Computer-assisted science and technology Energy-related simulation and modeling Oil & gas exploration & extraction Materials R&D Nanotechnology for energy-related materials Renewable specialty chemicals from plants Cellulosic → bio-based plastics Oxidative catalysis of crop oils Chemical feedstocks for plastics Liquid silanes (for making silicon used in): PV devices Advanced batteries



Attrohment 3.

March 15, 2013

513 2018

Senate Bill 2018 Testimony

Michael F. Moore, Assoc. Vice President, IP Commercialization & Economic Development, <a href="michael.fr.moore@und.edu">michael.fr.moore@und.edu</a>; or (701) 777-6709

Mr. Chairman and members of the committee, thank you for the opportunity to speak with you about this proposal for funding of Research North Dakota as brought forth in SB 2018. My name is Michael Moore, and I am the Associate Vice President for Intellectual Property Commercialization and Economic Development at the University of North Dakota.

Since the inception of the Centers of Excellence program, the University of North Dakota and its associated foundations have received 10 COE grants that have fostered relationships with private sector businesses and created jobs and economic activity in North Dakota. The nearly \$20M we have received through the Center of Excellence program has resulted in more than \$91M in matching funds and leveraged funds from sources other than state appropriations.

Overall, the entire research program at UND results in direct, indirect, and induced economic impacts of \$2.05 for every dollar of money invested in research, and in FY2012, resulted in the creation of nearly 1800 jobs in the state.

Funding for the Research North Dakota program will enable us to continue working with private sector companies who can benefit from collaborating with university researchers to solve problems and develop new products for their companies. This will contribute to the diversification of the North Dakota economy, making it even stronger and more resilient.

I'd like to share a few of our success stories with you.

Funding for the Center of Excellence for Unmanned Aircraft Systems led to partnerships with 25 companies and research institutions. Two large companies L3 & Northrup Grumman established offices here to work more closely with us, and one new company was started. We have partnered with NDSU in these efforts, as well as ND companies such as Fargo based Appareo Systems, and North Dakota is now well positioned to be one of 6 national test sites to be designated this year by the Federal Aviation Administration. These UAS test sites will provide critical information enabling the FAA to create a regulatory environment for

integration of UAS into the national airspace, thus creating further opportunities for economic growth

Avianax is an early-stage biotech company that is developing therapeutic antibodies produced in goose eggs, based on patents from UND. It is likely that they will have their first commercial product within the next year, antibodies that will prevent avian influenza in commercial poultry flocks. The United States Department of Agriculture has already indicated a desire to contract for 40 million doses as soon as the product is approved, and commercial poultry producers worldwide will create additional demand. These antibodies are produced in goose eggs. Avianax has a facility built for this purpose at Tolna, ND, and intends to add additional goose facilities in the area to support commercial production. A recent report to the Grand Forks Economic Development Corporation identified Avianax as a significant opportunity for value-added agriculture in the region. Avianax is also developing therapeutics for human disease to be produced from goose eggs, but commercialization of human drugs is a much longer process.

The SUNRISE Bio-products Center of Excellence is best known for its development of biofuels represented by a portfolio of five patents for which we are in licensing discussions, including a patent for biodiesel and bio-based jet fuel

that don't gel in the cold. The SUNRISE project includes research on other bio-based products besides fuel. Among their 12 private sector partners is Marvin Windows, which has a manufacturing plant in Grafton. SUNRISE researchers have studied the use of several bio-based chemicals that can be used in making window frames, particularly how environmental factors affect the stability of fungicides in window frames. Steven Fisher, a UND alum and an engineer on Marvin's R&D team, observed that "it's like having a company laboratory in Marvin's backyard without having to own it or run it. It's a pattern that's been shown to really work, and I'd like to keep it up" he said. (see Fall 2012 UND Discovery magazine)

The Petroleum Research, Education, Entrepreneurship Center of Excellence began in 2008. They received \$3M in COE funding and \$6.5M in initial matching funds. Since then, they have received an additional \$6.4M in external grants to build on their earlier work. They are working with 11 companies in the petroleum industry and several other universities. Research on Enhanced Oil Recovery shows that it is possible to improve oil recovery from the Bakken from 2-3% of the Oil in Place to at least 6% and possibly as much as 25%. They will be conducting additional field tests on enhanced oil recovery during this coming summer. They have also shown that the Bakken formation is larger than currently thought,

accounting for producing wells that were believed to be outside the Bakken.

These researchers are also working on water treatment technology and they've done field tests that show brackish water, frack-water, and production water with very high levels of total dissolved solids can be cleaned quickly and in large volumes, so this has the potential to solve a major problem.

These are some examples of the kind of partnerships and impact that UND has been able to achieve with funding from the Center of Excellence Program.

The University of North Dakota supports the proposed appropriation for Research North Dakota of \$12M for the upcoming biennium. The new requirement for a 1:1 cash match, instead of the 2:1 match (cash & in-kind) required previously, will be helpful in working with our partners outside the university. We would recommend that the company match of 1:1 be cash OR in-kind as that would allow earlier stage North Dakota companies to participate more readily as cash is not always available in these early stage ventures. We are committed to continued partnership with the private sector to grow business and the North Dakota economy.

# PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 3, after "54-45.5-10," insert "a new section to chapter 54-60,"

Page 10, after line 12, insert:

"SECTION 15. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Unmanned Aircraft Systems Program - Continuing appropriation.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties appointed by the governor when administering the test site. The department may charge fees that are sufficient for the test site to operate independently. The fees are appropriated to the department on a continuing basis and are not subject to cancelation under section 54-44.1-11. The department shall use competitive bidding while establishing and administering the test site as much as is reasonably possible, but the commissioner may waive or limit competition for good cause shown. If the governor deems it to be in the public interest, the commissioner may charter a public corporation to undertake functions relating to the test site, the corporation must possess all of the powers of a business corporation that are not inconsistent with this chapter."

Page 14, line 9, after the period insert "This funding is not subject to section 54-44.1-

Page 15, line 24, after "sections" insert "15,"

Renumber accordingly



# NORTH DAKOTA MILITARY FORCE STRUCTURE



# FY 2011 Economic Impact Analysis



Attachment 5, March 15,2013 SB 2018











Prepared by NDNG-PFO-IR

2 July 2012

- 1. Methodology / Availability of Information
- 2. Table 1 Personnel by Classification (By Location)
- 3. Table 2 Annual Payroll by Classification (By Location)
- 4. Table 3 Expenditures for Construction, Services, and Procurement of Materials, Equipment and Supplies. (By Location)
- 5. Table 4 Estimate of number of indirect jobs created. (By Location)
- 6. Table 4a Estimate of dollar value of indirect jobs created. (By Location)
- 7. Table 5 Total Annual Economic Impact Estimate (By Location)
- 8. Table 6 Personnel by Classification (By Component)
- 9. Table 7 Annual Payroll by Classification (By Component)
- 10. Table 8 Expenditures for Construction, Services, and Procurement of Materials, Equipment and Supplies. (By Component)
- 11. Table 9 Estimate of number and dollar value of indirect jobs created. (By Component)
- 12. Table 10 Total Annual Economic Impact Estimate (By Component)
- Table 11 Total Annual Economic Impact Estimate (By Location)
- 14. Charts
- Organizations

### Methodology / Availability of Information

The Economic Impact Analysis (EIA) provides unclassified key information about the resources and economic impact of the military on the State of North Dakota.

In fiscal year (FY) 2011 Military organizations employed 13,917 people and created about 3,900 indirect jobs in North Dakota. Annual payroll for military employees is approximately \$553.7M and indirect salaries are approximately \$157.6M. The military also has direct expenses for construction, services, materials, equipment and supplies of \$300.5M. Total military economic impact in North Dakota for Fiscal Year 2011 was estimated at about \$1.01 Billion.

The total economic impact of the military in North Dakota is calculated by totaling annual payroll, annual expenditures and estimated dollar value of indirect jobs created. The economic area for this report is the State of North Dakota. The indirect job multipliers were obtained from LMI Economic Impact database, Installations and Indirect/Induced Multipliers, Feb 95. The average annual pay for North Dakota was obtained from the North Dakota Workforce Intelligence, a statistics web site using State labor information from the 3<sup>rd</sup> quarter of 2011. This program analysis was prepared within the parameters of the Office of the Secretary of Defenses' economic impact analysis model. The funding sources used in this analysis are Appropriated Funds (AFP), Non-Appropriated Funds (NAF) and State Military Funds. Some figures were estimates based on known factors and are identified in the report. The Active Duty information was obtained from the Annual Economic Impact Analysis for the Grand Forks and Minot Air Force bases and information provided by Armed Forces Recruiting Stations.

National Guard is made up of North Dakota Army and Air National Guard units. Active Duty is made up of the Air Force bases at Minot and Grand Forks and the Armed Forces recruiting stations for Air Force, Army, Marines and Navy. The Reserves are made up of the Air Force at Minot; the Army at Bismarck, Fargo and Grand Forks; the Marines at Wahpeton and the Navy at Fargo.

FY11 National Guard data includes North Dakota State Military Department expenditures which were not included in previous years. It includes \$13.1M for State Active Duty payroll, \$4.2M for State Military Department payroll and \$5.3M for other ND State Military Department funded expenditures.

Information contained in this analysis is for the period 01 Oct 10 through 30 Sep 11 (Fiscal year 2011). The report is broken down by location (Tables 1-5) and military component (Tables 6-10). The information for this analysis was collected and compiled by NGND-PFO-IR.

TABLE 1
PERSONNEL BY CLASSIFICATIONS (By Location)

PERSONNEL BY CL	ASSIFICATIONS (By	Location) National	Active		
		Guard	Duty	Reserve	Total
1. Military Appropriated				-	-
Bismarck/Mandan		950	11	105	1,066
Fargo/West Fargo		1,375	15	216	1,606
Grand Forks		279	1,208	33	1,520
Minot		282	5,453	4	5,739
Other		1,316	1	62	1,379
	Total	4,202	6,688	420	11,310
2. Dependents					
Bismarck/Mandan		1,470	14	149	1,633
Fargo/West Fargo		2,106	18	306	2,430
Grand Forks		306	1,471	47	1,824
Minot		381	6,118	6	6,505
Other		1,698	1	88	1,787
	Total	5,961	7,622	596	14,179
3. Civilian Appropriated	1				
Bismarck/Mandan		240		11	251
Fargo/West Fargo		175		4	179
Grand Forks		13	373	1	357
Minot		10	640		650
Other		98			98
*Excepted technicians inc	cluded in part 1	(512)			(512)
The Street of the Street of the Street of Street	Total	24	1,013	16	1,053
4. Other					
Bismarck/Mandan		88			88
Fargo/West Fargo		84			84
Grand Forks		6	698		704
Minot		6	637		643
Other		65			65
	Total	249	1,335		1,584
Total Personnel and Dep	endents	10,436	16,658	1,032	28,126

<sup>\*</sup> National Guard Civilians are also military members and are included in with the Appropriated Civilians, therefore not added into the total personnel.

<sup>\*\*</sup> The number of dependents for Reserve was estimated, using the National Guard military member to

dependent ratio.

TABLE 2
ANNUAL PAYROLL BY CLASSIFICATION (By Location)

	National Guard	Active Duty	Reserve	<u>Total</u>
1. Military Appropriated				25.000.014
Bismarck/Mandan	\$27,684,089	\$630,559	\$623,659	28,938,307
Fargo/West Fargo	35,458,781	858,426	1,942,238	38,259,445
Grand Forks	6,586,390	50,203,314	231,313	57,021,017
Minot	9,965,709	248,086,589	9,129	258,061,427
Other	22,628,857	60,028	782,447	23,471,332
Total	\$102,323,826	\$299,838,916	\$3,588,786	\$405,751,528
2. Civilian Appropriated				
Bismarck/Mandan	\$22,214,103		\$525,731	\$22,739,834
Fargo/West Fargo	15,619,475		205,949	15,825,424
Grand Forks	938,425	27,985,268	43,964	28,967,657
Minot	767,698	37,068,406		37,836,104
Other	5,715,459			5,715,459
Total	\$45,255,160	\$65,053,674	\$775,644	\$111,084,478
3. Other				
Bismarck/Mandan	\$ 7,352,261		20	\$7,352,261
Fargo/West Fargo	5,701,502			5,701,502
Grand Forks	331,825	9,086,157		9,417,982
Minot	6,876,533	6,556,894		13,433,427
Other	969,352			969,352
Total	\$21,231,473	\$15,643,051		\$36,874,524
4. Total Annual Payroll				
Bismarck/Mandan	\$57,250,453	\$630,559	\$1,149,390	\$59,030,402
Fargo/West Fargo	56,779,759	858,426	2,148,186	59,786,370
Grand Forks	7,856,640	87,274,739	275,277	95,406,656
Minot	17,609,940	291,711,889	9,129	309,330,958
Other	29,313,668	60,028	782,447	30,156,143
_	\$168,810,459	\$380,535,641	\$4,364,430	\$553,710,530

The payroll for Army Reserve was estimated because actual payroll information was not available.

The National Guard totals include payroll of deployed soldiers.

EXPENDITURES FOR CONSTRUCTION, SERVICES, AND PROCUREMENT OF MATERIALS, EQUIPMENT AND SUPPLIES (By Location)

		National Guard	Active <u>Duty</u>	Reserve	<u>Total</u>
1. Constructio	n				
Bismarck/M	andan	\$71,953			\$71,953
Fargo/West	Fargo				
Grand Forks	3		8,974,506		8,974,506
Minot			70,657,225		70,657,225
Other		12,523,046			12,523,046
		\$12,594,999	\$79,631,731		\$92,226,730
2. Services, N	laterials, Equip	ment and Supplies F	Procurement		
Bismarck/M		\$28,798,416		\$101,307	\$28,899,723
Fargo/West	Fargo	13,433,736		198,007	13,631,743
Grand Forks		1,337,843	63,268,006	40,774	64,646,623
Minot		34,555,255	57,439,721		91,994,976
Other		8,922,934		209,908	9,132,842
		\$87,048,184	\$120,707,727	\$549,996	\$208,305,907
3. Total Annua	al Expenditures				
Bismarck/Ma		\$28,870,369		\$101,307	\$28,971,676
Fargo/West	Fargo	13,443,736		198,007	13,631,743
Grand Forks		1,337,843	72,242,512	40,774	73,621,129
Minot		34,555,255	128,096,946		162,652,201
Other		21,445,980		209,908	21,655,888
		\$99,643,183	\$200,339,458	\$549,996	\$300,532,637

The Reserve expenditures were estimated by component personnel based on credit card authorizations.

TABLE 4
ESTIMATE OF NUMBER OF INDIRECT JOBS CREATED (By Location)

Type of Personnel	National Guard	Active <u>Duty</u>	Reserve	<u>Total</u>	Multiplier	Indirect Jobs <u>Created</u>
Bismarck/Mandan						
Active Duty / AGR	158	11		169	0.29	49
Reserve / Traditional	573		105	678	0.13	88
AF Civilian / Technicians	240		11	251	0.43	108
NAF Civilians / BX / PX	2			2	0.43	1
State Employees	55			55	0.43	24
Contractors / Private Bus.	31			31	0.43	13
Contraction of the state of the	1,059	11	116	1,186		283
Fargo/West Fargo	.,					
Active Duty / AGR	155	15	8	178	0.29	52
Reserve / Traditional	1,046		208	1,254	0.13	162
AF Civilian / Technicians	176		4	180	0.43	77
NAF Civilians / BX / PX	7			7	0.43	3
State Employees	57			57	0.43	25
Contractors / Private Bus.	23			23	0.43	10
Contractors / I rivate bus.	1,464	15	220	1,699		329
Grand Forks	.,					
Active Duty / AGR	26	1,208	1	1,235	0.29	358
Reserve / Traditional	240	1984	32	272	0.13	35
AF Civilian / Technicians	13	373	1	387	0.43	166
NAF Civilians / BX / PX		241		241	0.43	104
State Employees	3			6	0.43	2
Contractors / Private Bus.	3	457		460	0.43	198
Contractors / Private bus.	285	2,279	34	2,598		863
Minot						
Active Duty / AGR	81	5,453		5,534	0.29	1,604
Reserve / Traditional	190		4	194	0.13	25
AF Civilian / Technicians	10	640		650	0.43	280
NAF Civilians / BX / PX		371		371	0.43	160
State Employees	4			4	0.43	2
Contractors / Private Bus.	2	266		268	0.43	115
Contractors / 1 mate bac.	287	6,730	4	6,927		2,186
Other						
Active Duty / AGR	117	1	9	122	0.29	37
Reserve / Traditional	1,101		53	1154	0.13	150
Civilian Technicians	97			97	0.43	42
NAF Civilians / BX / PX	6			6	0.43	3
State Employees	54			52	0.43	23
Contractors / Private Bus.	5			2	0.43	2
Contractors / I fivate bus.	1,380	1	62	1,443		257
Total	4,475	9,036	436	13,947		3,918

TABLE 4a
ESTIMATED ANNUAL DOLLAR VALUE OF JOBS CREATED (by location)

	Indirect Jobs	Average Annual <u>Salary</u>	Amount
Bismarck/Mandan	283	\$40,560	\$11,475,235
Fargo/West Fargo	329	\$42,796	\$14,099,143
Grand Forks	863	\$37,492	\$32,342,099
Minot	2,186	\$40,820	\$89,235,378
Other	257	\$42,640	\$10,937,586
Culor	3,918		\$158,089,441

Multiplier: LMI Economic Impact database, Installations and Indirect/Induced Job Multipliers, Feb 95.

The average annual salary was taken from  $\underline{www.ndworkforceintelligence.com}\,$  for the  $3^{rd}$  quarter of 2011.

TABLE 5
TOTAL ANNUAL ECONOMIC IMPACT ESTIMATES (By Location)

	National Guard	<b>Active Duty</b>	Reserve	Total
Annual Payroll				
Bismarck/Mandan	\$57,250,453	\$630,559	\$1,149,390	\$59,030,402
Fargo/West Fargo	56,779,759	858,426	2,148,186	59,786,370
Grand Forks	7,856,640	87,274,739	275,277	95,406,656
Minot	17,609,940	291,711,889	9,129	309,330,958
Other	29,313,668	60,028	782,447	30,156,143
	\$168,810,459	\$380,535,641	\$4,364,430	\$553,710,530
Annual Expenditures				
Bismarck/Mandan	\$28,870,369		\$101,307	\$28,971,676
Fargo/West Fargo	13,443,736		198,007	13,631,743
Grand Forks	1,337,843	72,242,512	40,774	73,621,129
Minot	34,555,255	128,096,946		162,652,201
Other	21,445,980		209,908	21,655,888
	\$99,643,183	\$200,339,458	\$549,996	\$300,532,637
Estimated Annual Dollar V	/alue of Jobs Created			
Bismarck/Mandan	\$10,600,356	\$129,386	\$745,493	\$11,475,235
Fargo/West-Fargo	12,582,880	186,163	1,330,100	14,099,143
Grand Forks	1,758,750	30,400,388	182,961	32,342,099
Minot	2,247,957	86,966,194	21,226	89,235,377
Other	10,520,141	12,366	405,080	10,937,587
	\$37,710,084	\$117,694,497	\$2,684,860	\$158,089,441
GRAND TOTAL				35 co.e.a. 076
Bismarck/Mandan	\$96,721,178	\$759,945	\$1,996,190	\$99,477,313
Fargo/West Fargo	82,796,375	1,044,589	3,676,293	87,517,257
Grand Forks	10,953,233	191,368,580	499,012	201,369,884
Minot	54,413,152	506,775,029	30,355	561,218,536
Other	61,279,789	72,394	1,397,435	62,749,618
GRAND TOTAL	\$306,163,727	\$698,569,596	\$7,599,285	\$1,012,332,608

TABLE 6
PERSONNEL BY CLASSIFICATIONS (By Component)

	National <u>Guard</u>	Active <u>Duty</u>	Reserve*	Total
1. Military Appropriated				
Air force	1,012	6,660	4	7,676
Army	3,190	15	255	3,460
Marines		4	62	66
Navy		9	99	108
Total	4,202	6,688	420	11,310
2. Dependents				
Air force	1,598	7,582	6	9,186
Army	4,363	21	362	4,746
Marines		6	88	94
Navy		13	140	153
Total	5,961	7,622	596	14,179
3. Civilian Appropriated General scale and wage grade	536	1,013	16	1,565
Excepted technicians included in part 1 **	(512)			(512)
Total _	24	1013	16	1,053
4. Other				
State Employees	170			170
Civilian NAF	11	385		396
Civilian BX/PX		227		227
Contract Employees	64	694		758
Private Business	4	29		33
Total	249	1,335		1,584
Total Personnel and Dependents	10,436	16,658	1,032	28,126

TABLE 7
ANNUAL PAYROLL BY CLASSIFICATION (By Component)

	National <u>Guard</u>	Active <u>Duty</u>	Reserve *	<u>Total</u>
1. Military Appropriated			11.002	170
Air force	\$35,018,919	\$298,272,430	\$9,129	\$333,300,478
Army	67,304,907	895,991	1,872,963	70,073,861
Marines		182,695	782,447	965,142
Navy		487,800	924,247	1,412,047
Total	\$102,323,826	\$299,838,916	\$3,588,786	\$405,751,528
2. Civilian Appropriated				
Civilian Employees	\$45,255,160	\$65,053,674	\$775,644	\$111,084,478
Total	\$45,255,160	\$65,053,674	\$775,644	\$111,084,478
3. Other				
State Employees	\$17,292,473			\$17,292,473
Civilian NAF	40.000	7,340,138		7,340,138
Civilian BX/PX/DECA	455,000	4,162,971		4,617,971
Cont/Private Employees**	3,484,000	909,942		4,393,942
Homeland Security	73.	3,230,000		3,230,000
Total	\$21,231,473	\$15,643,051		\$36,874,524
Total Annual Payroll	\$168,810,459	\$380,535,641	\$4,364,430	\$553,710,530

<sup>\*</sup>The Reserve payroll was estimated based on known members because actual payroll amounts were not available.

<sup>\*\*</sup> The National Guard contract employees payroll was estimated because actual payroll amounts were not available

# TABLE 8 EXPENDITURES FOR CONSTRUCTION, SERVICES, AND MATERIALS (By Component)

		National <u>Guard</u>	Active <u>Duty</u>	Reserve	<u>Total</u>
1.	Construction				
	Military Construction Program Military Family Housing	\$12,594,999	\$30,699,648 17,810,982 31,115,247		\$43,294,647 17,810,982 31,115,247
	Operations and Maintenance Other		5,854		5,854
	Total	\$12,594,999	\$79,631,731		\$92,226,730
2.	Services, Materials, Equipment and Supplies Procurement	\$87,048,184	\$120,707,727	\$549,996	\$208,305,907
3.	Total Annual Expenditures	\$99,643,183	\$200,339,458	\$549,996	\$300,532,637

TABLE 9
ESTIMATE OF NUMBER AND DOLLAR VALUE OF INDIRECT JOBS CREATED (By Component)

Type of Personnel	National <u>Guard</u>	Active <u>Duty</u>	Reserve	<u>Total</u>	Multiplier	Indirect Jobs Created
Active Duty Military	537	6,688	18	7,189	0.29	2101
Traditional	3,150		402	3,611	0.13	462
AFP Civilian	536	1,013	16	1,563	0.43	673
Other Civilian	252	1,335		1,584	0.43	682
TOTAL	4,475	9,036	436	13,947		3,918

### Estimated Number of Indirect Jobs Created.

Active Duty		2,950
National Guard		904
Reserve		64
	Total Jobs Created	3.918

### Estimated Annual Dollar Value of Jobs Created.

Active Duty		\$117,694,497
National Guard		37,710,084
Reserve		2,684,860
	<b>Estimated Total</b>	\$158,089,441

Multiplier:

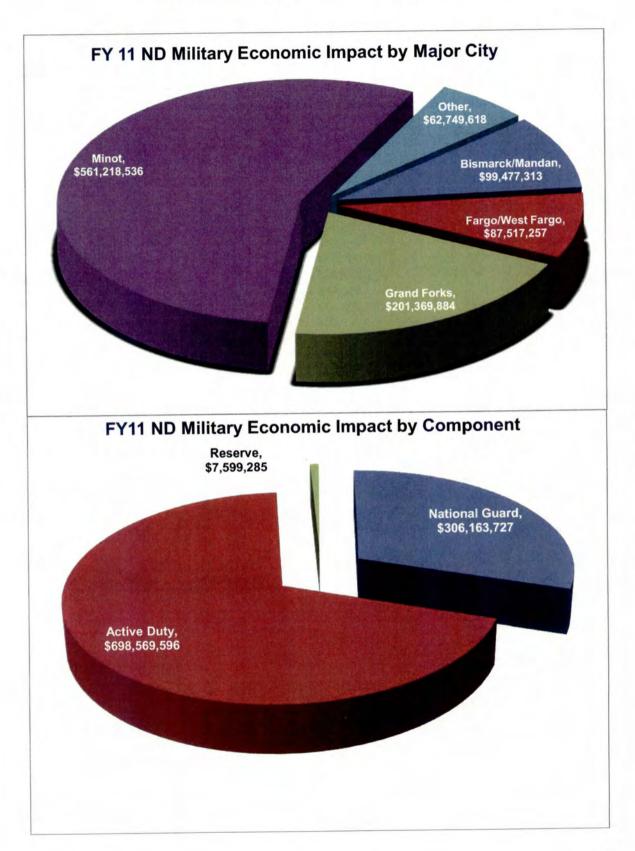
LMI Economic Impact database, Installations and Indirect/Induced Job Multipliers, Feb 95

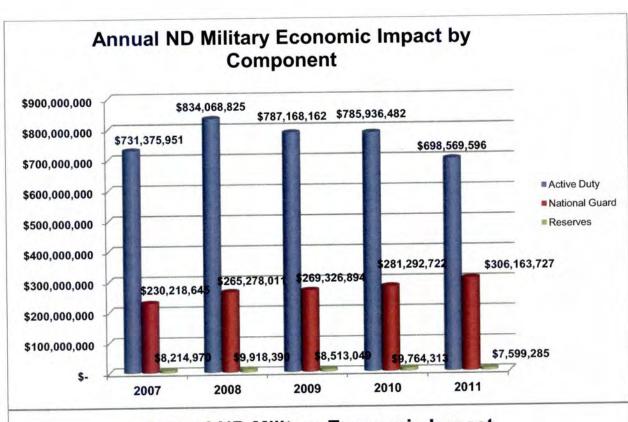
TABLE 10
TOTAL ANNUAL ECONOMIC IMPACT ESTIMATE (By Component)

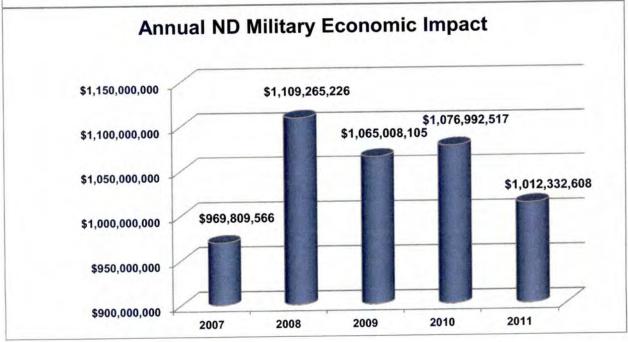
Annual Payroll		Nationa <u>l</u> <u>Guard</u>	Active <u>Duty</u>	Reserve	<u>Total</u>
	Military	\$102,323,827	\$299,838,916	\$3,588,785	\$405,751,528
	Fed Civilian	45,255,160	65,053,674	775,644	111,084,478
	Other Civilian	21,231,473	15,643,051		36,874,524
		\$168,810,460	\$380,535,641	\$4,364,429	\$553,710,530
Annual Expenditures		\$99,643,183	\$200,339,458	\$549,996	\$300,532,637
		\$99,643,183	\$200,339,458	\$549,996	\$300,532,637
Estimated Annual	Dollar Value of Jo	bs Created. \$37,710,084	\$117,694,497	\$2,684,860	\$158,089,441
		\$67,776,664	<b>V</b> 111,00 1,101	<del></del>	
TOTAL		\$306,163,727	\$698,569,596	\$7,599,285	\$1,012,332,608

TABLE 11
TOTAL ANNUAL ECONOMIC IMPACT ESTIMATE (By Location)

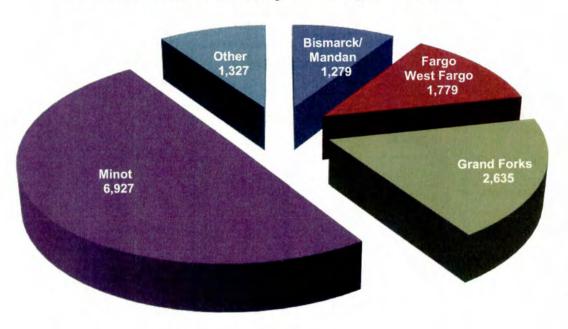
	National <u>Guard</u>	Active <u>Duty</u>	Reserves	<u>Total</u>
Bismarck / Mandan	\$ 96,721,178	\$759,945	\$1,996,190	\$99,477,313
Bottineau	718,934			718,934
Cando	302,908			302,908
Carrington	711,942			711,942
Cavalier	225,912			225,912
Devils Lake	40,998,514			40,998,514
Dickinson	1,636,010			1,636,010
Edgeley	753,904			753,904
Fargo / West Fargo	82,796,375	1,044,589	3,676,293	87,517,257
Garrison	7,055			7,055
Grafton	225,121			225,121
Grand Forks	10,953,233	189,917,639	499,012	201,369,884
Hazen	142,158			142,158
Hettinger	141,324			141,324
Jamestown	2,751,180	72,394		2,823,574
Lisbon	482,838			482,838
Mayville	508,027			508,027
Minot	54,413,152	506,775,029	30,355	561,218,536
Mott	440,084			440,084
Oakes	353,051			353,051
Rugby	381,317			381,317
Valley City	4,195,163			4,195,163
Wahpeton	4,427,049		1,397,435	5,824,484
Williston	1,462,542			1,462,542
Wishek	414,756			414,756
TOTAL	\$306,163,727	\$698,569,596	\$7,599,285	\$1,012,332,608

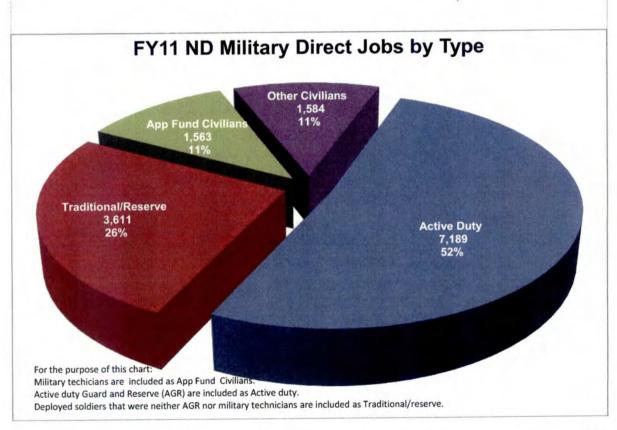


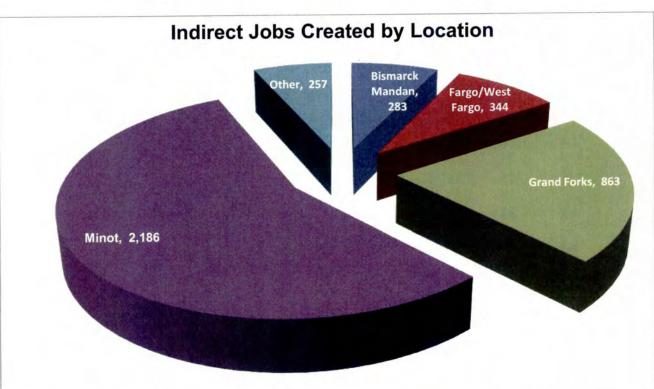


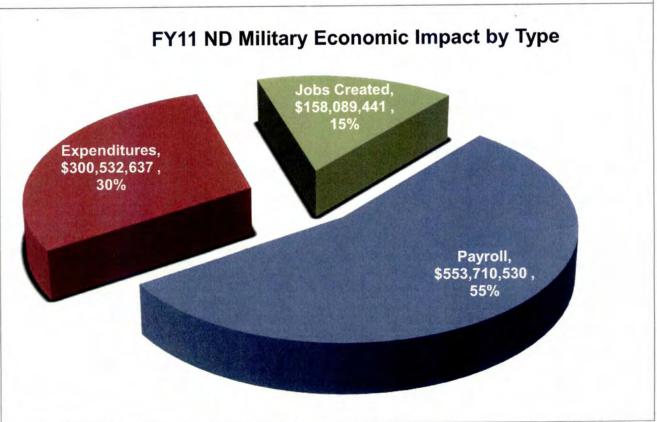


# **FY11 ND Direct Military Jobs by Location**









### **ORGANIZATIONS**

The following Military organizations in North Dakota have been represented in this analysis.

Army Reserve-State-wide

Grand Forks Air Force Base- Grand Forks ND

Marine Reserves- Wahpeton ND

Minot Air Force Base- Minot ND

Naval Reserve- Fargo ND

North Dakota Army National Guard State-wide

North Dakota Air National Guard- Fargo, ND

Army Recruiting Stations State-wide

Marine Recruiting Stations State-wide

Air Force Recruiting Stations State-wide

Navy Recruiting Stations State-wide



OUR MAGNIFICENT GREAT ROOM FEATURES STUNNING LOG AND STEEL ARCHITECTURE.



AN AMAZING VIEW OF FARM & RANCH COUNTRY LIKE YOU'VE NEVER SEEN BEFORE.



ENJOY HEARTY HOMEMADE MEALS PREPARED IN OUR KITCHEN FOR YOU OR BY YOU.



COTEAU DES PRAIRIES LODGE IS TRULY A ONEOF-A-KIND GETAWAY EXPERIENCE. YOU WILL
FIND YOURSELF AT HOME AT OUR RUSTIC, YET
REFINED LODGE, CONSTRUCTED WITH NATIVE
NORTH DAKOTA PINE. NESTLED ON A REMOTE
HILLTOP IN AN ACTIVE CATTLE PASTURE, YOU
WILL FIND A NEW KIND OF RELAXING
VACATION. CREATED AND OPERATED BY A
FARMING FAMILY, THE LODGE ATMOSPHERE
EMBODIES THE AGRICULTURAL LEGACY OF
SOUTHEAST NORTH DAKOTA. LET YOUR
IMAGINATION RUN AND YOUR SPIRIT SOAR AT
COTEAU DES PRAIRIES LODGE!

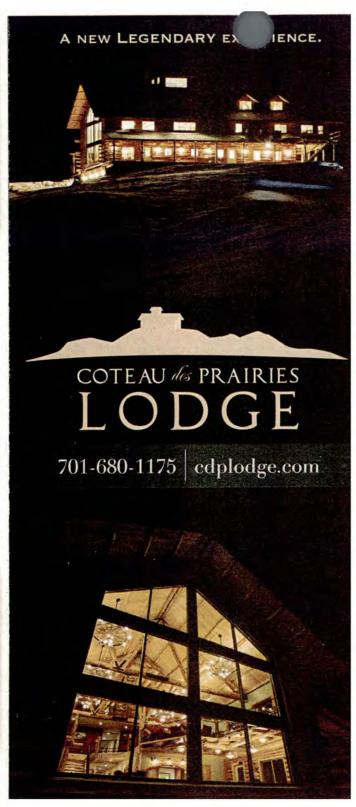
FOR MORE INFORMATION OR FOR RESERVATIONS VISIT OUR WEBSITE AT CDPLODGE.COM OR CALL 701-680-1175







COTEAU DES PRAIRIES LODGE 9953 141ST AVE SE, HAVANA, ND 58043



EACH OF OUR 10 BEDROOMS HAVE UNIQUE THEMES WHICH REFLECT OUR COMMUNITY.

PRIVATE BATHROOMS ARE INCLUDED WITH EACH BEDROOM.

FREE WIFI IS AVAILABLE IF YOU MUST STAY CONNECTED TO THE OUTSIDE WORLD.

CONTINENTAL BREAKFAST IS INCLUDED WITH YOUR STAY.

PREMIUM MEALS PREPARED FOR YOUR GROUP UPON REQUEST. PLEASE CALL AHEAD.

CALL 701-680-1175 FOR RATES OR CHECK ONLINE AT CDPLODGE.COM



SPACIOUS PATIOS MAKE THE LODGE THE PLACE TO BE FOR SUNRISES AND SUNSETS.

# Get away to the 'Real Daksta'





REUNIONS

VACATIONS

WEDDINGS

RECEPTIONS

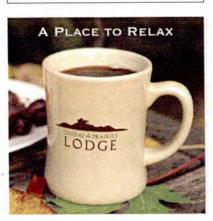
MEETINGS

FARM EXCURSIONS

**HUNTING & FISHING** 

**OUTDOOR RECREATION** 

QUILTING & CRAFTING





### A PLACE FOR ADVENTURE





Attachment 7. March 15, 2013 SB 2018



PO BOX 2639 · BISMARCK, NORTH DAKOTA 58502

# Testimony of Economic Development Association of North Dakota SB 2018 March 15, 2013

Chairman Skarphol,

Thank you for the opportunity to be here today. My name is Keith Lund. I am vice president of the Grand Forks Region Economic Development Corporation and vice president of the Economic Development Association of North Dakota, or EDND. It is in that capacity that I am testifying before you today.

EDND is the voice of the state's economic development community. Our primary mission is to increase economic opportunities for residents of the State by supporting the creation of new wealth.

Research North Dakota, included in SB 2018, builds upon the state's visionary investments in research and commercialization and is strongly supported by EDND. Our state's universities are critical assets we leverage to drive private-sector research, growth and innovation, as well as economic diversification.

The research investments you have made to date are creating jobs and new wealth in sectors including life sciences, technology, energy, and aerospace. There are examples throughout the state of companies leveraging your investment and growing in North Dakota.

In Grand Forks, **Avianix** is researching the use of goose antibodies to treat infections and diseases. They employ people at their farm in Tolna and their research labs in Grand Forks. They expect to begin production of a treatment for animals within a year and continue to develop a human treatment.

UND's innovative research in unmanned aerial systems is a significant reason for **Northrop Grumman**'s growing investment and expansion in North Dakota. **Bold Method** is a growing start-up company founded by UND graduates who develop training modules now being used for Predator pilots around the country.

Researchers at UND are working collectively with oil companies to develop technologies to enhance extraction and develop ways to use geothermal energy to generate electricity. A \$3 million state investment in this work has leveraged approximately \$8 million in Department of Energy grants and as research continues, the project receives additional investments from the private sector.

**Killdeer Mountain Manufacturing**, which is operating in four western North Dakota communities, tapped into expertise at Dickinson State University's Strom Center to help them implement a supply chain strategy to increase efficiencies among their business units. As a result, these four North Dakota communities are benefiting from the company's growth and innovation.

**Agri ImaGIS** teamed with the Dakota Precision Ag Center at Lake Region State College to develop imaging technology that is now being used globally for precision agriculture, crop insurance and other ag production applications.

**Triton Systems** is a Massachusetts based company that chose North Dakota for an expansion because of its relationship with NDSU and the state's demonstrated commitment to research.

Research partnerships have contributed to growth by additional companies including – but certainly not limited to – Appareo Systems, NovaDigm, Catepillar, Space Age Synthetics, Eagle Creek, Pedigree Technologies, and Intelligent InSites.

These are among companies that could grow anywhere. They are growing in our state and creating jobs and new wealth because we are visionary and support emerging technologies through our investment in and commitment to new research.

According to a recent State report, prior investments in university and private-sector research collaborations have contributed to the creation of 1,082 jobs at an estimated annual payroll of \$69.2 million with a conservative average annual salary of \$64,000.

EDND supports Research North Dakota and the proposed cash match requirements included in the proposal. These investments will continue to result in commercialization and diversification of our state's economy. EDND urges a DO PASS on SB 2018 including full funding of Research North Dakota.

Thank you.



Attachment 8. March 15, 2013 SB 2018 DI

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

Senate Bill: 2018

March 15, 2013

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 2013-2015 biennium marketing and ask that you also include an additional \$.5 million for marketing and research and additional \$3.7 million for large infrastructure grants to attract, retain and entertain visitors.

As national attention grows for North Dakota because of our business climate, the opportunity to reach more possible visitors also increases. Funding the ND Tourism Division provides not only a return on investment of \$119 visitor spending, per \$1 spent on paid media (2012 Longwoods Intl.), but also the broader positive image of North Dakota as a place to not only experience events and attractions, but also as a possible place to relocate in the future. Quality of place begins with the initial impression and experience for the visitor. Additional funding for marketing and research expands that opportunity.

The ND Tourism Division continues to do an excellent job with the staff, marketing materials and research that they have, however the reach that can be achieved with additional marketing can bring in not only additional dollars to the local communities and the state, but also new families to experience the local attractions and events that are located throughout North Dakota.

In western North Dakota, the energy development is obviously exploding. The workers, which are also considered "new visitors" in our industry, are eager to find things to see and do in an area of the country that is for the most part very unfamiliar to them regarding the leisure experiences that they are seeking when they on their off days. Many times their families come to visit them and are looking for things to also see and do. While most of the focus for ND

Explore The WESTERNEDGE Tourism is to market to areas to bring people into the state and the responsibility of locals to help those who are already in-state, many of the smaller communities do not have the resources or funding that larger communities receive locally. Additional in-state marketing has been discussed at informal meetings as a possible way to reach the energy workers and their families as they explore their new surroundings.

Please support Senate Bill 2018, with an additional \$.5 million for marketing and research and \$3.7 million for the Tourism Infrastructure and Expansion Grant Program.

Sincerely,

Terri Thiel

**Executive Director** 



Officers
Larry Weil – President
Tim Solberg – Vice President
Joel Quanbeck – Secretary/Treasurer
Steven Zimmer – Past President

Website: www.NDPlanning.org

Board Members
Donna Bye
Don Longmuir
Sandy Rohde

Attachment 9. March 15, 2013 SB 2018

North Dakota Planning Association Testimony on SB2018 North Dakota Planning Initiative

Chairman Skarphol, members of the Committee, the North Dakota Planning Association would like to go on record as being in support of the Commerce appropriations bill SB2018. More specifically, the association would like to emphasize the importance of the \$1,000,000 for the North Dakota Planning Initiative.

The state of North Dakota is experiencing a period of growth like never before. This growth has come with some growing pains for many communities throughout the state. This is the reason and purpose of the North Dakota Planning Initiative.

The Department of Commerce has conducted a survey to gauge the need for planning and zoning assistance. There were 191 cities and counties that responded. The results showed 23 communities that have no plans of any kind and 78 communities that have plans to update the plans they have in place within the next 12 months. The NDPA has heard, and has recognized, the very serious need for planning and zoning assistance throughout the state.

In working with the Department of Commerce, and other agencies, in the formulation of the North Dakota Planning Initiative program it was very clear that the need for assistance was real and immediate. Throughout this process it was decided that the greatest need was in communities with limited or no professional staff with training and education on how to deal with development pressures. For this reason it was decided that the program should focus on communities with populations of 10,000 or less, to cap the grant amount available to any one community at \$25,000, and that the program be set up to require percentage match funds from applying communities.

There are 241 cities/towns in North Dakota and 231 of them have fewer than 10,000 people and 191 have fewer than 1,000 residents, many of which have no plans and/or ordinances in place.



Officers
Larry Weil – President
Tim Solberg – Vice President
Joel Quanbeck – Secretary/Treasurer
Steven Zimmer – Past President

Board Members Donna Bye Don Longmuir Sandy Rohde

Website: www.NDPianning.org

While the NDPA supports the state planning initiative, we believe that \$1,000,000 will not fully address the need if this program will truly be available and administered statewide. As the funding is proposed to be programed there will only be \$500,000 available to communities as grant funds. If the funds were only made available to the DOC survey respondents who had no plans (23) and those who are planning on updating in the next 12 months (78) each community would receive \$4,950. It was estimated that the minimum cost for a consultant to update a plan for a community would be between \$10,000 and \$12,000 and would be between \$20,000 and \$25,000 to develop a Comprehensive Plan. The addition of a zoning ordinance could double that price.

It is our concern at the NDPA that the state is underestimating the real need for planning assistance in the State of North Dakota. It is very important that we get help to all who need it before they "need" it. Community plans and zoning ordinances are tools that many communities don't see as necessary until something negative happens that sends them scrambling and looking for help and guidance. It is important to be proactive and get communities the tools they need to guide their own future instead of being reactive and helping them find a way to minimize the damage that has already been done. The Planning Initiative could be that help before they "need" it.

It is the NDPA's recommendation that SB2018 be approved with the amendment to increase the amount of funding for the North Dakota Planning Initiative to \$2,000,000, as was originally proposed by the DOC.

Attachment 10. March 15, 2013 5B 2018

# SB 2018 House Appropriations Education and Environment Division Friday, March 15, 2013

Chairman Skarphol and members of the Education and Environment Division. For the record I am Blake Crosby, Business Center Manager for North Dakota Child Care Resource and Referral. I am here in support of a Child Care Facility Grant Program.

As a professional who develops business plans and performs financial analysis for the industry; it is very difficult for a child care business to carry much in debt service and remain sustainable. I am pleased that the Governor has recognized that and is requesting grant funds to reduce some of that financial pressure.

North Dakota Kids Count recently released an article titled Growing Need for Child Care in North Dakota, where, using data from various sources including U.S. Census Bureau, American Community Survey, and U.S. Bureau of Labor Statistics they state and I quote:

"If counties were to increase the proportion of need they currently meet with licensed child care by 3 percent per year, the state as a whole would meet the child care needs of 50 percent of children by 2025 and 41 percent by 2015. This growth corresponds to an additional 5,295 licensed child care spaces over the next three years (1,738 in oil and gas producing counties and 3,557 in other counties combined) requiring an additional 306 providers (20 centers and 286 family/group providers) employing 744 staff".

Based on my experience, the Governor's proposal would provide funding for approximately 27 facilities that could provide early child education services to less than 500 children at 18 children per facility.



## Page 2 SB 2018 03/15/2013

As the Governor indicated in his State of the State address, and as you have heard today, access to child care is a challenge. For some areas, it has risen to the level of a crisis. It is impacting those young parents who want to contribute to our workforce. It is impacting those communities who want to build a base of permanent residents that will assure future economic stability and maintain a population base.

Thank you for your time this morning. I will stand for any questions.



PO BOX 2639 · BISMARCK, NORTH DAKOTA 58502

### Testimony of

Economic Development Association of North Dakota

SB 2018

March 15, 2013

Chairman Skarphol 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.

North Dakota has a vibrant and well diversified economy, and currently enjoys prosperity through the many assets within the state. However, it has not always been that way for all communities and even with today's North Dakota economy, communities need to have assistance to move forward. The Dept. of Commerce has continued to provide that help through programs facilitated by the agency.

Economic developers and communities, large and small, have benefitted from the programs which you have heard about today.

Many of the programs included in this legislation - planning, research, tourism, child care, and workforce, to name a few - have helped North Dakota communities move forward and continue to be vibrant. Today you will hear from the economic developers from a few of these communities.

Thank you. I would be happy to answer your questions.



Attachment 12. March 15, 2013 5B 2018

PO Box 2599 • Bismarck, ND 58502

Phone: 701.355.4458 • Fax: 701.223.4645

office@itcnd.org • www.itcnd.org

### **Testimony of Doug Remboldt**

Vice President – Technical Services National Information Solutions Cooperative

> In Support of SB 2018 March 15, 2013

Chairman Skarphol and members of the House Appropriations Committee – Education & Environment Division:

My name is Doug Remboldt, and I am the vice president of technical services at National Information Solutions Cooperative (NISC) in Mandan. I also serve as the public policy committee chairman of the Information Technology Council of North Dakota (ITCND). It is on behalf of ITCND that I am voicing support of SB 2018, specifically as it relates to the increased funding for the Operation Intern and Innovate ND programs.

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.

NISC is just one of 31 technology-based companies that hired 93 interns during the current biennium through the Operation Intern program. This program has allowed our company to hire 16 interns since 2008, which is eight more than we would have been able to hire without the program. NISC has been able to offer continued full-time employment to eight of those interns. This program benefits the interns by allowing them to gain insight into what a career in the IT field really entails, and it also helps substantially in their education and training process. Our organization also benefits greatly, as it allows us gauge a candidate's capabilities prior to hiring. There is also great value in the interns sharing their experience with their respective universities and colleges to help those programs better prepare students for employment.

North Dakota's IT industry is expanding rapidly. Recent Job Service North Dakota data shows that North Dakota has seen an increase of more than 50 percent in IT occupations over the past decade and is projecting a 20 percent increase for the next decade. Job growth in North Dakota's IT industry has more than doubled that of the nation. A shortage of skilled workforce is a limiting factor for technology-based industry growth. Therefore, 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.

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 technology-based entrepreneurship grants. 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 technology-based entrepreneurship grants in the past, and hope you will support their continued funding.



Testimony of Elaine Myran, General Manager of the Ramada Grand Dakota Lodge & Conference Center

Senate Bill: 2018

March 15, 2013

Chairman Skarphol and members of the House Appropriations Committee, my name is Elaine Myran. I am the General Manager of the Ramada Grand Dakota Lodge & Conference Center. The Ramada Grand Dakota Lodge is in support of the governor's proposed budget for the ND Tourism Division 2013-2015 biennium marketing and asks that you also include an additional \$.5 million for marketing and research and an additional \$3.7 million for large infrastructure grants to attract, retain, and entertain visitors.

Tourism is a lifeline to our business. It is very important that we maintain our market and increase the leisure market. We have seen a large decline in long-term energy workers' need for hotel accommodations and we have seen an increase of relocations in our area. To maintain a great experience, North Dakota needs to expand funding for additional marketing to promote our attractions and events. Increasing large infrastructure grant funds will provide the opportunity to create venues that attract vacationers and new community residents to enjoy a North Dakotan experience.

Please support Senate Bill 2018, with an additional \$.5 million for marketing and research and \$3.7 million for the Tourism Infrastructure and Expansion Grant Program.

Sincerely,

Elaine Myran

General Manager

You Mynes

13.8168.02004 Title. Prepared by the Legislative Council staff for Representative Carlson March 21, 2013

### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 3, replace "three" with "four"

Page 1, line 5, remove the first "and"

Page 1, line 5, after "program" insert ", and the research North Dakota biotechnology program"

Page 10, after line 12, insert:

"SECTION 15. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

### Research North Dakota biotechnology grants.

The department shall establish and administer a research North Dakota biotechnology grant program to provide grants to eligible tax-exempt nonprofit organizations or foundations with principal offices in North Dakota that shall award grants to eligible private companies with research facilities and principal operations located within the state to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases. To be eligible for a grant under this section, a tax-exempt nonprofit organization or foundation:

- Must be an independent grantmaking organization that has previous experience administering grants within the state for health-related purposes, including projects designed to improve health and access to health care;
- Must provide the department with detailed documentation:
  - a. Of private sector participation, including the private company's:
    - (1) Establishment of a partnership with a research university or a related research university organization to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases; and
    - (2) Establishment of research facilities and principal operations within the state;
  - Of the availability of one dollar of matching funds from private or other public sources for each dollar of state funds to be distributed.
     Matching funds must be in the form of cash and may not include in-kind assets:
- 3. May not retain more than five percent of the grant award for administrative costs; and
- 4. May not provide indirect cost reimbursement to a research university or a related research university organization of more than five percent of the amount of the grant award relating to the research university's involvement or the related research university organization's involvement."

Page 13, line 5, after the period insert "The department of commerce shall use \$6,000,000 of the funds transferred to the research North Dakota fund for biotechnology grants."

Page 15, line 24, replace "26" with "27"

Page 15, line 24, replace "32" with "33"

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2018 - Department of Commerce - House Action

This amendment designates that \$6 million of the \$12 million for Research North Dakota must be used for a biotechnology grant program.

March 25, 2013 5B 2013



House Appropriations: Education and Environment

March 25, 2013





# About Aldevron

- Background
- Biotech
- Cancer Survivor Story
- Vision
- Collaborations







# Aldevron Background

- Launched at NDSU in 1998
- 3 Locations
  - Headquarters in Fargo, ND
  - Divisions in Madison, WI and Freiburg, Germany
- 80 employees
- Accomplishments include First Approved DNA Vaccine for West Nile Virus





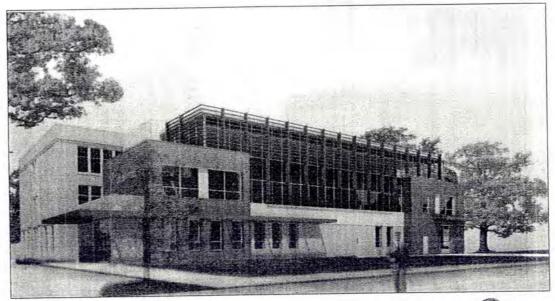




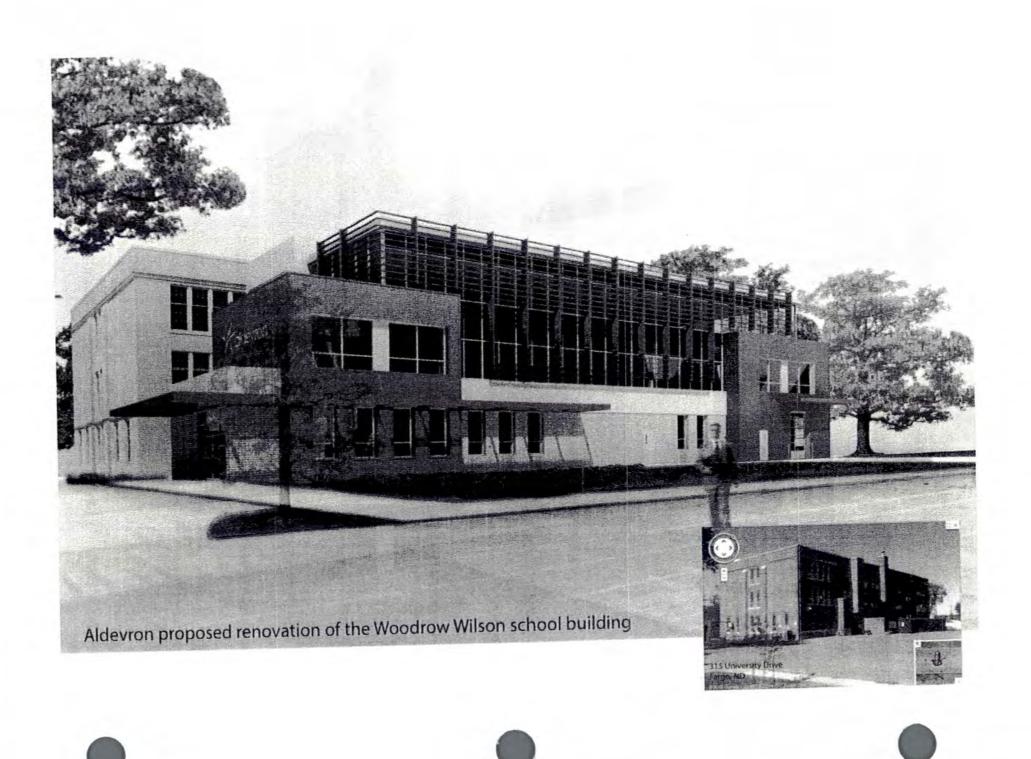
# New Facility

### Expansion

- Currently 25,000 ft<sup>2</sup>
- Increase to 60,000 ft<sup>2</sup>
- Room for 250 employees



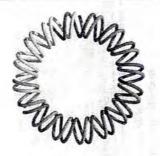


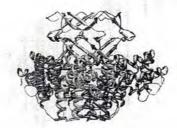




## What we do

- Biomanufacturing
- Plasmids/DNA Vaccine Production
- Genetic Immunization and Antibody Production
- Manufacture drugs, their material components and research material











# Why Biotechnology?

- One of the most familiar of biopharmacueticals are vaccines. One of the world's greatest innovations, they utilize the body's own immune system and have helped conquer some of the greatest health threats to humankind.
- The first drug produced via genetic engineering was human insulin which appeared on the market in 1982.
- By mid-2000, 84 biopharmaceuticals had been approved for marketing with almost half launched during the past three years.
- 13% of new medicines approved by the FDA in the 1990s and about 18% of all drugs in development are Biopharmacueticals.





# Why Fargo?

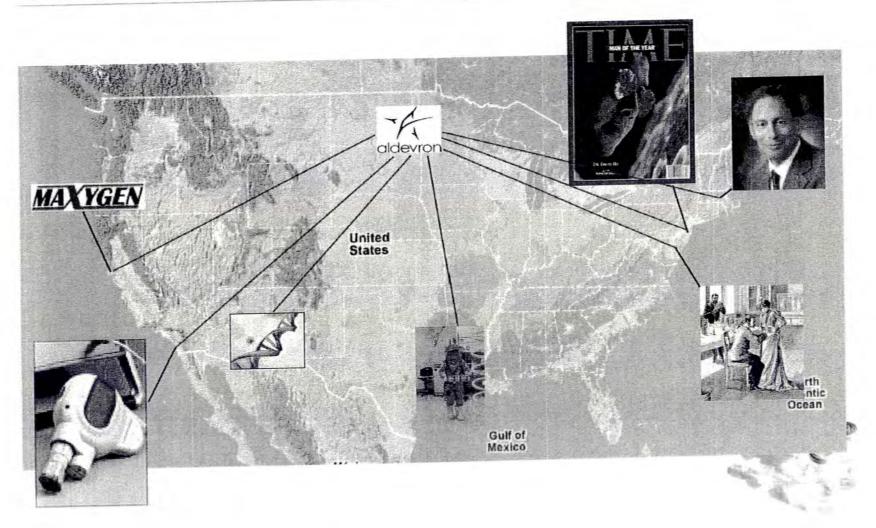
### Supplier to Pharma

- Building an industry
- Attracting Talent and Businesses from Out of State
- Expanded to Madison to tap Knowledge & Talent
- Believe we can build it right here by investing in ND
- Offers diversification to an already strong Oil & Ag based economy





# Collaborations & Partnerships





# Emily (Emma's) Story



### Example of a success

- 7yr old
- Emily Whitehead
- Leukemia survivor
- Saved with CTL019, new T cell therapy

\*Image: Children's Hospital of Philadelphia - Cancer Center, Emily Whitehead's Story: T cell therapy to treat acute lymphoblastic leukemia http://www.chop.edu/service/oncology/patient-stories-cancer/leukemia-story-emily.html



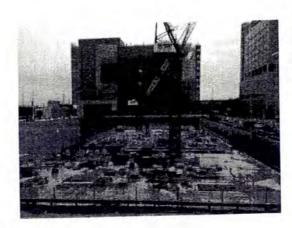


# Vision

### **National Stage**

Opens up Foundations for Charitable Capital

 \$3.5 billion Smilow Center for Translational Research









### Benefit

#### Jobs

- Private sector experience building sustainable jobs
- Attract, hire & retain professional employees employees
- Demand for new employees right now

#### Investment

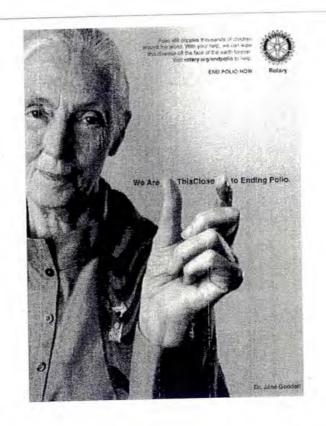
- Matching Federal Grants from Army and NIH
- Private investment in facilities
- Accountable to Independent GrantMaking Agency
- Invest in clinical equipment, training, process & upgrades

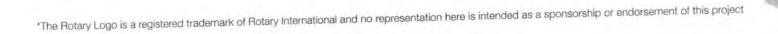




# How it benefits ND

- One of the most familiar and successful of biopharmaceuticals are vaccines which are conquering some of the greatest health threats to humankind.
- We envision accomplishing something similar with Cancer & Other Infectious Diseases.
- We envision it will happen right here in ND spearheaded with this new policy for Public Private Partnership.







## Collaborations

- Richard Glynn with Avianax and UND
- Alex Shneider with Cure Lab





### THANK YOU

Questions:
Michael Jablon
(701) 361-0301
mjablon@aldevron.com
linkedin





Attachment 3. March 25, 2013 SB 2018

online email: main:

10-10 1 W

March 25, 2013

Representative Al Carlson State Capitol 600 East Boulevard Bismarck, ND 58505-0360

Dear Representative Carlson:

I would very much like to attend today's committee meeting to discuss the Research North Dakota biotechnology grants. Unfortunately, I have committed to participate in a series of meetings in Texas focused on new oncology technologies that utilize DNA produced at Aldevron. These long scheduled meetings pertain to promising new pediatric and adult cancer treatments. The companies I am meeting with are organizations committed to the same cause as the proposed legislation. They are the exact kind of companies we aim to recruit to North Dakota.

I wish to extend my personal support for the legislation and would ask if you would please accept my apologies for not being available in person. I also request that the committee please consider my written comments in my absence.

I am very excited about and confident in this proposal. I believe it will foster a true publicprivate partnership model that will result in new treatments for cancer and infectious disease for North Dakotans and additional high technology jobs for our state. I have reviewed the proposed language and believe this policy provides for excellent accountability of our State's investment.

I am glad that Dr. Alex Shneider and Mr. Richard Glynn are able to be there in person.

Dr. Shneider is a world-renown cancer researcher. He has laboratories all over the globe and is well known in oncology circles. Dr. Shneider will be speaking about his research efforts and his plans to start a division in North Dakota. CureLab Oncology, Dr. Shneider's company, has developed a very advanced cancer vaccine. This vaccine is currently being produced right here in North Dakota!

Mr. Glynn is an inspiration to me and an example of how science should be done. Some years ago, his colleagues made a discovery on their farm that allowed them to save their livestock from West Nile Virus. This same technology will soon be used to treat a number of infectious diseases and other conditions in humans. Through Mr. Glynn's leadership, Grand Forks-based Avianax is now the global leader in avian antibody development The company has recently

4

generated data that is capturing the attention of the top pharmaceutical companies. I have complete confidence in their future and continued growth. I also know that Avianax will continue to be a force in the creation of high technology jobs in North Dakota.

Once again, I apologize for my unavoidable absence today. Please feel free to contact me anytime by cell phone. My number is 701-306-6948. In the mean time, Dr. Schneider and Mr. Glynn will surely represent North Dakota's biotech industry well.

Marke Charles

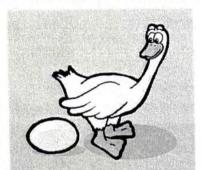
Michael

CEO

Aldevron

3/24/13

### Therapeutic Goose Antibodies: A Technology Platform for the Treatment of Pandemic Flu and Emerging Infectious Diseases





- · Public-private partnership
  - University of North Dakota Research Foundation
  - Intraglobal Biologics, Inc.
- Offices and state of the art BSL-2 laboratory facilities at the University of North Dakota.
- Developed and maintain a 10,000 sq. ft. Pilot Specific Pathogen Free (SPF) facility complete with ISO units wherein geese can produce antibodies via sera or eggs.

### VALUE ADDED AGRICULTURE

Avianax is taking a
 primarily agricultural
 product (goose eggs) and
 increasing that products
 value (which basically was
 zero) by modifying it and
 then processing it into a
 new "Pharmaceutical
 Product".



### **BACKGROUND**

- 2002 Schiltz Goose Farms, Inc. lost over 34,000 geese to West Nile Virus.
- 2004 Schiltz began experimenting with harvesting antibodies from the sera of the surviving geese and then inoculating goslings with those antibodies.
  - Reduced death loss by over 90%
- 2006 Formed Avianax to research and develop the use of goose antibodies as a prophylactic and therapeutic treatment for West Nile Virus and other infectious agents.
- 2008 Present Avianax has went from a "one product company" to a "Plug and Play" Platform technology creating products for the Poultry, Animal and Human markets.

### INFECTIOUS DISEASES IN HUMANS

Infectious diseases remain among the leading causes of death worldwide for three reasons:

- 1) emergence of new infectious diseases (Hantavirus West Nile);
- 2) re-emergence of old infectious diseases (tuberculosis); and
- 3) persistence of intractable infectious diseases (malaria).

Infectious diseases are the second leading cause of death worldwide, after heart disease, and are responsible for more deaths annually than cancer.

Infectious diseases claim 16.2 percent of people who die each year.

Children under the age of five are especially vulnerable, and infectious diseases account for a disproportionate number deaths in this group.

5

### INFECTIOUS DISEASES IN ANIMALS

- Infectious diseases are posing a threat to our food supply.
  - USDA is outlawing the use of antibiotics in animals.
- Leads to higher mortality in large herds and poultry flocks.
- Vaccines are a costly replacement and have limited success.

#### TARGET PATHOGENS HUMANS

- West Nile Virus Since 1999, 30,000 reported cases, 1385 of those cases in ND;
- Dengue Fever 50 to 100 million infections occur yearly and 22,000 deaths, mostly among children;
- Rabies kills more than 55,000 people worldwide;
- Influenza 100,000 hospitalizations and about 20,000 deaths occur each year from the flu or its complications;
- Malaria In 2010, there were about 216 million malaria cases and an estimated 655,000 malaria deaths, usually children under 5;
- Hantaviruses and Arenaviruses Potential agents of BioTerrorism. Highly lethal, easy transmission.
- RESPIRATORY SYNCYTIAL VIRUS Each year causes approximately 400 deaths in infants and up to 125,000 infant hospitalizations.

# TARGET PATHOGENS ANIMALS

Rota Virus in Swine

16% death loss in unweaned piglets

Have a vaccine but once infected, ineffective

Avian Influenza in poultry

Very High Mortality Rate

Vaccine very Expensive

Paro Virus in Dogs

Have a vaccine but once infected, ineffective Highly lethal in Puppies – 85% Mortality Rate

:

## COLLABERATORS/PARTNERS

- UNDRF/UND Dr. David Bradley
- Schiltz Foods/Schiltz Goose Farms, North
- Mayo Clinic Dr. Gregory Poland
- USAMRIID Dr. Jay Hooper
- University of California, Berkley Dr. Eva Harris
- Kansas State University Dr. Kathleen Hanlon
- Colorado State University Dr. Richard Bowen
- · Altravax, Inc. Dr. Robert Whalen
- · Cure Labs Dr. Alexander Shneider
- Aldevron Dr. John Ballantyne; Michael Chambers

VISION

Develop a "Plug and Play platform technology" for the treatment and prevention of infectious diseases in animals and humans.





### Production Blue Print

1000 geese X 40 eggs/goose = 40,000 eggs → ~ 1,000,000 doses

#### 2 Full SPF Holding Facilities:

2000 geese at any time in each location (response to 4 different 1,000,000 dose targets @ any time) To be built in rural ND Yolk Harvest & Delipidation Facility REAC1 Bldg, Grand Forks, ND

GMP Production, QA/QC, Bottling & Finishing Aldevron Pharmaceutical Manufacturing Facility Fargo, ND Efficacy and Formulation

.1:

### BENEFIT TO NORTH DAKOTA

#### Jobs

Livestock

- -- New SPF facility
  - 24 per facility
- -- Manufacturing facility
  - -10 20

#### Human

- -- Labs, Admin
  - -- 20
- Ultimate Manufacturing Aldevron

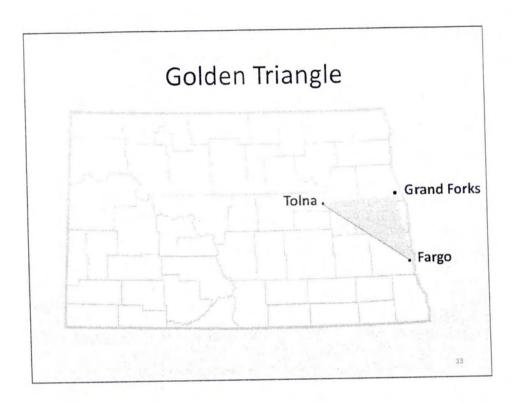
#### Investment

Avianax has already invested \$16M so far.

Over the next 5 years, the investment is going to be over \$20M, most of it for commercialization

#### Source of funds

- -- Private Investment
- Federal Govt. \$15 M, NIAID, BARDA, DARPA, ARMY



# MPRNEWS Member Supported · Join Now >

Friday, March 22, 2013



A lab in Grand Forks, N.D., is able to process up to 10 goose eggs per day. Researchers there are extracting antibodies from the egg yolks to develop a treatment for viral diseases including West Nile and avian flu viruses. (Ann Arbor Miller for MPR)

# West Nile treatment could come from geese

by Dan Gunderson, Minnesota Public Radio September 5, 2012

GRAND FORKS, Minn. — There have been nearly 1,600 cases of West Nile virus reported in the U.S., so far this year. Forty-four cases of the mosquito-borne illness have been here in Minnesota.

But research in our region could lead to a breakthrough in treatment of the disease. A small Grand Forks biotech company is preparing for human trials of West Nile antibodies produced by geese.

In the summer of 2002, a new disease decimated the goose flocks at Schiltz Farms in South Dakota, a business billed as the largest goose farm in North America.

"The geese were coming out, staggering around, falling down and then later dying. And we lost in a two-week period of time, approximately 34,000 geese," said Richard Glynn, who was the farm's business manager when West Nile hit.



Richard Glynn

Glynn says geese that survived West Nile were strongly resistant to it. Schiltz farms worked with veterinarians to collect antibodies from the blood of survivors.

"We took those antibodies and treated our geese with them in 2004 and our death loss basically went down from 34,000 geese to 1,000 to 2,000," Glynn said.

That discovery saved the goose farm. It also piqued Glynn's curiosity about the science behind the discovery. Today, he heads the biotech company, Avianax.

#### HARVESTING EGG ANTIBODIES

At the Avianax lab on the University of North Dakota campus in Grand Forks, technician Travis Alvine carefully cracks open a goose egg. After opening the egg shell, Alvine uses a suction tool to remove the egg white.

"All the antibodies that we're interested in getting are in the egg yolk," Alvine said.

This is the first step in a complex, patented process to purify the antibodies from the goose egg.



Research technician Travis Alvine

It turns out geese are very efficient at producing antibodies after they've been given an inactive virus. And a quirk of goose biology means mammals don't see those goose antibodies as a threat. That's because the goose antibodies only attach to the target virus.

Collaborating on the research, Dr. David Bradley, who is head of the Department of Microbiology and Immunology at UND, says the unique structure makes goose antibodies safer than antibodies produced by most animals.

"They don't generate the same kind of immune response. They don't cause inflammation like mammalian antibodies would. They simply bind and coat whatever they're after in such a way that it's then simply sloughed off or cleared out of the body naturally without triggering inflammation." Bradley said.

Inflammatory response is a problem when using antibodies from animals. The antibody will kill the target virus, but the body also attempts to fight off the antibody, which can lead to severe complications, according to Bradley.

#### HUMAN TRIALS NEXT STEP



Dr. Tom Henderson

In studies with hamsters done at research universities in Iowa and Colorado, the goose antibody both prevented West Nile infection and cured infected animals.

But it's not a permanent vaccine.

Of course, animal studies are a long way from treatment for humans, but the results are very encouraging, says Dr. Greg Poland, director of the Mayo Clinic Vaccine Research group. Poland is also a paid consultant to Avianax.

Poland said the goose antibodies clearly wiped out the West Nile virus in hamsters without negative side effects.

"That's a big hint. Enough of a hint to tell you this is worth investing money in and starting small clinical trials. And that's the next step that needs to happen," Poland said.

Avianax researchers anticipate human trials within a couple of years, but they are already moving on to other viral diseases. Bradley says they have tested a variety of diseases; Dengue fever, malaria, rabies, and some viruses so dangerous they can only use its DNA.



Goose egg volks

"So far, the geese have produced antibodies to almost everything we've tried. So I've been repeatedly surprised," Bradley said.

"So I mean, it's a great platform, a great incubator to create antibodies for virtually anything."

What's the potential for goose antibodies to save human lives?

Poland says the research could lead to treatments for diseases that are now untreatable, like West Nile. It also has potential as a rapid response to a viral pandemic, he said.

"Looking out even further, might this be a technology where we're not producing antibody, but vaccine," Poland said. "Looking even further out, might we be able to harness this technology in developing antibodies that could attack and kill cancer cells."

Poland says this could turn out to be a very significant discovery, found not by scientists, but a farmer trying to save his livelihood.

Officials at Avianax say they are awaiting the results of final animal testing but expect to soon begin the process of asking the government to allow human trials with the West Nile goose antibody.

#### **Broadcast Dates**

Morning Edition, 09/05/2012, 7:25 a.m.



Dan Gunderson
• Reporter
dgunderson@mpr.org • @gundersondan

Dan Gunderson is based in Moorhead, Minn.



Presented by: Alex Shneider, Ph.D., Founder and CEO Gene Froelich, CFO/COO Jeffery East, EVP of Business Development WWW.CURELAB.COM +1-609-841-1201

## Agenda

- Cancer: urgent need and existing opportunity
- CureLab Oncology
  - Revolutionary anti-cancer products
  - Moving to ND
- New vision and historical opportunity
  - > Business models
  - > Jobs and profits in ND
  - ND benefits from the international R&D infrastructure
- Industry-academia collaboration
  - > Benefits for ND universities
  - > Academic credentials of CureLab team



### Lilya's Story

My name is Lilya. In September of 2011 I was diagnosed with the fourth stage of ovarian cancer. Although Boston has the best cancer centers and medical professionals in the world, conventional medicine could not give me much hope. However, I was lucky. One of my close friends is a scientist at an innovative anti-cancer biotech company, CureLab Oncology. The company is developing new generation of anti-cancer agents.

I am not a scientist, but for my simple mind the main difference is that anti-cancer drugs CureLab Oncology is developing are not the chemical drugs. Instead they are some new generation of biological molecules. Because there were no chemical molecules to save my life, I have asked my friend to make me some of the new biological molecules although I know they are not approved by FDA yet. I knew, I was taking a risk but what was the alternative?



Now, a year later I am tumor free and hope to stay this way.

However, there is one question which I have been asking myself through this entire year. What would I do if I need the next course? Will my friends be able to fight against all the odds to make me a life-saving dose of new biological remedy?

Lilya Finkel



- 6

### American Cancer Society, 2013 Facts&Figures Say...

# Every other man and every third woman will develop some type of cancer during his/her life.....

Melanoma of the engl	christia.	market - near	0.55 (top. 191)	0.40 (1 to 248)	d 84 () in 1201		
y (%) of Dev	eloping Inv	asive Cance	ers during Sele	cted Age Interv	als by Sex, US	, 2007-29	Birth to Death
			40 to 59	60 to 69	70 and 0	older	Birtin to Death
Male			8 79 (1 m 11) 9.19 (1 m 11)		22 40 11		44.81 (\ m 2) 38.17 (\ m 3)
	y (%) of Dev	y (%) of Developing Inv Birth t Maie 1.46 (1	y (%) of Developing Invasive Cance Birth to 39  Maile 1.46 (1 in 69)	y (%) of Developing Invasive Cancers during Sele  Birth to 39  Malle 1.46 (1 to 69) 8 79 (1 to 11)	\( \frac{\text{Moleculary Male}}{\text{trends}} \) \( \frac{\text{Moleculary Male}}{\text{trends}} \) \( \text{Moleculary Moleculary Mole	y (%) of Developing Invasive Cancers during Selected Age Intervals by Sex, US  Birth to 39 40 to 59 60 to 69  Maile 1.46 (1 in 69) 8 79 (1 in 11) 10.39 (1 in 10) 76 69 (1	Maje

benitate mentan keri tradiciones. Associate das voltas son Source hari ministrativo di mentana se favor di Euros Sottouro, version 6 f 1 di proci licourch and Application Borrell, Bathand Carrer sestimos, 201 American Carrell sociate.



### CureLab Oncology's Approach to Cancer Problem

### Unique biopharmaceutical treatment

- Major problem in cancer treatment is that tumors almost inevitably develop resistance to every treatment
- Although tumor resistance may arise by several different mechanisms, all solid tumors have a common trait
- The CureLab's solution targets solid tumors
- Stimulation of immune response increases the chances of complete tumor eradication
- The CureLab's approach stimulates anti-tumor immunity with pCL, a novel stimulator of anti-cancer immunity



### **Product Develoment**

#### Candidate-1: Oncolytic Virus

- Demonstrated protection in mice; ready for pre-clinical and clinical testing
- The product was designed and tested at Emory University (Georgia, USA),
- CureLab Oncology will increase efficacy of the currently existing product generating a pipeline of oncolytic viruses

### > Candidate-2: pCL, Anti-Cancer Immunostimulant

- DNA encoding pCL, a new immunostimulating protein discovered by CureLab
- DNA-encoded pCL has demonstrated preventive and therapeutic benefits in breast cancer models (mice and rats)
- pCL is ready for pre-clinical and clinical testing



### CureLab Oncology History

- 2002 CureLab, Inc
  - Universal anti-flu vaccine
  - New methods to develop vaccines
  - Cost efficiency and international recognition
- > 2011 CureLab Oncology, Inc.
  - Focus on cancer
- > 2012 CureLab Oncology came to ND to stay and grow in the state



-

# CureLab's ND partnerships

- Aldevron is contract manufacturing CureLab's product(s).
- CureLab promotes Aldevron to rapidly growing East European and Russian markets.
- Aldevron catalized CureLab partnership with highly promissing ND biotech company, Avianax.
- Money now vs. later dilemma
- Common team spirit and views



# FDA has no power over individual states

- Collective failure of FDA-regulated pharmaceutical industry
  - > Time restrictive
  - Cost restrictive
  - Lack of solutions and hope for many years ahead
- > States have a right to regulate themselves within their borders
  - Saving lives of people in ND
  - > Saving lives of visiting out-of-state patients
  - > Economic effect



.

### **Future Directions**

- > Medical
  - Product
  - Service
- > Veterinary
- FR&D
- Feducation and training



## Vision: private-public industry-academia

- Successful approaches of the past
  - SBIR/STTR programs (USA)
  - FTechnology incubators (Israel)
  - Asian and European biotech clusters
- Program projects
  - Focus based on competitive advantage and public need
  - Project diversification within the focus area
  - > Projects and companies synergism
- > Clear business and financial
- >Academic research aimed at R&D goals



11

## Think locally but act globally

- Our international experience
  - > Millions in R&D funding from Pharma 2020, Skolkovo, VEB-Innovation
  - > International Ph.D. program
  - > International consortium
- Matching local funding with national and international players
- Minimizing expenses and need for capital while maximizing results
  - It is the most feasible to develop future models of the product in the US in active collaboration with institutions in EU and Former USSR
  - It is the most feasible to conduct pre-clinical and clinical testing of the existing product in the Former USSR
- Healthy balance between supporting ND companies and attracting the best



### Creating jobs in ND

- Biotech and medical
  - retaining local talent
  - returning ND talent back to the state
  - rattracting top talent worldwide
  - Estimulating ND students to learn science
- Non-biotech jobs
  - > service
  - hospitality
  - retail, etc.



# Benefits for ND research universities

- School will get funding through this program as co-applicants
- > Access to national (SBIR) and international (Pharma 2020, Skolkovo, etc.) funding sources
- F Generating data on matching and international funds (e.g. CureLab's international clinical trials and genomics center at NDSU)
- Access to the talent worldwide (e.g. CureLab's international graduate program)
- Consulting opportunities for university researchers
- Hands-on entrepreneurial experience for students and faculty
- Resolving conflicts between academic and industry measurable of success CURELAB

### Management Profiles, USA

#### Alex Shneider, Ph.D. – Founder and CEO

- Author of scientific papers, patents and books
- Editor at International Review Immunology, reviewer at multiple journals
- Member of the Board of Trustees of St. Petersburg Institute of Technology
- Reviewer for US, European and Israeli granting agencies
- Member of the board for Global Advertising Strategies

#### Victor Shifrin, Ph.D., VP of R&D

- Formerly Director of Pharmacology at Surface Logix;
- Ph.D. in Cell and Molecular Biology from Harvard University; postdoctoral training at the Harvard-affiliated Brigham and Women's Hospital and at Dana Farber Cancer Institute



15

### Scientific Advisory Board

- Prof. Aaron Ciechanover Nobel Prize Laureate in Chemistry, 2004. Technion, Haifa, Director of Cancer Control Center, Israel
- Barry Straube, M.D., Senior Medical Advisor, CureLab; Immediate Past Chief Medical Officer, Centers for Medicare and Medicaid Services
- Jeffrey Gelfand, M.D., Clinical Professor, Harvard Medical School, Former Head of Dept. of Medicine, Tufts Medical School
- Kim Lewis, Ph.D., Professor of Biology, Northeastern University
- Michael Sherman, Ph.D., Professor of Biochemistry, Boston University School of Medicine
- Stuart Calderwood, Ph.D., Associate Professor, Beth Israel Deaconess Medical Center, Harvard Medical School.
- Herbert T. Cohen, M.D., Professor of Medicine, Boston University School of Medicine
- Mikhail Blagosklonny, M.D., Ph.D., Member/Professor, Roswell Park Cancer Institute, Editor-in-chief of journals Cell Cycle and Aging
- Valeria Povolotsky, Ph.D., Ex-Director of International Licensing Department of La Roche
- Thomas Moore, Ex-President of Procter & Gamble, USA.



16

### Scientific Advisory Board, Russia

- Prof. Anatoly Tsib, Director of Medical Radiological Research Center of RAMS, Member of Russian National Academy of Medical Science
- Prof. Valeriy Charushin, Deputy of Russian Federation State Duma, Director of I.Ya. Postovsky Institute of Organic Synthesis, Chairman of Board of Ural Branch of Russian Academy of Sciences, Member of the Board of Russian Academy of Sciences, International Society of Heterocyclic Chemistry and International Society for Antiviral Research, International Union of Pure and Applied Chemistry (IUPAC), American Chemical Society, State Duma Committee on Science and High Technology
- Prof. Sergey Kolesnikov, Deputy of Russian Federation State Duma, Chairman of the Board of East-Siberian Scientific Center, Siberian Division of Russian Academy of Medical Sciences, Deputy-Chairman of Committee for Health Care, Distinguished Scientist of Russian Federation, Member of Russian National Academy of Medical Science
- Prof. Oleg Kiselev, Director of Research Institute of Influenza of Ministry of Health and Social Development of Russian Federation (Saint Petersburg), member of WHO, Member of Russian National Academy of Medical Science
- Prof. Nikolay Kaverin, Chief of Applied Virology Laboratory of Ivanovsky Institute of Virology (Moscow), Member of Russian National Academy of Medical Science



17

#### Collaborations

> USA

Aldevron Fargo, Harvard, Emory University, Boston University, Northeastern University, etc.

> EL

Technical University of Munich, University of Camerino (Italy)

Former USSR

Research Institute of Oncology named after P.A. Herzen (Russia), National Institute of Influenza (Russia), Medical Radiological Research Center (Russia), Kavetsky Institute of Experimental Oncology (Ukraine), etc.



18

Attachment 7. March 25, 2013 SB 2018

#### House Appropriations Education and Environment Division Rep. Robert J. Skarphol, Chair Testimony of Kathy Neset, Board Member, Lewis & Clark Fort Mandan Foundation, Washburn SB 2018, Amendment Request

Representative Skarphol and committee members, my name is Kathy Neset. I am president of Neset Consulting of Tioga and a board member of the Lewis & Clark Fort Mandan Foundation at Washburn. While I cannot be here today to offer testimony personally, I hope you will accept and take note of my written testimony.

I encourage you to agree to the request for an amendment to the Commerce Department's budget of \$3 million, to be directed through the Tourism Division as a grant to the foundation to complete our expansion of the Lewis & Clark Interpretive Center. This additional 9,000 square feet, with new exhibits, an events center and a rare book library, will further enhance an already world-class museum. I know that people from far and wide come to North Dakota to see this jewel along the Missouri River.

As this facility and land are owned by the North Dakota Parks and Recreation Department, and maintained by the foundation on behalf of the people of North Dakota, I think it is appropriate for you to make this one-time expenditure, so the project's costs will be covered. We will then be able to direct our fundraising activities for future sustainability, including additions to our endowment trust.

This has been a good partnership, saving the people of North Dakota millions of dollars over the past 16 years. Thank you for recognizing that, and agreeing to this amendment.

#### House Appropriations Education and Environment Division Rep. Robert J. Skarphol, Chair Testimony of David Borlaug, President, Lewis & Clark Fort Mandan Foundation SB 2018, Amendment Request

Chairman Skarphol and members of the Committee, my name is David Borlaug and I am here as president of the Lewis & Clark Fort Mandan Foundation, along with members of our volunteer board of directors, requesting your consideration of a \$3 million amendment to the Commerce Department budget.

As you know, our Foundation has been working on a 9,000 square foot expansion of the State-owned Lewis & Clark Interpretive Center in Washburn. In the 2009 session, you approved \$1.5 million for this project, which we have more than matched in private sector funds. We are seeking to raise a total of \$8 million in a capital campaign which also includes additions to our endowment trust and other expansion-related expenses.

Since then, costs have greatly escalated, primarily to the pressures of development in the Bakken oil fields, along with the historic 2011 flooding. Our fundraising efforts, while continuing, have been impacted by the flood and also by competition with the State's own fundraising on behalf of the State Heritage Center expansion.

We are asking you now to help us complete this project, which will be completed this summer, with a \$3 million appropriation.

Through the past 16 years, our foundation, in a unique public-private partnership, has invested millions of dollars we've raised from the private sector to enhance these Stateowned facilities and grounds. In addition, we have been completely responsible for the operation and maintenance of an official Department of Transportation US Highway 83 rest area, saving the people of North Dakota from this financial burden.

Our Interpretive Center and Fort Mandan attracted over 60,000 total users last year, as we welcome visitors from all 50 states and around the world. We are asking you now, with a one-time expenditure, to help us finish incredible enhancements to a North Dakota treasure. Of course, we continue to provide the maintenance and operation of this facility, as always, with a budget of about \$1.5 million.

Thank you for your consideration, and I will be happy to answer any questions you may have for us.

Prepared by the Legislative Council staff for Representative Weisz

March 26, 2013

#### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 2, after the semicolon insert "to provide an appropriation to the department of human services for early childhood service provider grants;"

ACCURATE AND ADDRESS OF THE PARTY AND ADDRESS					427
Page 2	ron	1200	lina	1	with.
raue 2	. ICD	lace	111111		VVILII.

"Grants	59,977,994	1,269,956	61,247,950"
Page 2, replace lines 12 through 14 with	n:		
"Total all funds Less estimated income Total general fund	\$93,273,052 69,666,470 \$23,606,582	\$33,654,511 <u>1,134,709</u> \$32,519,802	\$126,927,563 <u>70,801,179</u> \$56,126,384"
Page 2, replace line 31 with:			
"Child care facility grants		0	4,600,000"
Page 3, replace lines 5 through 7 with:			
"Total all funds Less estimated income Total general fund		\$272,121,750 <u>259,496,750</u> \$12,625,000	\$42,854,636 <u>19,079,636</u> \$23,775,000"

Page 3, after line 11, insert:

"SECTION 3. APPROPRIATION - DEPARTMENT OF HUMAN SERVICES - EARLY CHILDHOOD SERVICE PROVIDER GRANTS. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$400,000 or so much of the sum as may be necessary, to the department of human services for the purpose of providing grants to licensed early childhood services providers that provide care for children with disabilities or developmental delays pursuant to section 50-11.1-18, for the biennium beginning July 1, 2013, and ending June 30, 2015. The grants may be used for equipment, renovation of facilities used to provide the services, and staff. The funding provided in this section is considered a one-time funding item."

Page 13, line 27, replace "\$5,000,000" with "\$4,600,000"

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

#### Senate Bill No. 2018 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Department of Human Services Total all funds Less estimated income	\$0 0	\$0 0	\$400,000	\$400,000
General fund	\$0	\$0	\$400,000	\$400,000
Department of Commerce Total all funds Less estimated income	\$124,566,065 68,241,034	\$127,327,563 70,801,179	(\$400,000) 0	\$126,927,563 70,801,179

General fund	\$56,325,031	\$56,526,384	(\$400,000)	\$56,126,384
Bill total Total all funds	\$124,566,065	\$127,327,563	\$0	\$127,327,563
Less estimated income	68,241,034	70,801,179	0	70,801,179
General fund	\$56,325,031	\$56,526,384	\$0	\$56,526,384

#### Senate Bill No. 2018 - Department of Human Services - House Action

Grants	Executive Budget	Senate Version	House Changes \$400,000	House Version \$400,000
Total all funds Less estimated income	\$0 0	\$0 0	\$400,000 0	\$400,000 0
General fund	\$0	\$0	\$400,000	\$400,000
FTE	0.00	0.00	0.00	0.00

#### Department No. 325 - Department of Human Services - Detail of House Changes

	Adds Funding for Early Childhood Service Provider Grants¹	Total House Changes
Grants	\$400,000	\$400,000
Total all funds Less estimated income	\$400,000 0	\$400,000 0
General fund	\$400,000	\$400,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup>This amendment creates a new section to add funding of \$400,000 from the general fund for early childhood service provider grants.

#### Senate Bill No. 2018 - Department of Commerce - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$12,396,970	\$12,658,468		\$12,658,468
Operating expenses	16,434,601	16,434,601		16,434,601
Capital assets	10,000	10,000		10,000
Grants	59,147,950	61,647,950	(400,000)	61,247,950
Discretionary funds	928,082	928,082	0.744	928,082
Workforce enhancement fund	2,000,000	2,000,000		2,000,000
Economic development initiatives	186,846	186,846		186,846
Flood impact grants and loans	11,782,866	11,782,866		11,782,866
Ag Products Utilization Commission	3,246,536	3,246,536		3,246,536
Research North Dakota	12,000,000	12,000,000		12,000,000
North Dakota Trade Office	2,613,400	2,613,400		2,613,400
Partner programs	2,022,044	2,022,044		2,022,044
Federal fiscal stimulus funds	796,770	796,770		796,770
North Dakota planning initiative	1,000,000	1,000,000		1,000,000
Total all funds	\$124,566,065	\$127,327,563	(\$400,000)	\$126,927,563
Less estimated income	68,241,034	70,801,179	Ó	70,801,179
General fund	\$56,325,031	\$56,526,384	(\$400,000)	\$56,126,384
FTE	69.25	69.25	0.00	69.25

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

	Reduces Funding for Child Care Facility Grants <sup>1</sup>	Total House Changes
Salaries and wages		
Operating expenses		
Capital assets		
Grants	(400,000)	(400,000)
Discretionary funds		
Workforce enhancement fund		
Economic development initiatives		
Flood impact grants and loans		
Ag Products Utilization Commission		
Research North Dakota		
North Dakota Trade Office		
Partner programs		
Federal fiscal stimulus funds		
North Dakota planning initiative		
Total all funds	(\$400,000)	(\$400,000)
Less estimated income	0	0
General fund	(\$400,000)	(\$400,000)
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup>This amendment reduces funding from the general fund for child care facility grants by \$400,000 from \$5 million to \$4.6 million. The executive budget recommendation provided \$5 million.

March 2013

#### SUMMARY OF ENGROSSED SENATE BILL NO. 2018 -DEPARTMENT OF COMMERCE

Attachment 1. March 29, 2013 5B 2018

This memorandum provides an overview of Engrossed Senate Bill No. 2018 and includes information related to funding for the Department of Commerce from other related legislation.

Major	Funding	<b>Items</b>
-------	---------	--------------

1.	Provides funding for the State Data Center, including 1 FTE position	General Fund \$498,852	Other Funds \$0	Total \$498,852
2.	Provides one-time funding for child care facility grants	\$5,000,000	\$0	\$5,000,000
3.	Provides one-time funding for Research North Dakota grants	\$12,000,000	\$0	\$12,000,000
4.	Provides one-time funding for the unmanned aircraft system, of which \$4 million is from the strategic investment and improvements fund	\$1,000,000	\$4,000,000	\$5,000,000
5.	Provides a one-time transfer from the general fund to the workforce enhancement fund	\$2,000,000	\$0	\$2,000,000
6.	Provides one-time funding from the general fund for tourism large infrastructure grants	\$1,325,000	\$0	\$1,325,000
7.	Provides one-time funding for a North Dakota planning initiative	\$1,000,000	\$0	\$1,000,000
8.	Provides one-time funding for base retention grants	\$1,500,000	\$0	\$1,500,000
9.	Provides one-time funding for an Upper Great Plains Transportation Institute study of transportation infrastructure needs	\$350,000	\$0	\$350,000
10.	Adds funding to increase tourism-related marketing and research from \$7,684,329 to \$9,184,329	\$1,500,000	\$0	\$1,500,000
11.	a contract to a	\$0	(\$235,000,000)	(\$235,000,000)
12.	and the second s	\$0	\$2,500,000	\$2,500,000
13.	Provides a <b>one-time transfer</b> from Bank of North Dakota profits to a child care facility loan guarantee fund (added by Senate)	\$0	\$200,000	\$200,000

#### Other Sections in Bill

Sections 3 through 5, 11, 16, 18, and 19 - Rename the agricultural fuel tax fund the agricultural products utilization fund and create a new continuing appropriation of money in the fund to the Department of Commerce

Sections 6 and 28 - Create a child care facility loan guarantee program for loans of up to \$15,000 through a transfer of \$200,000 from Bank of North Dakota profits (added by Senate)

Sections 7 and 38 - Create a Research North Dakota venture investment program for investments of up to \$250,000 from the development fund (added by Senate)

Sections 8 and 17 - Remove certain revenues from being deposited in the ethanol production incentive fund and the agricultural fuel tax fund

Sections 9 and 10 - Amend the housing finance programs to include child care facilities and increase the maximum balance allowed in the housing incentive fund to \$50 million (added by Senate)

Section 12 - Creates an energy conservation grant fund and a new continuing appropriation to the Department of Commerce for providing grants to political subdivisions for energy conservation projects

Sections 13 through 15 and 27 - Create a Research North Dakota grant program, a special fund, and a new continuing appropriation to the Department of Commerce for providing grants to research universities for research, development, and commercialization activities related to a private sector partner through a transfer of \$12 million

Sections 20 through 24 - Allow unexpended 2011-13 funds to continue and be spent during the 2013-15 biennium for Agricultural Products Utilization Commission, discretionary funds, technology-based entrepreneurship grants, marketing of the USS North Dakota, acquisition of the Mickelson Antiballistic Missile Site, and realignment of the Minot Air Force Base

Section 25 - Transfers \$2 million from the general fund to the workforce enhancement fund

Section 26 - Transfers \$1.5 million of the operating expenses line item to the internship fund

Section 29 - Requires the Trade Office to raise dollar-for-dollar matching funds before the Department of Commerce may spend the final 30 percent of the \$2,613,400 appropriated in the Trade Office line item

Section 30 - Limits the \$1.5 million of funding for base retention grants to communities with air force bases or air national guard facilities

Section 31 - Requires qualification guidelines for the \$5 million in funding for the child care facility grant program, requires \$1 of matching funds for every \$3 of grant funds, and limits grant amounts to \$187,500

Section 32 - Makes the \$4 million from the strategic investment and improvements fund provided for the unmanned aircraft systems program contingent upon receiving Federal Aviation Administration approval as a national test site

Section 33 - Creates an enhanced use lease grant program of \$2.5 million for a private company to construct infrastructure on or adjacent to the Grand Forks Air Force Base (added by Senate)

Sections 34 through 37 - Provide for reports and studies relating to recommendations in the 2020 and Beyond Initiative, the Experimental Program to Stimulate Competitive Research, Research North Dakota, transportation infrastructure needs, and child care services (added by Senate)

Section 39 - Declares \$1.5 million in the operating expense line item for the Operation Intern program and the \$5 million for the unmanned aircraft systems program to be an emergency

Appropriations to the Department of Commerce in Related Legislation

Appropriations to the Department	General Fund	Other Funds	Total
HB 1211 - Provides matching grants to recruit health care personnel in rural areas	\$400,000	\$0	\$400,000
HB 1358 - Provides grants for nursing homes, basic care facilities, and facilities serving individuals with disabilities from the strategic investment and improvements fund	\$0	\$6,000,000	\$6,000,000
SB 2014 - Provides funding to study value-added market opportunities for renewable energy and oil and gas	\$500,000	\$0	\$500,000
SB 2218 - Provides grants for workforce development at tribal colleges	\$5,000,000	\$0	\$5,000,000
SB 2219 - Provides one-time grants for a state energy conservation program	\$8,000,000	\$0	\$8,000,000

#### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 6, remove "54-17-07.3,"

Page 1, line 9, remove "housing finance programs,"

Page 6, remove lines 25 through 31

Page 7, remove lines 1 through 31

Page 8, remove lines 1 through 5

Page 8, line 16, overstrike "with a population of not more than ten"

Page 8, line 17, overstrike "thousand individuals"

Page 8, line 18, overstrike "At least fifty percent" and insert immediately thereafter "A portion"

Page 8, line 18, after "fund" insert "as determined by the housing finance agency in the annual allocation plan"

Page 8, line 18, overstrike "households with"

Page 8, line 19, overstrike "incomes at not more than fifty percent of the area median" and insert immediately thereafter "individuals and families of low or moderate"

Page 8, line 20, after "fund" insert ", project developers, applicants, or grant recipients"

Page 15, line 24, after "sections" insert "9,"

Page 15, line 24, replace "26" with "25"

Page 15, line 24, replace "32" with "31"

Renumber accordingly

Attach ment 1. April 2,2013 3B2018

#### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 2, replace the first "chapter" with "section"

Page 1, line 2, replace "title 6" with "chapter 6-09.15"

Attachment 2. April 2, 2013 582018

Page 1, line 4, replace "program" with "for child care facilities"

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

Page 1, line 6, after the third comma, insert "subsection 1 of section 6-09.15-01, and sections"

Page 1, line 8, after the first "fund", insert "the beginning entrepreneur loan guarantee program, the"

Page 4, replace lines 22 through 30 with the following:

"SECTION 6. AMENDMENT. Subsection 1 of section 6-09.15-01 of the North Dakota Century Code is amended and reenacted as follows:

- "Beginning entrepreneur" means a resident of this state who:
  - a. Has graduated from high school or has received a general equivalency certificate.
  - b. Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
  - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than two hundred thousand dellars an amount to be determined by the Bank.

**SECTION 7**. A new section to chapter 6-09.15 of the North Dakota Century Code is created and enacted as follows:

#### Loan guarantee for child care facility.

- A beginning entrepreneur who receives a loan for a child care facility must meet the definition of child care provider in this section.
- 2. "Child care provider" means a child care home, group, or center licensed by the department of human services."

Page 5, remove lines 1 through 30

Page 13, remove lines 7 through 10

Page 15, line 24, replace "26" with "27"

Renumber accordingly

# North Dakota Tourism Alliance Partnership

A Hachment 3. April 2, 2013

Testimony of Bill Shalhoob Tourism Alliance Partnership Chairman SB 2018

P.O. Box 2599 Bismarck, ND 58502 (701) 355-4458 FAX (701) 223-4645

2012-2013 MEMBERS

America's Best Value Inn & Suites

Basin Electric Power Cooperative

Bismarck-Mandan CVB

Buffalo City Tourism

**Destination Marketing** Association of North Dakota

Devils Lake CVB

Dickinson CVB

Fargo-Moorhead CVB

Abraham oln Foundation

Greater Grand Forks CVB

International Peace Garden

Lewis & Clark Fort Mandan Foundation

Minot CVB

Municipal Airport Authority of the City of Fargo

Newman Outdoor Advertising

Norsk Hostfest Association

North Dakota Association of Rural Electric Cooperatives

North Dakota Tourism Division (ex-officio)

Odney

Ramada Grand Dakota Lodge

State Historical Society of th Dakota Foundation

endore Ronsevelt Medora Foundation

Williston CVB

Chairman Skarphol 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 SB 2018. TAP is a coalition of tourism-related industries, including CVBs, 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, and all tourism metrics show continued growth. Visitation at parks, attractions and visitor centers were all up significantly in 2012. Major attraction visitation was up 7%, national park visitors were up 13%, airport arrivals are up 18 percent and Canadian border crossings are up 12 percent.

Tourism is currently a \$4.8 billion industry in North Dakota, employing more than 36,000 people annually, more than mining, construction, transportation or accounting. While these results are exceptional, a greater potential remains for the tourism sector. A continued influx in the state's population and an increased interest in rural tourism, agritourism, city offerings and outdoor recreation provide an outstanding opportunity for North Dakota's tourism industry. Taking advantage of this opportunity begins with the marketing budget for the Tourism Division. The Governor's budget recommendation of an additional \$1.5 million to enhance tourism-related marketing and research for the state gets us closer to our goal but still, it falls short of what the North Dakota tourism industry needs to be competitive. If this committee wanted to increase the amount appropriated, it would be a wise investment in the state's future growth.

North Dakota's tourism budget has been relatively flat since 2003, while advertising costs increased by about five percent each year. Please refer to the attached table 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 \$8.3 million per year spent by Minnesota as the next lowest amount,

and are drastically behind the \$11.6 million spent by South Dakota and the \$17.8 million spent in Montana. 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. Please refer to the table below for a comparison of the region's state tourism budgets.

State	2011-2012 Budget	Rank
Montana	\$17.8 million	7 <sup>th</sup>
Wisconsin	\$15.1 million	10 <sup>th</sup>
South Dakota	\$11.6 million	21 <sup>st</sup>
Wyoming	\$11.1 million	23 <sup>rd</sup>
Minnesota	\$8.3 million	30 <sup>th</sup>
North Dakota	\$4.6 million	41 <sup>st</sup>

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 2009-2011 biennium, we created a system for an infrastructure grant pilot program through the Department of Commerce Tourism Division. This program focused 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 nearly \$500,000 was awarded in infrastructure grants. During the last biennium, the Tourism Division received requests for over \$5.2 million dollars for tourism projects and, of these requests, the budget allowed them to fund \$1.1 million. The Governor's budget includes \$1.3 million for infrastructure grants to attract, retain and entertain North Dakota citizens and visitors to the state. We hope this program can be allowed to continue to develop with an appropriation that will allow us to measure the results.

The world is learning about North Dakota due to our strong economy. We need to continue to invest in marketing ourselves to capitalize on this new attention and position ourselves as a "must see" destination. In addition, we need to invest in the infrastructure to keep our visitors in state and returning for future vacations. We have an opportunity to take advantage of our position with more marketing dollars.

Tourism marketing is one part 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 \$1.9 million

investment in advertising in 2012 returned more than \$17.8 million to the state and local general funds. This same advertising campaign also returned \$231.6 million in visitor spending.

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 letters of support to my testimony. Thank you for your consideration, and I would be happy to answer any questions.

## State Spending Summary Tourism Division Budget History per Biennium

	2003-2005	2005-2007	2007 - 2009	2009-2011	2011-2013
Executive Recommendation	\$5.1 million	\$7.9 million, including \$238,000 in new money and \$3.9 million for Lewis and Clark marketing—of which \$2.9 million would be generated by the 1 percent lodging tax	\$8.2 million, including \$3 million in additional general funds to replace dollars potentially lost with 1 lodging percent tax	\$9.3 million, including an increase of \$912,000 for tourism marketing and \$100,000 to promote U.S.S. North Dakota	\$9.5 million, including an \$86,000 increase for tourism marketing (did not include \$2.1 million in one-time 2009- 2011 infrastructure grants)
Legislative Action	Increased the executive recommendation by \$2.9 million through a 1 percent lodging tax to be used for Lewis & Clark marketing in SB 2337 (sunset June 2007)	Earmarked dollars with no additional funds:  \$ \$100,000 for Fort Lincoln  \$ \$100,000 for Lewis & Clark Interpretive Center  \$ \$25,000 for Cowboy Hall of Fame  \$ \$50,000 each for Standing Rock and Three Affiliated Tribes  \$ \$45,000 program dollars and \$100,000 salary and benefit dollars for Learning Based Vacation program	Earmarked dollars with no additional funds:  \$100,000 Lewis & Clark Interpretive Center \$10,000 earmarked for pageant promotion fund	Added \$2.1 million in one-time infrastructure grants:  \$250,000 for tourism marketing  \$1.5 million earmarked for Lewis and Clark Foundation infrastructure grant  \$500,000 earmarked for T.R. Medora Foundation infrastructure grant	Added \$750,000 for the Tourism Infrastructure and Expansion Grant Program
Appropriated	\$7,778,512	\$8,027,878	\$8,260,408	\$11,570,000	\$10,250,000

Although the overall Tourism Division budget has shown growth each biennium, a majority of the growth was industry requests and/or earmarks for special projects, not increases for general tourism marketing efforts.



March 15, 2013

House Appropriations Committee Education and Environment Division North Dakota State Capitol Bismarck, ND 58505

Chairman Skarphol and Appropriations Committee Members:

I write to you in support of SB 2018 which includes the appropriation for the Tourism Division of the Department of Commerce.

This bill includes \$1.5 million from the general fund to enhance tourism related marketing. We direly need these marketing funds to stay competitive with surrounding states that have three times the marketing dollars as our Tourism Division.

Although some CVB budgets have been growing, we still need the Tourism Division to be out there with their Legendary brand, marketing North Dakota as a destination. The Tourism Division concentrates on leisure travel marketing which in turn helps our CVB to be able to focus more on meeting and convention marketing, one of our key program areas. Last year convention delegates to Bismarck-Mandan spent \$42.1 million in our community.

We concentrate our leisure travel marketing dollars taking advantage of the cooperative advertising opportunities provided by the Tourism Division. This enables us to be an advertising partner with them in markets that we cannot afford on our own. It is a win-win for all of us.

A third program area that is important to many of us is marketing in Canada. The Tourism Division needs to be able to continue strong marketing efforts north of the border. We do advertise in Canada on our own, but again we need them creating that overall interest in the state and continuing their cooperative advertising up there that we can piggy back on and make all our advertising dollars go farther.

The Tourism Division's marketing efforts are helping all of communities' economies. Your support of SB 2018 would be much appreciated by all of us.

Best regards,

Terry Harzinski, Executive Director

Bismarck-Mandan Convention and Visitors Bureau



March 13, 2013

Dear Members of the House Appropriations Committee,

Please accept this letter as my testimony in favor of supporting the tourism portion of SB 2018. Tourism has seen tremendous growth in North Dakota in recent years. Visitation to national parks was up 13%, attraction visitation was up 7% and airport arrivals were up 18% in 2012. Canadian border crossings were also up 12% this past year.

Currently, North Dakota has one of the smallest budgets for tourism, ranking 41% among the 50 states. As a smaller convention and visitor's bureau in North Dakota, we depend on the cooperative advertising opportunities given to us by the state. We also rely heavily on the infrastructure grants that are given out at the state level for events, marketing and infrastructure. 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.

Advertising costs have been increasing at a rate of about five percent each year. The Governor's budget recommendation of an additional \$1.5 million to enhance tourism-related marketing and research for the state gets us closer to our goal but still, it falls short of what the North Dakota tourism industry needs to be competitive. If this committee wanted to increase the amount appropriated, it would be greatly appreciated.

The other area in which we need to start moving forward on is infrastructure. The cities of North Dakota have been expanding hotel rooms to compensate for the saturation of workers and visitors in their areas. In order to remain competitive, we must develop resources that will increase interest and also visitation. An infrastructure pilot program was created in the 2009-2011 biennium and the North Dakota Department of Commerce received over \$5.2 million worth of requests. With the budget they had, they were able to award \$1.1 million. There is a growing need and there is opportunity to expand the visitor experience in North Dakota. We hope this program can be allowed to continue to develop.

North Dakota has been top news due to our strong economy. We need to continue to invest in marketing ourselves and keep the momentum going strong. We also need to invest in infrastructure to keep our visitors in state and returning for future vacations. We have an opportunity to take advantage of our position with more marketing dollars – let's not lose the momentum.

Thank you for your time and consideration.

Sincerely,

Suzie Kenner, Executive Director



1020 South Broadway PO Box 2066 Minot, ND 58701 T 800.264.2626 701.857.8206

January 15, 2013

Senate Appropriations Committee Chairman Holmberg

Dear Chairman Skarphol,

I am writing you today to express my support for SB 2018, regarding the appropriation for the Department of Commerce and the specifically the Tourism Division.

SB 2018 contains the Governor's 2013-2015 budget recommendations including \$1.5 million from the general fund to enhance tourism-related marketing and research for the state; a one-time appropriation of \$2 million from the general fund for workforce enhancement grants; and a one-time appropriation of \$1.3 million from the general fund for large infrastructure grants to attract, retain, and entertain North Dakota citizens and visitors to the state.

These funds are extremely important to the ND Tourism Department and the marketing that they do. We as the Minot Convention and Visitors Bureau have been able to partner with ND Tourism through their marketing programs, which have allowed us to get our message out into markets that we would not typically be able to be in without the cooperative efforts of Tourism. In addition the funds that are appropriated for infrastructure projects and grants have impacted our community directly by assisting some of our attractions such as the Roosevelt Park Zoo and the Scandinavian Heritage Park. Both of these attractions draw thousands of visitors to our community every year.

Tourism is economic development. All of these folks that come through our state and into our communities spend dollars in our hotels, restaurants, retail stores and gas stations. These dollars create jobs and grow businesses, in addition to the sales tax dollars generated by these visitors.

I ask you for your support for SB 2018 and the recommendations put forward by the Governor.

Sincerely,

Wendy Howe



Testimony of Sheri Grossman
President, Destination Marketing Association of North Dakota
Senate Bill 2018
March 15, 2013

Chairman Skarphol and Members of the House Appropriations Education & Environment Division:

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 more than 15 years in this industry, I know how important it is to be competitive with our neighboring states. The annual budgets for our surrounding states are double and triple as much as the budget for North Dakota: South Dakota \$11.6M, Minnesota \$8.3M and Montana \$17.8M 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. 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.



March 11, 2013

Rep. Robert Skarphol N.D. House Appropriations Committee 600 East Boulevard Avenue Bismarck, ND 58505

Dear Representative Skarphol & Committee Members:

I'm writing today in support of increased appropriations for the Tourism Division of the North Dakota Commerce Department. I've only been a working member of the tourism industry since June, but have already gained great respect for the Tourism Division, and the good things the people who work there do for the state on a very limited budget. In fact, one of my goals, going forward, is to work more closely with them and the other dedicated people involved in Destination Marketing around the state to further advance the idea that North Dakota is a great and diverse place to visit.

Operating on the far eastern end of the state, my co-workers and I appreciate just how much variety North Dakota has to offer. Of course, we encourage visitors who come here to stick around and enjoy the Red River Valley, but we also recognize that we are a gateway to the rest of the state. We go out of our way to make sure travelers know what kind of fun and excitement they're in for as they head west. We do this with virtually no financial help from the Tourism Division because, frankly, they just don't have enough money to go around. Don't misunderstand me—I'm not asking you to increase the Tourism Division budget so they can send money to Fargo. Rather, I believe you should increase that budget so the state's tourism experts (and they are experts) can do an even better job of telling the world there's a lot more to North Dakota than an oil boom.

Studies indicate that tourism marketing dollars come back to the state in significant multiples. Please give serious consideration to increasing the return by increasing the investment.

Sincerely,

Charley Johnson President/CEO

Fargo-Moorhead Convention & Visitors Bureau

> 2001 44th St. S. Fargo, ND 58103

800-235-7654 701-282-3653 701-282-4366 (fax)

info@fargomoorhead.org www.fargomoorhead.org

Phone: 701.663.6501 or 800.234.0518 Fax: 701.663.3745 www.ndarec.com

Testimony of
Dennis Hill
Executive vice president and general manager
North Dakota Association of Rural Electric Cooperatives

Before the House Appropriations Committee In support of the tourism portion of SB 2018

March 15, 2013

Mr. Chairman and members of the committee,

On behalf of the N.D. Association of Rural Electric Cooperatives, I'm writing in support of the tourism portion of SB 2018.

NDAREC is a member of the Tourism Alliance Partnership, because we support the growth and development of the tourism industry in our state. For decades, electric cooperatives across the state have been providing electric power to many of our state's final destination tourism attractions, such as Medora, the International Peace Gardens and our state park and recreation facilities.

In addition, NDAREC has partnered with the State's Tourism Department for some 20 years in the publication and distribution of the state's official Vacation Guide. In this partnership, NDAREC secures advertising for the Vacation Guide, shares those revenues with the Tourism Department, and also distributes some 90,000 copies of the Vacation Guide to the subscribers of North Dakota LIVING. This partnership makes it possible for a vast audience of North Dakotans to be made aware of the "Legendary" sites and experiences that are available right here in our own state.

Over the past two decades, we have seen tremendous growth in the tourism industry. The first Vacation Guide we published had 88 pages; the 2012 Guide was 160 pages. That's a strong visual reminder of how much this industry has grown and contributes to the economic vitality of our state.

Still, there is much more the state can do to help promote and develop the tourism industry in our state. The additional \$1.5 million in tourism funding provided in SB 2018 would be a major step in that direction. If more funding could be provided, that would make the industry even stronger. There is no doubt that our neighboring states provide a much higher level of funding for the tourism industry than our state provides. Since the industry is so competitive, we often can't compete with these bigger budgets in states that have developed more attractions.

We strongly encourage the legislature to provide a full measure of funding in support of this vital industry to our state's quality of life and economic vitality.



Cinquist by And below Manage transition on Manage Not 100 April

# Harvey Convention & Visitors Bureau Letter of support from Nicollette Weissman For SB 2018

We urge you to vote for Senate Bill 2018. Tourism is a very important industry in the state of North Dakota. ND Tourism helps support our efforts.

Harvey needs tourism to support the restaurants, gas stations, motels and parks, and the rest of the business in and around Harvey.

We have hunting, fishing, parks, a pool, and other activities to participate in the area. We need outside people to boost our economy.

The ND Tourism Department is a huge asset to the Harvey community. We do not have huge financial resources to accomplish our goals. The state advertises smaller communities like ours and we receive a huge benefit by partnering with the state. Therefore your vote for Senate Bill 2018 is essential for our Communities survival. If you have questions, feel free to contact us.

Chairperson - Sheila Jensen Marci Eckart – Shauna Faul Kurt Steers Mike Waldoch -

Nicollette (Nicki) Weissman
Harvey Convention & Visitors Bureau Director
120 W 8<sup>th</sup> St
Harvey, ND 58341
701-324-2490
Fax – 701- 324-2674
Cell – 701-400-6735
www.harveynd.com
HarveyJDA@harvey.com



Testimony of Doug Hevenor Tourism Alliance Partnership Member SB 2018 March 13, 2013

Chairman Skarphol and members of the committee, my name is Doug Hevenor. As member of the Tourism Alliance Partnership (TAP), a member of the Turtle Mountain Tourism Association and the CEO of a Tourist Attraction in North Dakota, I am writing this letter asking for your support of the tourism portion of SB 2018.

The Governor's budget recommendation includes \$1.5 million from the general fund to enhance tourism-related marketing and research for the state. Also included are a one-time appropriation of \$2 million from the general fund for workforce enhancement grants and a one-time appropriation of \$1.3 million from the general fund for large infrastructure grants to attract, retain, and entertain North Dakota citizens and visitors to the state.

ND Tourism is a vibrant and important segment of our State's economy that will continue to develop and grow. It is extremely important that ND Tourism receive the States enhanced financial support to move forward and market the State of North Dakota to a global audience.

Presently the ND Tourism funding remains very low compared too many neighboring States. Enhancements to the ND Tourism Budget would allow Sarah Otte Coleman and her staff to drive more visitors to our state, filling more hotel rooms, meeting spaces and restaurants in turn driving dollars into our State's economy.

I encourage you and your committee to support the tourism portion of SB 2018

Respectfully,

Doug Hevenor, CEO

10939 Hwy 281 Dunseith, ND 58329-9445 (701) 263-4390 Toll Free (888) 432-6733 FAX (701) 263-3169

P.O. Box 419 Boissevain, MB ROK 0E0 (204) 534-2510

#### Testimony of Julie Rygg Greater Grand Forks Convention & Visitor Bureau Executive Director Senate Bill 2018 March 13, 2013



House Appropriations Committee members:

Please accept this written testimony, on behalf of the Greater Grand Forks Convention & Visitors Bureau (GGFCVB), as a request for your support of the tourism portion of SB 2018.

Tourism in North Dakota continues to grow, both on a national and international scale. As the state's third largest industry, it is imperative to give tourism the attention it deserves by focusing marketing efforts on increasing our reach to potential visitors. And as we all know, this requires adequate funding to accomplish.

A variety of research continues to illustrate how the state's efforts are showing tremendous return on investment. However, North Dakota currently ranks only 41<sup>st</sup> in funding tourism marketing programs. The untapped economic potential is undeniable and with an increased budget, North Dakota could vastly improve our position in the marketplace through simply growing the tourism industry.

There are many factors to consider when evaluating the funding. The following are a sampling of those:

- The days of long-term trip planning are no more, as an ever growing number of trips are planned on short notice. If North Dakota isn't in the marketplace and our competitors are, potential visitors can easily choose to travel to other locations.
- It is alarming to see how our competitors are outspending us in our target markets, which keep them in front of the consumer more frequently, such as:
  - Wyoming's spring media buy was just under six million dollars, which is three times that of our annual campaign. They spend more on television (\$2.8 million) than North Dakota
     Tourism spent across all media, and their online and magazine buys were also more than double North Dakota's.
  - South Dakota tourism also spent more than three times what North Dakota spent in paid
    marketing and many of those dollars are being spent in the same target markets like
    Minneapolis, St. Cloud, Eau Claire and Winnipeg.
- It is also important to note that Canadians visiting North Dakota are spending record amounts of money in our state. Sales tax collections continue to rise and Canadians are a big part of that. They are not just making small purchases while here, either; many are buying big ticket items such as electronics and home improvement materials. Why are they making these purchases here? 28% of our survey respondents say it is price and 25% cite the positive exchange rate. A



particularly important development for us occurred on June 1, 2012, when there was an increase to the exemptions allowed to Canadian travelers. After an absence from Canada of 24 hours, they may bring back \$200 worth of goods (formerly \$50) duty and tax free. After 48 hours, the personal exemption jumped from \$400 all the way up to \$800.

Again, I ask for your support of tourism in SB2018 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.



Testimony on behalf of North Dakota Senate Bill 2018 Friday, March 15, 2013 9 a.m.

Roughrider Room, State Capitol Building, Bismarck, ND State Historical Society of North Dakota Foundation House Appropriations Education and Environment Committee

Mr. Chairman and members of the committee, this testimony is being submitted by the State Historical Society of North Dakota Foundation, in support of Senate Bill 2018, a bill to provide an appropriation for the North Dakota Department of Commerce and the Division of Tourism.

We are excited about the great growth that tourism has shown in recent years in North Dakota, to where today it is our third largest industry, only behind agriculture and energy. Over the years, the North Dakota Tourism Division and the State Historical Society of North Dakota have worked closely in partnership to promote all that we have here, including the quality of life we offer. We must continue to grow tourism in our state, which in turn helps our communities and businesses, large and small, by providing it with the resources it needs to let the world know all that we have here.

One of those jewels that they will be promoting that will bring more visitors to our state is the expanded North Dakota Heritage Center. This will be a national and international destination and events center, part of a String of Pearls of heritage tourism opportunities across the northern border. A key feature of this Smithsonian of the Plains will be its Hub of History, which will

serve as a launching pad to direct visitors to the many cultural, heritage, ecological, agricultural, sporting, and Main Street tourism attractions statewide, from Williston to Wapheton, from Walhalla to Wishek. The Hub of History will provide an anchor to direct visitors to our state's communities, small and large, helping their businesses grow. Not only will the expansion of the North Dakota Heritage Center create a world-class destination for travelers showcasing the accomplishments of our people, it also has the opportunity to be a gift to our citizens. This iconic museum will tell the world that we love our history, respect our elders and cherish our children.

The Tourism Division does an outstanding job of making every penny count, as evidenced by the great return on its investment in the advertising dollar. In 2012, it spent \$1.9 million on its "Arrive a Guest: Leave a Legend" advertising campaign, which returned \$18 million to the state and local general funds, and also brought in \$232 million in visitor spending for the year. That kind of return underscores the importance of providing the professionals at North Dakota Tourism with a marketing, research and overall budget that gives them the resources to continue working to bring great numbers of visitors to our state to see all that we have to offer.

We also strongly encourage that the \$1.3 million identified for the Tourism Infrastructure and Expansion Grant Program be fully funded. Through the State Historical Society of North Dakota's cultural grant program, we have seen how successful making these kinds of grants available to local communities and businesses can often make all the difference in turning a great idea and dream into a reality.

We respectfully urge you to vote in favor of SB 2018, so that the North Dakota Division of Tourism can continue to build on the outstanding work it is doing on behalf of our state.





401 West Main St. lan, ND 58554 563-4758

RIVERBOAT

Fax: 701-663-4751 info@fortlincoln.org

Statement of Fort Abraham Lincoln Foundation Executive Director
Tracy Potter on SB 2018 – House Appropriations Committee, Ides of March.

Others have presented the financial analysis for why the state should increase its tourism marketing. I would like to focus my comments on another benefit resulting from the state's investment.

First, it is clear that even the largest destination tourism organizations in North Dakota, which are generally non-profits, lack the financial resources to conduct marketing campaigns beyond the state's borders. So, if these organizations are to attract out-of-state visitors, they need the state's help.

And, when they get it, they can grow and improve their programs — contributing to an improving quality of life for our residents, educating our own young people along with our visitors, and creating an upward spiral of economic growth as the attractions grow and become more attractive to visitors. This is the happy coincidence of tourism, particularly heritage tourism: it provides the economic justification to do the things we want to do anyway. We want our children to learn and appreciate their heritage. But building museums and enhancing historic sites would need to get in line behind human needs for shelter, food, health care, etc., except for that one fact — related to the give a man a fish — teach a man to fish story. We preserve and develop our historic sites for our children, and we pay for them with the new dollars lured to our state through tourism marketing.

The new dollars don't go in large part to the very attractions that brought the visitors here. A Minneapolis family may spend money at the Medora Musical, but on the way, they spent money at gas stations, restaurants, hotels and retail stores all the way from Fargo across the state. The state gets tax dollars from all those purchases. The state treasury, in fact, can be shown to have a net gain from increases in the tourism budget.

And more, the improvements in our quality of life that result from tourism developments are exactly the kinds of things that turn visitors into permanent residents – growing our state, by growing our tourism.

Thank you for your support for the efforts of Sara Otte-Coleman and her fine staff. Help them bring visitors to us, and those of us providing tourism experiences will make those experiences great.

#### Testimony of David Borlaug, President Lewis & Clark Fort Mandan Foundation In Support of SB 2018 Department of Commerce, Tourism Division Budget

House Appropriations Committee:

Chairman Skarphol and members of the committee, my name is David Borlaug and I am president of the Lewis & Clark Fort Mandan Foundation at Washburn, which maintains and operates both Fort Mandan and the Stateowned Lewis & Clark Interpretive Center.

I encourage you to fully support the Commerce Department's budget request, in particular the Tourism Division budget, along with enhancements as proposed by the Tourism Alliance Partnership, of which I am a member.

At a time of unprecedented economic growth in our State, we cannot overlook the vital importantance of the Tourism industry, and what it brings to us on a regular basis. From our own perspective here in Washburn, where we see 60,000 visitors a year from all 50 states and as many foreign countries every year, I can verify the economic impact of this industry.

Thank you for your continued support of the industry and the Tourism Division, which is our champion and marketing arm, bringing those visitors from near and far to our doors. We cannot be successful without their efforts, funded by you.

Thank you.



#### Testimony SB 2018

Attachment 4. April 2, 2013 5B2018

#### House Education & Environment Committee Honorable Representative Bob Skarpol - Chair

The Greater North Dakota Chamber, Champions for Business in North Dakota, is committed to building the best business climate in the nation. We work in collaboration with more than 1,100 businesses and a coalition of local chambers in our state. The Greater North Dakota Chamber also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce.

#### Why we like SB 2018:

SB 2018 is packed with things that the business community values. These include, but are not limited to, the Research North Dakota Fund that helps bring research to fruition in the form of commercialization, the North Dakota Trade Office matching grant that helps North Dakota companies find customers in new markets, the base retention grant program for obvious reasons, the child care facility grant program, the Strategic Investment and Improvements Fund designed to help the Unmanned Aircraft Systems Program, and the budget to fund an expanded Upper Great Plains Transportation Institute study update and so forth.

However, I would be remiss to not talk about 2020 & Beyond. As you already know, the Greater North Dakota Chamber worked with Commerce in developing the report. Ultimately, 2020 & Beyond now belongs to the Economic Development Foundation to do with as they wish. Yet, it is the Commerce Department at will be responsible to make sure that the recommendations are accomplished. Making North Dakota is the healthiest state, the best educated state in possession of an ever developing workforce, and a state that has the best business climate of all fifty states.

It is to this end – the aforementioned reasons - I urge a do pass recommendation. Thank you.

Andy Peterson President & CEO Greater North Dakota Chamber



# DESTINATION MARKETING ASSOCIATION

North Dakota

Attachment 5. April 2,2013 SB 2018

Testimony of Sheri Grossman
President, Destination Marketing Association of North Dakota
Senate Bill 2018
March 15, 2013

Chairman Skarphol and Members of the House Appropriations Education & Finance Division:

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 more than 15 years in this industry, I know how important it is to be competitive with our neighboring states. The annual budgets for our surrounding states are double and triple as much as the budget for North Dakota: South Dakota \$11.6M, Minnesota \$8.3M and Montana \$17.8M 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. 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.

# TESTIMONY ON SB 2018 BY PHILIP BOUDJOUK, Ph.D. ON BEHALF OF NORTH DAKOTA STATE UNIVERSITY

Attachment 6. April 2, 2013 5B2018

#### April 2, 2012

Mr. Chairman, members of the Committee, Commission Anderson: My name is Philip Boudjouk, and I am Vice President of Research, Creative Activities, and Technology Transfer at North Dakota State University (NDSU). I am here to provide testimony on behalf of NDSU concerning SB 2018 and, in particular, the proposed Research ND and Research ND venture grants program.

NDSU is in favor of passage of the first engrossment of SB 2018 as written by N.D. Senate (wherein SB 2018 was amended in the N.D. Senate to add a new Research ND venture grants program to aid startups and spinoffs in their commercialization of university-created technologies and IP).

However, on March 25, 2013, Representative Al Carlson introduced a new amendment to SB 2018 that would establish and appropriate funds for a Research North Dakota biotechnology grants program to provide funding exclusively to biotechnology companies based in N.D. Further, this amendment creates a new process for this biotechnology grants program that differs significantly from the established practice currently used by the ND Department of Commerce and the COE Commission. NDSU is not in favor of Rep. Carlson's amendment given that we have significant concerns including, but are not limited to:

- Amendment is too narrow in scope and intent:
  - It promotes/benefits only one N.D. industry cluster or sector biotechnology:
  - It promotes/benefits only a few companies in North Dakota in a single industry cluster/sector - biotechnology, e.g., Aldevron, Avianax, and CureLabs Oncology
    - It may put the state of N.D. in the position of being accused of "picking winners over losers", i.e., perhaps reduces competition in the marketplace?
  - It excludes participation of many other N.D.-based companies both large and small – in the Research ND program – companies that are NOT doing biotechnology R&D such as:
    - Bobcat
    - Triton Systems
    - Appareo
    - John Deere Electronics

- Case New Holland
- American Crystal Sugar
- Pedigree Technologies
- MidAmerica Aviation
- Amity
- Elinor Specialty Coatings
- Myriad Devices
- Packet Digital
- and many others....
- It is focused solely on vaccines and antibodies R&D:
  - Why just vaccines?
  - Why just antibodies?
- It is focused solely on "... treatment or cure of cancer or virally infectious diseases...":
  - Why not bacterial and/or fungal diseases?
- It excludes N.D.-based companies performing R&D and commercialization of technologies and products and/or doing business in other aspects of biological, biomedical, life sciences and healthcare (not necessarily biotechnology-focused):
  - Larada Sciences
  - FormulaNow
  - Intelligent InSites
  - Sanford Health
  - Lillestol Research
  - Odyssey Research
- It excludes participation of companies based in N.D. in Research ND that are doing OTHER types of biotechnology R&D and commercialization of technologies and products
  - Plant-based or other agricultural-related biotech R&D, etc. such as:
    - Monsanto
    - Genosys
- Why does the amendment specifically address use of ".... other public sources ...." as part or all of its \$1 of private sector cash match for Research ND biotechnology grants program?
  - ".... other public sources ...." does not appear to be an option for the non-biotechnology Research ND and/or Research ND venture grant programs?

- The definition and specifications for a healthcare nonprofit to administer the program is too narrow and specific.
  - The proposed amendment appears to apply to one health-based, nonprofit foundation based in N.D. so it potentially excludes other capable and proven nonprofit organizations involved in healthcare research and healthcare services.
  - Other healthcare-based nonprofit organizations have extensive experience managing and monitoring large, complex R&D programs and funding, e.g., federal grants, private capital, etc.
    - Sanford Research/Sanford Health
- Unlike the research universities, there is no designated fiscal agent(s) that is directly
  accountable to the state, i.e., executive branch and legislature.

If it is the intent and desire of the legislature to implement with a Research ND biotechnology grants program that provides funding directly to the N.D.-based biotechnology companies to perform biotechnology R&D and commercialization activities in conjunction with a research university in N.D., then:

- Why allocate 50% (\$6 million) of proposed total Research ND budget to a program that is narrow in scope and intent?
  - Perhaps the biotechnology grants program could be a smaller, "pilot" program in which a smaller amount of funding (e.g., \$2 million) might be tried.
    - Legislature could then evaluate progress and achievements during subsequent years of the biennium?
- Perhaps the Business Incentive Accountability Law (N.D.C.C Chapter 65-60.1.) should apply to private sector partners that receive and/or use any Research ND funding.
- Any Research ND biotechnology grant funding should be split equally between the two
  research universities.
- Private sector parties receiving Research ND funding should be legally required to:
  - Report on the outcomes of use of state funding through Research ND program, e.g., increasing economic diversity, creation of new private sector jobs (including information on salary+benefits, position, and other job data typically collected and reported by the ND Dept of Commerce), and other economic development metrics.

- Comply with separate, 3<sup>rd</sup> party audits concerning use of any state of ND funding through Research ND program.
- Conduct/carry out their commercial activities in N.D. such that economic development benefits inure first to the state of N.D. and not elsewhere.

NDSU and our more than 30 partners in the prior Centers of Excellence program have demonstrated that significant economic development benefits have accrued to the North Dakota taxpayer including, but not limited to:

- 1 Successful recruitment of companies now doing business in N.D. (e.g., Triton Systems Inc.);
- 2 Increased employment and/or retention in our partner companies (as documented in regular reports);
- 3 Creation of new startup companies (e.g., Elinor Specialty Coatings LLC)
- 4 New sponsored research contracts/grants sponsored by our COE partners that sustain these COEs; and
- 5 A growing cadre of highly trained students at the undergraduate and graduate levels that have been quickly absorbed by our partner companies for full time employment in high tech jobs in North Dakota.

In summary, NDSU, because of its outstanding research infrastructure and experience, has a long, successful history of working with the private sector. In the past six years, for example, we have negotiated and completed over 300 research contracts/grants with various companies in the US and abroad - on average, nearly one contract/agreement per week. In particular, the COE/CORE program has enabled NDSU to work even closer with the private sector by stimulating new research, development, and commercialization partnerships that have resulted in new business opportunities for the private sector. The COE/CORE program has thus promoted economic diversity and stimulated economic development in North Dakota, especially in advanced manufacturing, value-added agriculture, and other industry clusters of importance to the state of N.D. As originally envisioned (and articulated in the 1st engrossment of SB 2018), the Research ND and Research ND venture grants programs have the potential to build upon and greatly increase such successes. NDSU strongly believes that the Research ND program will broaden the technology base in our state so that N.D. companies can more readily access the capabilities of the research universities. Research ND will enable the research universities to better assist companies in their commercial endeavors thereby promoting new economic accomplishments and achievements by the private sector.

Testimony—SB 2018
House Appropriations Committee,
Education and Environment Subcommittee
April 1, 2013

A Hachment 7. April 2,2013 5B2018

Mr. Chairman and Members of the Committee:

My name is Phyllis Johnson, and I am the Vice President for Research and Economic Development at the University of North Dakota. The University of North Dakota is in favor of the Research North Dakota portion of SB 2018, but we have some concerns regarding Rep. Carlson's proposed amendment.

The Research North Dakota program is a new and improved successor to the Centers of Excellence program, which created many benefits for both our State's research universities and, most importantly, for the state of North Dakota itself.

The Centers of Excellence program yielded many highly successful projects, including at UND, those focused on unmanned aircraft systems, production of biodiesel and biobased jet fuel that won't gel in cold weather, and petroleum production. This work continues to pay dividends. The UAS

project helped to position the State of North Dakota as a leading contender as a national UAS test site. The biofuels project is in the process of being commercialized. And the petroleum project, in collaboration with multiple private companies in the Bakken, has found, among other things, ways to more than double the rate of oil extraction form wells in North Dakota.

Looking ahead, the proposed Research North Dakota project will enable us to continue such successful partnerships with the private sector. It will also lower existing barriers to private-sector collaboration with the university, because the match requirements would be lowered from a 2:1 match, which existed under the previous system, to a 1:1 match for the state funds awarded to the University. A lower match means a lower barrier to entry for private-sector businesses that wish to partner with the Universities.

The University of North Dakota also supports the Senate amendments to SB 2018 that would allow funding for universities to further our commercialization efforts. There is often a "gap" between the disclosure of an invention—or sharing the idea with the world—and actually developing that

concept to the point where a company would be interested in licensing it. This proposal provides a modest amount of money to "flesh out" inventions to the point where they can be licensed or commercialized. This can help get products to market—and bring about commercial success—faster. Finally, the possibility of venture funding will help move University products into spin-offs or startup companies, which will in turn help these small companies get off the ground in North Dakota—and not somewhere else.

There is a growing capacity in the Red River Valley to focus on immunology and infectious disease in both the research universities and the private sector. We support this focus and hope to see continued growth in this area. In fact, the UND School of Medicine and Health Sciences recently announced the hire of an internationally known infectious disease researcher as the Chair of Basic Sciences in the medical school. The Centers of Excellence program to date has been helpful in growing this capacity in infectious disease research and development, and the new Research North Dakota program will continue that.

However, we would prefer not to see so much of the Research North Dakota funding limited to one area of technology, as proposed in Rep. Carlson's amendment, because it could limit our ability to work with a broader range of private sector businesses. The proposed restriction would cut out other life sciences companies—and even other vaccine companies—from this funding opportunity.

We believe that infectious disease projects and the companies who manage them can be competitive for Research North Dakota funding while in partnership with ND's research universities, without having special funding set aside for these companies.

We further believe that such alignment with a research university is a benefit for all tech-based industries because it provides access to sophisticated scientific equipment and technology, as well as the expertise of our faculty and students.

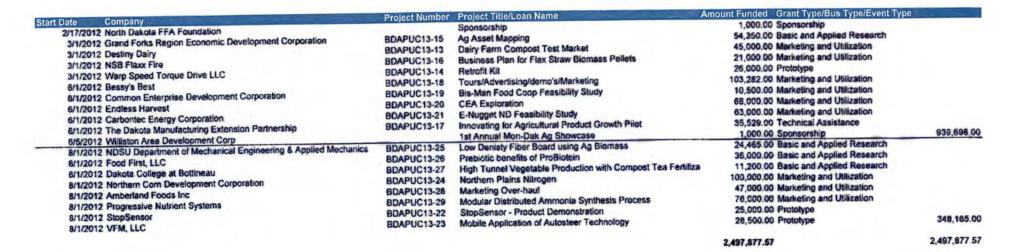
In summary, then, we believe that a broadly accessible
Research North Dakota program will help enable more
businesses to form partnerships with North Dakota's research
universities and will provide important tools for both large and

small companies to commercialize products more quickly. This, in turn, will help to strengthen and diversify North Dakota's economy.

### Agricultural Products Utilzation Commision Approved Grants Fiscal Year 2010 to August 2012

Start Date Company		Project Title/Loan Name	Amount Funded Grant Type/Bus Type/Event Type	
7/24/2009 The Hayloft	BD009-03	The Hayloft Trail Rides & Theater	1,000.00 Nature Based Tourism	
8/1/2009 Destiny Dairy	BD009-01	Dairy Farm Compost Market	6,925.00 Marketing and Utilization	
8/1/2009 Oakes Industries, Inc.	BD009-02	KATLET	26,000.00 Prototype	
11/23/2009 NDSU Agriculture & Biosystems Engineering	BD009-07	Microbial Quality of Buckwheat & Mustard	51,964.99 Basic and Applied Research	
11/23/2009 North Dakota Department of Commerce	8D009-04	Feasibility Study	31,000.00 Marketing and Utilization	
11/23/2009 Maple River Distillery LLC	BD009-05	Marketing Wines	26,000.00 Marketing and Utilization	
3/1/2010 North American Bison Cooperative	BD009-14	Accelerated Market Penetration	41,000.00 Cooperative Marketing	
	BD009-09	Feasibility and Business Plan Research	55,000.00 Marketing and Utilization	
3/1/2010 Red River Valley Seed Company	BD009-10	Feasibility of Development of ND Superfeeds	31,000.00 Marketing and Utilization	
3/1/2010 City of Carrington	BD009-11	Ag Open 2010	15,000.00 Marketing and Utilization	
3/1/2010 Williston Area Development Corp	BD009-12	Marketplace of Ideas Showcase and Forum	15,750,00 Marketing and Utilization	
3/1/2010 Marketplace of Ideas/Marketplace for Kids Inc	BD009-12	POD retail outlet and distribution center	12,600.00 Marketing and Utilization	
3/1/2010 Dakota Cooperative Association	BD009-08	Fuel Savings from Farm to Market	26,000.00 Prototype	
3/1/2010 Brookins Hybrid Drive Systems, LLC			54,284.96 Basic and Applied Research	
6/1/2010 NDSU Agriculture & Biosystems Engineering	BD009-17	Demonstration of Improved Bioproducts	100,000.00 Marketing and Utilization	
6/1/2010 Dakota Spirit AgEnergy LLC	BD009-15	Cellulosic Biorefinery Feasibility Study	25,000.00 Marketing and Utilization	
6/1/2010 Bowdon Meat Processing Committee	BD009-16	Plant Design and Specifications		
6/1/2010 SORM Inc	BD009-18	Hopper Bottom Component Kits	21,000.00 Prototype	540,524.9
6/1/2010 North Dakota FFA Foundation		Sponsorship	1,000.00 Sponsorship	540,524.8
8/1/2010 NDSU Department of Plant Sciences	BD009-23	Market NDSU Corn Products	70,000.00 Basic and Applied Research	
8/1/2010 AquaGanix Inc.	BD009-19	Branding, Logo, Packaging, and Web design	75,975.00 Marketing and Utilization	
8/1/2010 Marketplace of Ideas/Marketplace for Kids Inc	BD009-20	Growing Native Assets	51,000.00 Marketing and Utilization	
8/1/2010 Minot Area Development Corp	BD009-24	BioExx Extraction Study	30,875.00 Marketing and Utilization	
8/1/2010 Cass Clay Wholesome Food Cooperative	BD009-25	Market Analysis & Feas Study	12,900.00 Marketing and Utilization	
8/1/2010 Geo Matoes, LLC	BD009-21	Consulting and Study	5,250.00 Technical Assistance	
12/1/2010 Nelson County Job Development Authority	BD009-27	Nelson County Dairy Processing Feasbility Study	17,062.00 Basic and Applied Research	
12/1/2010 North Dakota Department of Agriculture	BD009-28	MAP 2010	10,000.00 Marketing and Utilization	
12/1/2010 Gussiaas Family Farm, Inc.	8D009-30	Specialty Oilseeds	13,886.00 Marketing and Utilization	
12/1/2010 Ergologistics LLC	BD009-29	Lift n' Buddy	10,000.00 Prototype	
12/1/2010 Field of View, LLC	BD009-26	Const. of Remotely Piloted Aircraft for Ag App	25,000.00 Technology	
	20000 20	Sponsorship	1,000.00 Sponsorship	
2/18/2011 North Dakota FFA Foundation	BD009-32	Phase 1 - Market Outreach	15,566.62 Marketing and Utilization	
3/1/2011 Northern Plains Sustainable Agriculture Society	BD009-31	Packaging Technology	25,000.00 Prototype	
3/1/2011 Sun Valley Container	BD009-33	Building a Hoophouse	5.250.00 Farm Diversification	
6/1/2011 Thompson Farm	BD009-34	SunButter Ingredient Market Launch	126,000,00 Marketing and Utilization	
6/1/2011 Red River Commodities Inc	BD009-38	Marketing Biocomposites	26,000.00 Marketing and Utilization	
6/1/2011 c2renew LLC			31,000.00 Marketing and Utilization	
6/1/2011 Amberland Foods Inc	BD009-39	Dakota Seasonings Expansion	76,000.00 Marketing and Utilization	
6/1/2011 Jamestown/Stutsman County Jobs Development Corp	BD009-40	Produce CEA Facility Feasibility Study	4,725.00 Nature Based Tourism	
6/1/2011 Red Trail Vineyard	BD009-35	Red Trail Vineyard Tourism		
6/1/2011 Black Leg Ranch	BD009-36	Renovation	11,000.00 Nature Based Tourism	
6/1/2011 Trojan Hoist Company	BD009-37	Portable Ag Crane	25,000.00 Prototype	000 400 0
6/22/2011 North Dakota 4-H Foundation		Sponsorship	1,000.00 Sponsorship	669,489.6
8/1/2011 NDSU Agriculture & Biosystems Engineering	BDAPUC13-07	EPA Advanced Biofuel	61,317.00 Basic and Applied Research	
8/1/2011 Crunchfuls North Dakota, LLC	BDAPUC13-01	Military Superfood Snack	65,000.00 Marketing and Utilization	
8/1/2011 Heimbuch Potatoes LLC	BDAPUC13-03	Market Product Line	46,400.00 Marketing and Utilization	
8/1/2011 North Dakota Trade Office	BDAPUC13-04	Market Research databases	42,500.00 Marketing and Utilization	
8/1/2011 Beach Pulses LLC	BDAPUC13-05	Multi-Regional Markets	75,000.00 Marketing and Utilization	
8/1/2011 West Dakota Feed & Seed	BDAPUC13-06	Canary Seed	40,000.00 Marketing and Utilization	
8/1/2011 Dakota Sun Gardens	BDAPUC13-02	Advanced Marketing Tourism	10,500.00 Nature Based Tourism	
12/1/2011 NDSU Department of Plant Sciences	BDAPUC13-09	Feasibility Growing Vegetables by LEP	25,360.00 Basic and Applied Research	
12/1/2011 NDSU Department of Plant Sciences 12/1/2011 NDSU Department of Agribusiness and Applied Economics	BDAPUC13-10	Economics of Collecting Flared Gas to Produce Nitrogen Fer	ti 59,960,00 Basic and Applied Research	
	BDAPUC13-12	Feasibility study for Ceral Plant	48,500.00 Marketing and Utilization	
12/1/2011 Ren Iverson LLC	BDAPUC13-08	Expansion to U-Pick and larger Commercial Garden	10,500,00 Nature Based Tourism	
12/1/2011 Cutbank Creek	BDAPUC13-11	InvenTus Hydro-packs	26,000.00 Prolotype	
12/1/2011 InvenTus, LLC	BUAPUC13-11	mvent us mydro-packs	Lo, cou. vo i idioijie	





	Requests	Funded	
EVOCAC	Requests	1.310.457.50 \$ 540,524.95	41%
FY2010	•	1,301,723,50 \$ 669,489.62	51%
FY2011	\$	1,00 1,100 1	73%
FY2012	\$	1,289,676.00 \$ 939,698.00	
FY2013	s	621,031.00 \$ 348,165.00	56%



### Department of Commerce Commissioner's Discretionary Funds

### 2011-2013 Projections & Commitments

Project	Committed			
EDA matching funds	\$200,000.00			
Infrastructure Planning Grants	240,084.00			
Procurement Technical Assistance Center	200,000.00			
Partners in Marketing	100,000.00			
Vaccinology study	50,000.00			
Tourism Infrastructure Grants	100,000.00			
Project Support * *	739,692.00			
Sponsorship of economic development events	12,000.00			
Total	\$1,641,776.00			
2011-2013 Appropriation	928,083.00			
Carryover	713,693.00			
2009-2011 Adjusted Appropriation	\$ 1,641,776.00			

### \*\* Projected Uses for Project Support Funds

- Preliminary Site Engineering
- Site Environmental Reviews/Studies
- Site Infrastructure Improvements
  - Road upgrades/access
  - Natural gas line placement
  - Placement of redundant services (telecom, electric, etc.)
  - Sewer and water infrastructure
  - Wetland mitigation
  - Rail infrastructure upgrades
- Community Infrastructure Improvements
  - Upgrades required to city water treatment plant
  - Upgrades to City's wastewater treatment capabilities
- Workforce Development/Training Program Implementation
  - Specific to an industry or skill set or a company (i.e. welding program)
- Market Area/Project Specific Labor Availability Studies
  - Consultant conducted labor study within a specific market area to assess and prove workforce availability for a specific project
- Travel Expenses for Unplanned Project/Executive Visits (Home or Away)
  - Most likely for rural area projects. Help support expenses for community leaders to travel to a company's HQ to present a recruitment sales pitch.
  - Cover expenses of a company's executives to travel to ND to visit a specific community/site.

Four entrepreneurial centers provide technical assistance and partner with the Innovate ND program. The centers include: Center for Innovation (Grand Forks), the NDSU Tech Incubator (Fargo), the IDEA Center (Bismarck) and the Severson Entrepreneurship Academy (Minot). Each of these centers has coaches on staff who assist entrepreneurs with their idea and business development. In addition, the Strom Center (Dickinson) and Bismarck State College (Bismarck) also support the program and intend to become more active partners.

In 2013, Innovate ND will invite its key stakeholders to participate in a strategic visioning process that identifies recommendations to further enhance the program over the next 2-3 years.

The governor's budget request for Innovate ND is \$500,000 and will be used for educational content, technical assistance to participants and program administration. This reflects a \$100,000 increase which will support year-round technical assistance and educational content for entrepreneurs rather than the current 9-month program. Since the program's inception, more than \$400,000 has been raised from private sector sponsors to provide the prize money and in-kind services awarded through the venture competition.

Innovate ND is one of our state's most important strategies to grow our entrepreneurial community and thereby continue to diversify North Dakota's economy. I ask for your support of the Innovate ND program budget.

### 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 program, Commerce worked with the entrepreneurial centers across North Dakota and 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.

During the current biennium, we have awarded \$816,572 to entrepreneurial centers and may hold up to three additional rounds before the end of the biennium, depending on the availability of funds. 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.

24 startup businesses have been impacted with project funding of up to \$10,000 per entrepreneur. Examples include:

- Bismarck-based Safe Pursuit, LLC, which their Talon device enables law enforcement officers to quickly, easily and safely bring fleeing vehicles to stop;
- StopSensor was developed by Larry Mosbrucker of New Salem and helps drivers
  precisely align trailers for loading and unloading; and
- Myriad Devices out of Fargo creates mobile solutions for clients.

Entrepreneurial centers have also utilized the funding to develop programs to aid entrepreneurs. Examples of programs include:

- EB-5 Regional Center which helps facilitate foreign investment in North Dakota businesses;
- · North Dakota Life Sciences Entrepreneur Outreach Network; and
- Federal and State Technology Partnership Program which helps businesses successfully
  apply for Small Business Innovation Research (SBIR) and Small Business Technology
  Transfer (STTR) grants and commercialize their technologies.

### Centers of Excellence & Research Excellence

This office also carries out critical functions for the Centers of Excellence and Research 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. A competitive Centers of Excellence grant program was launched in 2005 and was refocused into the Centers of Research Excellence program in 2011. The program has received approximately \$72 million in legislative appropriations over the past four bienniums. To date, funding has been provided to 25 Centers of Excellence & Research Excellence and an additional 16 research, infrastructure and economic development projects.

As of June 30, 2012, the centers have spent \$44.1 million in state funds. These state funds have leveraged a total of \$189 million in private sector and other funds. According to a recent study conducted by NDSU, the Centers of Excellence & Research Excellence program has had a total economic impact of over \$635 million. The program has lead to a direct job creation of 1,082 people with an annual payroll of over \$69 million – an average of \$64,000 per job.

The Executive Budget Recommendation does not include funding for additional Centers of Research Excellence during the 2013-15 biennium.

### Research North Dakota

Governor Dalrymple has recommended \$12 million in funding for a Research North Dakota program. This program will build on the successes of the Centers of Excellence & Research Excellence program. Instead of establishing new research centers, Research ND will focus on utilizing existing research assets at UND and NDSU to perform research, development and commercialization projects in collaboration with private partners. Research ND will pay for up to half of the university's cost in conducting the work with the other half provided by a cash match. A similar application and approval process will be used with the Centers of Excellence Commission making award determinations.

Attack ment 9. April 2, 2013 SB 2018

# Workforce Enhancement Grant Program 2011-2013 Biennium

### **Bismarck State College**

High Fidelity Simulation for Dakota Nursing Program, \$150,000
 Funds to be used for purchase of high fidelity simulation equipment for simulation labs in the nursing and emergency technology programs. The equipment is to enhance the current labs and provide hands-on training geared toward much more complex medical scenarios (both inhospital and ambulance based patient care).

Degree and non-degree programs

o Available match: \$167,000

Enhanced Energy Labs, \$225,420

Funds will provide equipment for three energy industry related programs in order to address the demand for skilled workers: Instrumentation and Control, Mechanical Maintenance, and Renewable Generation. Equipment will be housed on BSC's main campus in the Bismarck Public Schools Career Academy (a shared facility) and the BSC Mechanical Maintenance facility in Mandan. This project enhances BSC's ability to offer hands-on training to more students at one time and expose them to more uniform training.

Degree and non-degree programs.

o Available match: \$232,240

Precision Agriculture Program Enhancement, \$50,000
 Funds will be used to enhance the precision agriculture component of curriculum for student in the Agriculture Industry and Technology program (Associate in Applied Science Degree) and the Farm and Ranch Management program (Associate in Applied Science Degree). Additional precision agricultural equipment and software will be purchased; curriculum will be developed or enhanced; and training provided for faculty.

Degree programs

Available match: \$90,170.

BSC Total: \$425,420

### Lake Region State College

Precision Agriculture, \$288,600
 Funding to develop curriculum, equip and deploy training to employees housed in agriculture implement dealerships, ag producers and other ag businesses. Includes training on GIS spatial imagery equipment, so that businesses can troubleshoot and assist customers with the high tech nature of modern farm equipment. Training modules address varying computer systems among the businesses and will be adapted to employer needs. The project has long-term potential for delivery of credit courses, certificates of mastery and degrees.

Non-degree programs

o Available match: \$288,600

LRSC Total: \$288,600



Mechatronics Training Initiative, \$375,000
 Funds are being used to develop a mechatronics training initiative. The field of mechatronics is a fusion of electrical / electronic control systems, computer technology, and mechanical systems. This proposal is designed to offer an Associate in Applied Science Degree in Mechatronics Technology by offering course modules and lab activities. It also provides current workforce with opportunities to upgrade skills.

Degree and non-degree programs

o Available match: \$418,421

• Transportation and Manufacturing Torque Certification, \$50,000
Funds will be used to ensure safe operation and improve the durability of vehicles and equipment in the transportation, heavy-duty / diesel and manufacturing industries, technicians need to understand the importance of torque in fastening procedures. With these industries transforming as new technologies and new materials this training will assist with the changing in skills needed to maintain and repair cars, trucks, recreational vehicles manufacturing equipment and agricultural equipment. The skills needed are changing such that The National Coalition of Certification Centers (NC3) now recommends torque certification for all new technicians.

Degree and non-degree programs

Available match: \$96,278

NDSCS Total: \$425,000

### Williston State College

Oilfield Training Programs, \$375,000
Funds are being used for two areas of training in the oil industry. The project includes hands on training for current and potential workers to have a clear understanding of safety in rig-up and rig-down activities for various frac jobs. The second area, Petroleum Technology degree and certificate programs, trains individuals to maintain the oil wells as lease operators or pumpers. This project will assist in developing the program in a quick-to-market format via three short-term certificate courses.

Degree and non-degree programs

Available match: #375,000

Pending Request: Mobile Equipment Training: \$32,500

WSC Total Awarded to Date: \$375,000

Total Funds Committed During 2011-13: \$1,514,020

implementing and administering section 54-60-17. Interest earned by the fund must be credited to the fund.

### 54-60-18. Division of workforce development - Career specialist.

The division of workforce development, in consultation with the department of career and technical education, job service North Dakota, and the superintendent of public instruction, shall develop and implement a program to assist public schools in promoting North Dakota career opportunities to students in grades nine through twelve.

# 54-60-19. Division of workforce development - Talent strategy - Performance and accountability.

- The division of workforce development, in developing and implementing the state's talent strategy, shall:
  - a. Consult with partners in the state's system for workforce development, workforce training, and talent attraction, including job service North Dakota, the department of career and technical education, the superintendent of public instruction, the state board of higher education, the department of human services, and other divisions of the department of commerce.
  - Develop a comprehensive, consolidated biennial statewide strategic plan for the state's system for workforce development, workforce training, and talent attraction.
  - Continuously review, identify how to improve, and implement improvements to the state's system for workforce development, workforce training, and talent attraction.
  - d. Develop linkages between partners of the state's system for workforce development, workforce training, and talent attraction, to assure coordination and nonduplication of programs and services provided in the state.
- 2. The division of workforce development shall develop and implement a system of performance and accountability measures for the state's system for workforce development, workforce training, and talent attraction. Each partner of the state's system for workforce development, workforce training, and talent attraction shall cooperate in providing the division the data necessary to implement these measures.

# 54-60-20. Beginning again North Dakota pilot program - Continuing appropriation - Report to legislative council.

Expired under S.L. 2007, ch. 18, § 53.

### 54-60-21. Workforce enhancement council.

The workforce enhancement council consists of the private sector members of the workforce development council, the director of the department of career and technical education, and the director of the division of workforce development, who shall serve as chairman.

### 54-60-22. Workforce enhancement council - Grants.

The workforce enhancement council shall recommend to the commissioner the approval of grants to institutions of higher education assigned primary responsibility for workforce training in this state to be used to create or enhance training programs that address workforce needs of private sector companies. A grant made under this section 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 department may distribute funds under this section after:

 The division of workforce development certifies that a proposed training program meets a critical workforce shortage in a target industry or other high-demand occupation and is expected to lead to employment in this state; and The proposed recipient provides the department with detailed documentation of private sector participation, including the availability of one dollar of matching funds for each dollar of state funds.

### 54-60-23. Workforce enhancement fund - Continuing appropriation.

The workforce enhancement fund is a special fund in the state treasury. All funds in the workforce enhancement fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering sections 54-60-21 and 54-60-22. Interest earned by the fund must be credited to the fund.

#### 54-60-24. Rural development office.

The commissioner shall administer the rural development office. The purpose of the
office is to assist in the development of rural North Dakota communities.

The commissioner may contract with a third party for the provision of services for the
rural development office. If the commissioner contracts with a third party under this
subsection, all data and databases collected and created by the third party in
performing services for the office are the property of the department and the third
party.

The department may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of

furthering the objectives of the rural development office.

### 54-60-25. North Dakota rural development council - Composition.

The North Dakota rural development council is created.

1. The North Dakota rural development council is composed of a minimum of nine and a maximum of seventeen members. The commissioner is an ex officio voting member of the council. The governor shall appoint council members for two-year terms, except the governor shall appoint approximately one-half of the initial council members to one-year terms in order to initiate a cycle of staggered terms. Appointment of the council members must ensure representation from four regions designated by the commissioner. Members of the council serve at the pleasure of the governor.

The council shall select its own officers who shall serve for a term of two years

commencing on October first of each year.

3. The council shall have at least two meetings each year and such additional meetings as the chairman determines necessary at a time and place to be fixed by the chairman. Special meetings must be called by the chairman on written request of any four members. A simple majority of the council constitutes a quorum and may act upon any matter coming before the council. Members of the council are entitled to reimbursement in the same manner and at the same rate provided by law for other state officials.

4. The council, in cooperation with the rural development office, shall:

 Facilitate collaboration among federal, state, local, and tribal governments and the private and nonprofit sectors in the planning and implementation of programs and policies that have an impact on rural areas of the state;

Monitor, report, and comment on policies and programs that address, or fail to

address, the needs of the rural areas of the state; and

c. Facilitate the development of strategies to reduce or eliminate conflicting or duplicative administrative or regulatory requirements of federal, state, local, and tribal governments.

54-60-26. Division of workforce development - Annual reports - North Dakota workforce development council - Budget acceptance.

 Annually, job service North Dakota, the department of career and technical education, the department, and the state board of higher education each shall submit a report to the division of workforce development relating to the respective agency's current

#### Agriculture Consumer Refund Claims

	Ag.Fuel Tax Fund		Township Highway		Agric. Research		Ethanol Incentive			Change from	
YEAR	APUC	Cents	Aid Fund <sup>2</sup>	Cents	SBARE	Cents	Fund	Cents	Total	Prior Year	
1994	\$535,407	0.02	\$267,844	0.01	No Allocation	0.00	\$535,688	0.02	\$1,338,939		
1995	\$496,129	0.02	\$248,663	0.01	No Allocation	0.00	\$497,325	0.02	\$1,242,117	-7.2%	Attachment 10.
1996	\$453,723	0.02	\$225,615	0.01	No Allocation	0.00	\$451,230	0.02	\$1,130,568	-9.0%	Attachment 10. April 2, 2013
1997	\$388,576	0.02	\$193,111	0.01	No Allocation	0.00	\$386,222	0.02	\$967,909	-14.4%	
1998	\$380,824	0.02	\$226,577	0.01	\$606,790	0.04	\$226,577	0.01	\$1,440,768	48.9%	582018
1999	\$359,553	0.02	\$178,697	0.01	\$714,787	0.04	\$178,697	0.01	\$1,431,734	-0.6%	
2000	\$335,040	0.02	\$166,563	0.01	\$666,253	0.04	\$166,563	0.01	\$1,334,419	-6.8%	
2001	\$308,263	0.02	\$153,104	0.01	\$612,415	0.04	\$153,104	0.01	\$1,226,886	-8.1%	
2002	\$286,162	0.02	\$142,058	0.01	\$568,231	0.04	\$142,058	0.01	\$1,138,509	-7.2%	
2003	\$254,788	0.02	\$126,441	0.01	\$505,763	0.04	\$126,441	0.01	\$1,013,433	-11.0%	
2004	\$236,786	0.02	\$117,750	0.01	\$470,999	0.04	\$117,750	0.01	\$943,285	-6.9%	
2005	\$215,556	0.02	\$107,778	0.01	\$431,111	0.04	\$107,778	0.01	\$862,222	-8.6%	
2006	\$194,764	0.02	\$97,382	0.01	\$389,528	0.04	\$97,382	0.01	\$779,056	-9.6%	
2007	\$164,538	0.02	\$84,507	0.01	\$326,091	0.04	\$81,523	0.01	\$656,659	-15.7%	
2008	\$131,663	0.02	\$67,812	0.01	\$260,686	0.04	\$65,172	0.01	\$525,333	-20.0%	
2009	\$119,024	0.02	\$63,904	0.01	\$235,541	0.04	\$58,885	0.01	\$477,354	-9.1%	
2010	\$95,415	0.02	\$0	0.00	\$190,378	0.04	\$47,596	0.01	\$333,388	-30,2%	
2011	\$102,091	0.02	\$0	0.00	\$201,801	0.04	\$50,449	0.01	\$354,341	6.3%	
2012	\$55,061	0.02	\$0	0.00	\$107,850	0.04	\$26,962	0.01	\$189,873	-46.4%	
	111111						2007-	2011 Av	erage Change	-13.7%	
2013 3	\$46,794	0.02	\$0	0.00	\$93,587	0.04	\$23,397	0.01	\$163,778	-13.7%	
2014 3	\$40,363	0.02	\$0	0.00	\$80,725	0.04	\$20,181	0.01	\$141,269	-13.7%	
2015 3	\$34,815	0.02	\$0	0.00	\$69,631	0.04	\$17,408	0.01	\$121,854	-13.7%	
2013-15	\$75.178				\$150,356		\$37,589		\$263,123		

<sup>&</sup>lt;sup>1</sup>Includes 1/2 cents withheld from Industrial users' refunds

Farmer Gas Refund General Description: Farmers purchase gasoline at the regular price with a \$.23 per gallon tax.

Consumers may apply to receive a partial refund of the taxes paid on gas puchased for non-licensed farm equipment.

Prior to July 1 2009 a total of \$.08 was withheld from the applicant's refund and distributed as follows: \$.01 Townships Hwy. Fund; \$.04 to Agric. Research; \$.01 to the Ethanol Production fund and \$.02 for APUC grants.

Beginning July 1 2009 a total of \$.07 is withheld from the applicant's refund and distributed as follows: \$.04 to Agric. Research; \$.01 to the Ethanol Production fund and \$.02 for APUC grants.

Revenues are decreasing because farmers are using more diesel fuel, and to some extent, there are less filings for refunds.

<sup>&</sup>lt;sup>2</sup>The amounts are approximate due to the 1 cent withheld from Agricultural Industrial & Local Gov users' refunds. 
<sup>3</sup>During 2012, the Tax Department refund validation process resulted in a dramatic reduction in refunds. Therefore, projections for 2013 through 2015 were estimated based upon the 5-year average rate of decline in agriculture consumer refund claims for the years 2007 - 2011.

### **Agricultural Products Utilization Commission (APUC)**

2011-13 and 2013-15 Appropriation Comparison

Atlachment 1 April 2, 2013 5B2018

EXPENDITURES

**Original Appropriation** 

**Total APUC Funds Available** 

Carryover

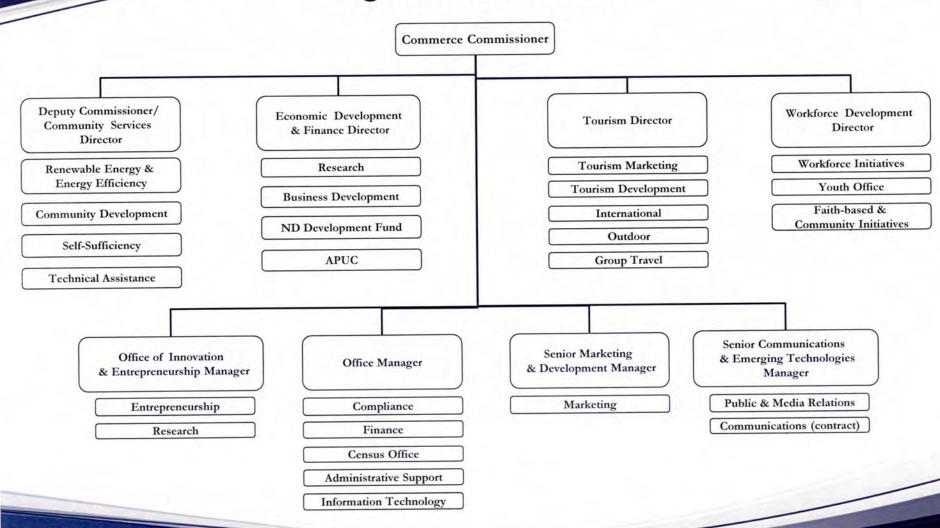
FUNDING:	SOURCES				
	A 2 9 A 3 A 3 A 3 A 3 A 3 A 3 A 3 A 3 A 3 A	2011-13	2013-15		Increase / (Decrease)
Original Appropriation		No. of the last of	A DOMESTIC	-	207.22
General Fund	\$	1,701,483	\$ 1,208,252	\$	(493,231)
Federal Funds (APUC Rural Business Enterprise Grants)	\$	300,000	\$ 300,000	\$	
APUC Fund (Alcohol Motor Vehicle Fuel Fund 224)	\$	738,284	\$ 1,738,284	\$	1,000,000
Original Appropriation Authority	\$	2,739,767	\$ 3,246,536	\$	506,769
Carryover					
General Fund	\$	682,092	\$ 498,949	\$	(183,143)
Federal Funds (APUC Rural Business Enterprise Grants)	\$	-	\$ -	\$	-
APUC Fund (Alcohol Motor Vehicle Fuel Fund 224)	\$	836,767	\$ 1,241,291	\$	404,524
Carryover Authority	\$	1,518,859	\$ 1,740,240	\$	221,381
Total APUC Funds Available	\$	4,258,626	\$ 4,986,776	\$	728,150

NOTE: The schedule reflects actual carryover amounts for 2011-13 and estimated levels for 2013-15.



# **Organizational Chart**

A Hachment 2 April 2, 2013 5B2018



March 2013

# CHILD CARE-RELATED FUNDING PROPOSED FOR THE 2013-15 BIENNIUM

The schedule below provides information on proposed funding included in agency budget bills and other bills under consideration by the Legislative Assembly relating to child care and early childhood education during the 2013-15 biennium as of March 28, 2013.

Program Description	General Fund	Special Funds	Total
Agency Budget Bills			
House Bill No. 1012 - Department of Human Services Child care grant payments to providers on behalf of eligible recipients for child care services	\$252,686	\$20,645,979	\$20,898,665
Child care provider licensing reviews and revisions of administrative rules for childcare facilities	142,964	630,117	773,081
Child care transition assistance including payments to temporary assistance for needy families (TANF)-eligible recipients for child care services		897,336	897,336
Head Start collaboration providing support to local Head Start programs and is the state's liaison to the federal Head Start agency		198,468	198,468
Early childhood contracts providing training, technical assistance, and professional development for child care providers, maintaining child care provider lists, and recruiting providers	166,221	2,551,178	2,717,399
Grants to child care providers for workforce development, quality improvement technical assistance, and capacity building in accordance with North Dakota Century Code Section 50-11.1-14.1	3,150,000		3,150,000
Senate Bill No. 2018 - Department of Commerce  One-time funding from the general fund for a child care facility grant program for providing grants of up to \$187,500 to political subdivisions for new and expanded licensed child care facilities and essential equipment for the facilities	5,000,000		5,000,000
Loan guarantee program to be administered by the Bank of North Dakota for child care facility loans of up to \$15,000 per loan		200,000	200,000
Other Bills Under Consideration			
House Bill No. 1113 - Department of Commerce - Continues to provide financing to early childhood facilities from the development fund through a continuing appropriation		\$500,000	\$500,000
House Bill No. 1422 - Department of Human Services - Provides an appropriation for a child care stabilization initiative	\$2,100,000		2,100,000
Senate Bill No. 2229 - Department of Public Instruction - Provides an appropriation for annual early childhood education grants to eligible school districts (Amendment adopted by Education Committee to remove appropriation was not approved but rather the bill was rereferred to Education Committee March 28)	4,683,000		4,683,000
Total	\$15,494,871	\$25,623,078	\$41,117,949

Attachment 1 April 3,2013

# 5B 2018 INTELLECTUAL PROPERTY POLICY - CENTERS OF EXCELLENCE AND RESEARCH EXCELLENCE

#### SUMMARY

This memorandum provides information on intellectual property developed jointly between a research university and a private sector partner. The North Dakota State Board of Higher Education establishes policies on intellectual property for institutions of higher education, including research universities. These policies are included in subsection 611.2 of the State Board of Higher Education policy manual. Each research university is required to establish its own procedures consistent with the State Board of Higher Education policies to determine ownership and income distribution for intellectual property.

#### OWNERSHIP

The policies provide a research university retains ownership of all intellectual property created or developed solely by the research university's faculty, staff, and students using university resources. private sector partner retains ownership of all intellectual property created or developed solely by its employees. When intellectual property is developed or created jointly by a research university and a private sector partner, both the research university and the private sector partner have an equal, undivided ownership interest in the intellectual property. If the intellectual property was created or developed using federal funding, either the research university retains ownership or the ownership transfers to the federal government. This applies even if the intellectual property was developed jointly between a research university and a private sector The federal Bayh-Dole Act governs partner. intellectual property created or developed using federal funding and requires the research university to try to commercialize the intellectual property. research university may assign or transfer its ownership interest to an independent foundation. For intellectual property developed through centers of excellence and centers of research excellence grants, North Dakota State University usually transfers ownership to a nonprofit foundation. The University of North Dakota usually retains ownership.

# INCOME DISTRIBUTION Royalties

As required by State Board of Education policies, an institution is required to make annual payments of at least 30 percent of the net royalties and fees associated with intellectual property to the inventor. The net royalties are the gross royalties and fees reduced by taxes, expenses for procuring and protecting the patent, and any other relevant costs. The 30 percent minimum for the disbursement of royalties applies both to intellectual property developed solely by a research university's faculty, staff, and students and to intellectual property developed jointly between a research university and a For intellectual property private sector partner. developed through centers of excellence and centers of research excellence grants, North Dakota State University's standard practice is to distribute 30 percent of the net royalties to the inventor, 40 percent to the contributing academic department, and 30 percent to the North Dakota State University Research Foundation. University of North Dakota's standard practice is to distribute 45 percent to the inventor, 5 percent to the contributing academic department, and 50 percent to the University of North Dakota.

**Royalty-Bearing Licenses** 

The owner of the intellectual property has the right to negotiate exclusive or nonexclusive commercially royalty-bearing licenses for reasonable commercialization of the intellectual property. If the intellectual property was created jointly between a private sector partner and a research university, both parties have the right to negotiate royalty-bearing licenses. A private sector partner may request an exclusive royalty-bearing license with the research university to gain complete control over the intellectual A nonexclusive royalty-bearing license usually costs less, but allows other private sector partners to gain access to and to utilize the intellectual property. In cases where the intellectual property was created or developed jointly between a private sector partner and a research university using federal funding, the private sector partner has the first option to negotiate a royalty-bearing license with the research university assuming the research university retained ownership of the intellectual property. The terms of royalty-bearing licenses are unique to each agreement.

March 2013

### **ETHANOL PRODUCTION INCENTIVE FUND - STATUS**

This memorandum provides information on the ethanol production incentive fund. The ethanol production incentive fund is administered by the Department of Commerce to provide production incentives to ethanol production facilities in accordance with North Dakota Century Code Chapter 17-02. Forty percent of the revenue from the registration of farm vehicles is transferred to the ethanol production incentive fund from the highway tax distribution fund in accordance with Section 39-04-39, except that no transfer is made that would cause the balance in the ethanol production incentive fund to exceed \$7.5 million. In addition, one cent per gallon is withheld from motor vehicle fuel tax refunds and is deposited in the ethanol production incentive fund in accordance with Section 57-43.1-03.1. As recommended by the Governor and included in the Senate version, Sections 8 and 17 of Engrossed Senate Bill No. 2018 removes the requirement that one cent of the motor vehicle fuel tax refund be deposited in the ethanol production incentive fund resulting in reduced revenue to the fund. The schedule below provides information on the estimated revenues for the ethanol production incentive fund for the 2011-13 and 2013-15 bienniums.

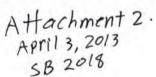
	2011-13 Estimated Funding	2013-15 Estimated Funding	Increase (Decrease)
Highway tax distribution fund	\$3,900,000 100,000	\$4,400,000	\$500,000 (100,000)
Motor fuel tax refund <sup>2</sup>	100,000	0	100 101 10
Total	\$4,000,000	\$4,400,000	\$400,000

<sup>&</sup>lt;sup>1</sup>The funding from the highway tax distribution fund comes from 40 percent of the revenue from the registration of farm

The July 1, 2011, balance in the ethanol production incentive fund was \$2,155,888. Adding estimated 2011-13 biennium revenues of \$4 million results in total estimated available resources in the fund for the 2011-13 biennium of \$6,155,888.

For the 2011-13 biennium to date through December 31, 2012, the ethanol production incentive fund provided production incentives to the following ethanol plants--Blue Flint in Underwood, Red Trail in Richardton, VeraSun in Hankinson, and Tharaldson in Casselton. The schedule below provides information on the distribution from the ethanol production incentive fund to the production facilities.

	2011-13 Funding (through December 31, 2012)
Blue Flint	\$724,484
Red Trail	618,357
VeraSun	1,451,212
Tharaldson	1,607,753
Total	\$4,401,806



<sup>&</sup>lt;sup>2</sup>The funding from the motor fuel tax refund comes from withholding one cent per gallon of the twenty-three cent refund.

<sup>&</sup>lt;sup>3</sup>Sections 8 and 17 of Engrossed Senate Bill No. 2018 propose to eliminate this funding source.

# **Ethanol Production Incentive Program**

### Overview

The Ethanol Production Incentive Program provides payments to ethanol producers based upon a counter-cyclical formula using the prices of North Dakota ethanol and corn.

The incentive available to each eligible producer in any year is capped at \$1.6 million, and payouts can only be made to the extent that money is available in the incentive fund. Also, no producer may receive in excess of \$10 million in incentive payments over the life of their production facility nor may they receive payments for longer than ten years.

### **Funding**

The primary funding source for the Ethanol Production Incentive Fund is 40% of the registration fees of farm vehicles. This flows through the Highway Tax Distribution Fund and provides approximately \$2.1 to \$2.2 million per year. Here is a brief summary of recent activity of the fund.

Fiscal Year	Deposits	Expenditures
2010	\$2,137,626	\$1,936,828
2011	\$2,182,401	\$2,137,626
2012	\$2,247,332	\$2,155,888

The current balance, as of February 2013, of the Ethanol Production Incentive Fund is \$9,401.

### **Payments Made to Ethanol Plants**

Since its inception, the program has made \$14.2 million in payments to four ethanol plants.

<b>Ethanol Plant</b>	<b>Total Payments</b>	Total Production (in gallons)	Year of First Payment
Blue Flint	\$4,265,444	232,646,730	2007
Red Trail	\$3,923,984	200,057,731	2007
Hankinson	\$3,184,684	289,384,991	2008
Tharaldson	\$2,811,926	299,133,989	2009
Total	\$14,186,038	1,021,223,441	

# Attachment 4. April 3, 2013 58 2018

### SB2018 Department of Commerce Detail of Grants Line Item

	7.70		1	JPZ
Description	Funding Source	2011-13 Bienni	um Appropriation	2013-15 Budget Recommendation
	General Fund	50,000 Or	ne-time grant	0
020 grant otal 2020 grant	- Contrary and	50,000	P 10 (0) 10 (0)	0
A Design and A Des	General Fund	0		1,500,000
ase Realignment otal Base Realignment	General Fund	0		1,500,000
	Canaral Fund	720 555 Ca	rryover from 2009-11	0
iofuel grant otal Biofuel grant	General Fund	729,555		0
			arryover from Great Plains	
	General Fund		oplied Energy Research enter funds 2011 SB2057	0
Susiness Ideas grant  Total Business Ideas grant	General Fund	300,000		0
Childcare Facility Grants	General Fund	0	_	5,000,000
otal Childcare Facility Grants		0		5,000,000
Community Development Grant	Federal Funds	29,910,000		16,500,000
ommunity Development Grant	Special Funds	5,000,000		5,000,000
	General Fund	340,000		340,000
Total Community Development Grant		35,250,000		21,840,000
Community Services Block Grant	Federal Funds	6,783,694		6,783,694
security was read as a second as all a	General Fund	125,000		125,000
	Special Funds	24,000	_	24,000
Total Community Services Block Grant		6,932,694		6,932,694
TV T			arryover from GPAERC funds	
Development Fund	General Fund		011 SB2057 Section 18	0
Fotal Development Fund		1,000,000		0
		02 727 (	Carryover from 2009-11	0
Early Childhood grant	General Fund	92,737	arryover from 2005-11	0
Total Early Childhood grant				11227722
Energy Grant	Federal Funds	14,179,500		14,019,195
	Special Funds	1,200,000		1,189,088 15,208,283
Total Energy Grant		15,379,500		13,200,203
			Carryover from GPAERC funds	0
Minot Air Force Base grant	General Fund		2011 SB2057 Section 18	0
Total Minot Air Force Base grant		325,000	Corrector from CDAEDC funds	
	Conoral Franci		Carryover from GPAERC funds 2011 SB2057 Section 18	0
Nekoma grant	General Fund	600,000		0
Total Nekoma grant			Includes \$625 079 corrupus	
- 15 - 15-1	General Fund		Includes \$626,078 carryover from 2009-11	1,000,000
Tech Based Entrepreneurship Grant  Total Tech Based Entrepreneurship Grant	General Fund	1,626,078		1,000,000
			Includes \$750,000 carryover	
			from GPAERC funds 2011	
Tourism grant	General Fund		SB2057 Section 18	1,466,973
Total Tourism grant		965,800		1,466,973
UAV / UAS	General Fund	0		1,000,000
200 A 200	Special Funds	0		4,000,000
Total UAV / UAS		0		5,000,000
USS ND grant	General Fund	86,266	Carryover from 2009-11	
Total USS ND grant		86,266	A CONTRACTOR OF THE PARTY OF TH	
and the second section in the second			Carryover from GPAERC funds	
Washings Enhancement Crant	General Fund	1.125.000	2011 SB2057 Section 18	(
Workforce Enhancement Grant Total Workforce Enhancement Grant	General Fullu	1,125,000		
	Endard Funds	1,200,000		1,200,000
Workforce State Commission grant  Total Workforce State Commission grant	Federal Funds	1,200,000		1,200,000
Training of State Commission B. Since	2): 0.22.2	10,000,000		2 500 00
Enhanced Use Lease Grant	Special Funds	0		2,500,00 <b>2,500,00</b>
Total Enhanced Use Lease Grant		0		
	Total General Fund	7,365,436		10,431,97
	Total Federal Funds	52,073,194		38,502,88
	Total Special Funds	6,224,000		12,713,08
Total for De	epartment of Commerce	65,662,630		61,647,95

Attachment 5. April3,2013 5B2016

### Status of Centers of Excellence Funding Disbursements

tively Approved Centers				000 000	•	
Center for Innovation	\$	800,000	\$	800,000	\$	
Center for Technology Enterprise	\$	1,250,000	\$	1,250,000	\$	
Beef Systems Center of Excellence	\$	800,000	\$	800,000	\$	
Total	\$	2,850,000	\$	2,850,000	\$	
ommission Approved Centers				1	•	
National Energy Center of Excellence	\$	3,000,000	\$	3,000,000	\$	
Center for Advanced Electronics Design and Manufacturing	\$	3,000,000	\$	3,000,000	\$	
National Center for Hydrogen Technology	\$	2,500,000	\$	2,500,000	\$	11,5
Dakota Center for Technology Optimized Agriculture	\$	850,000	\$	838,500	\$	11,5
Center for Agbiotechnology: Oilseed Development	\$	3,500,000	\$		\$	
Center for Surface Protection	\$	4,000,000	\$	4,000,000	\$	
Center of Excellence in Life Sciences and Advanced Technologies	\$	3,500,000	\$	3,500,000	\$	
Unmanned Aircraft Systems Center of Excellence	\$	2,500,000	\$	1,000,000	\$	
Enterprise University	\$	1,000,000	\$	400,000	\$	
Petroleum Safety and Technology Center Strom Center for Entrepreneurship and Innovation – Institute for	\$	400,000	Þ	400,000	φ	
Technology and Enterprise Development	\$	1,150,000	\$	1,150,000	\$	
Center for Integrated Electronic Systems	\$	2,050,000	\$		\$	
SUNRISE BioProducts	\$	2,950,000	-	2,274,495	\$	675,
Petroleum Research, Education, & Entrepreneurship Center	\$	3,000,000	\$		\$	
Center for Biopharmaceutical Research and Production	\$		\$		\$	2,649,0
COE for Passive Therapeutics	\$	2,650,000	\$		\$	
COE in Space Technology and Operations	\$	1,000,000	\$		\$	884,4
Entrepreneurial Center for Horticulture	\$		\$	274,000	\$	126,0
Commercialization	\$		\$	233,357	\$	3,666,
Center for Sensors, Communications and Control	\$	2,800,000	\$	420,466	\$	2,379,
Total	\$	49,165,000	\$	38,772,328	\$	10,392,
- A - T						
Enhancement Grants UAS Research, Education & Training	1\$	2,754,000	1\$	2,120,000	\$	634,
Research 1 Expanson	\$		$\overline{}$	F. Dresting British	-	680,
Materials and Nanotechnology Centre	\$		-		_	
GFAFB Realignment Business Transition	\$		-		-	40,
North Dakota UAS Airspace Initiative	\$		_		_	
UAS Software and Curriculum Development	9		-		-	
V2 Aerospace	1 9		_		_	
Law Enforcement Small UAS Training	1 5		_		_	
Certificate Programs for Full Motion Video and Activity Based Intelligence Analysis	3		_		_	
Total	1 9	10,000,000	1	8,646,000	\$	1,354
1,010.						

### Status of Centers of Research Excellence Disbursements

Center	Awarded		Distributed		Balance	
s of Research Excellence (CORE)						
Center for Life Sciences Research and Applications	\$	1,350,000	\$	250,000	\$	1,100,000
Center for Technologically Innovative Processes and Products	\$	320,000	\$	60,000	\$	260,00
Center for Technologically Innovative Processes and Products 2	\$	1,011,250	\$	-	\$	1,011,25
Center for Avian Therapeutics for Infectious Diseases	\$	700,000	\$		\$	700,00
Center for Gas Utilization	\$	300,000	\$	-	\$	300,00
Total	\$	3,681,250	\$	310,000	\$	3,371,25
Limited Deployment Cooperative Airspace Project UND - Limited Deployment Cooperative Airspace Project NDSU - Limited Deployment Cooperative Airspace Project	\$	2,700,000 1,300,000	\$	2,700,000 724,204	\$	575,79
Total	\$	4,000,000	\$	3,424,204	\$	575,79
Base Realignment Grants						
	\$	878,204	\$	820,527	\$	57,6
Global Hawk Sensor Operator Part Task Trainer		125,706	\$	125,706	\$	
Global Hawk Sensor Operator Part Task Trainer Joint Distributed Common Ground System	\$	120,100		055 440	\$	
Global Hawk Sensor Operator Part Task Trainer Joint Distributed Common Ground System	\$		\$	255,440	φ	
Global Hawk Sensor Operator Part Task Trainer  Joint Distributed Common Ground System  North Dakota UAS Airspace Initiative (Phase 2)	-	255,440	\$	500,000	\$	
Global Hawk Sensor Operator Part Task Trainer Joint Distributed Common Ground System North Dakota UAS Airspace Initiative (Phase 2) Airspace Integration Team - UAS National Test Site	\$	255,440 500,000	-		-	
Global Hawk Sensor Operator Part Task Trainer  Joint Distributed Common Ground System  North Dakota UAS Airspace Initiative (Phase 2)	\$	255,440 500,000 921,050	\$	500,000	\$	159,5
Global Hawk Sensor Operator Part Task Trainer Joint Distributed Common Ground System North Dakota UAS Airspace Initiative (Phase 2) Airspace Integration Team - UAS National Test Site Enhanced Use Lease (EUL) for Grand Forks Air Force Base	\$ \$ \$	255,440 500,000 921,050	\$	500,000	\$	159,5 217,1

### Available CORE Funds to Award in Final Round

Centers of Research Excellence (NDSU)	\$ 1,318,750
CORE Base Realignment Grants	\$ 160,100

### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 2, replace line 5 with:

"Flood impact grants/loans

18,358,866

18,358,866"

Page 2, replace lines 12 through 13 with:

"Total all funds

\$93,273,052

\$40,630,511

\$133,903,563

Less estimated income

69,666,470

7,710,709

77,377,179"

Page 2, replace lines 25 with:

"Flood impact grants/loans

235,000,000

18,358,866"

Page 3, replace lines 5 through 6 with:

"Total all funds

\$272,121,750

\$43,254,636

Less estimated income

259,496,750

25,655,636"

Renumber accordingly

### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 3, after "54-45.5-10," insert "a new section to chapter 54-60,"

Page 10, after line 12, insert:

"SECTION 15. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Unmanned Aircraft Systems Program - Continuing appropriation.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties appointed by the governor when administering the test site. The department may charge fees that are sufficient for the test site to operate independently. The fees are appropriated to the department on a continuing basis and are not subject to cancelation under section 54-44.1-11. The department shall use competitive bidding while establishing and administering the test site as much as is reasonably possible, but the commissioner may waive or limit competition for good cause shown. If the governor deems it to be in the public interest, the commissioner may charter a public corporation to undertake functions relating to the test site, the corporation must possess all of the powers of a business corporation that are not inconsistent with this chapter."

Page 14, line 9, after the period insert "This funding is not subject to section 54-44.1
1."

Page 15, line 24, after "sections" insert "15,"

Renumber accordingly

Fiscal No. 6

Prepared by the Legislative Council staff for House Appropriations - Education and Environment Division

April 8, 2013

### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

- Page 1, line 2, after the semicolon insert "to provide an appropriation to Dickinson state university"
- Page 1, line 2, replace "chapter to title 6" with "section to chapter 6-09.15, a new subsection to section 6-09.15-01"
- Page 1, line 3, replace "section 54-45.5-10, and three" with "two new sections to chapter 54-60, two"
- Page 1, line 3, after "54-65" insert ", and a new subsection to section 57-35.3-05"
- Page 1, line 4, replace "program" with "for child care facilities, an unmanned aircraft systems program"
- Page 1, line 4, remove "the energy"
- Page 1, line 5 remove "conservation fund, and"
- Page 1, line 5, after "program" insert ", the research North Dakota biotechnology program, and housing incentive fund tax credits"
- Page 1, line 6, after the second comma insert "and"
- Page 1, line 6, after the third comma insert "subsection 1 of section 6-09.15-01, and sections"
- Page 1, line 6, replace "54-17-07.3" with "39-04-39"
- Page 1, line 6, after the seventh comma insert "57-38-01.32,"
- Page 1, line 8, after the first comma insert "the beginning entrepreneur loan guarantee program, the"
- Page 1, line 8, after the second comma insert "distribution of registration fees,"
- Page 1, line 9, replace "housing finance programs" with "housing incentive fund tax credits"
- Page 1, line 10, remove "to provide for an upper great plains"
- Page 1, line 11, remove "transportation institute study;"
- Page 1, line 11, after the second semicolon insert "to provide an effective date; to provide an expiration date;"
- Page 1, remove lines 22 through 24
- Page 2, replace lines 1 through 14 with:

"Salaries and wages	\$10,858,251	\$1,327,174	\$12,185,425
Accrued leave payments	0	243,767	243,767
Operating expenses	13,876,650	1,059,099	14,935,749
Capital assets	70,018	(60,018)	10,000
Grants	59,977,994	(4,155,044)	55,822,950
Discretionary funds	928,082	0	928,082

Workforce enhancement fund	0	2,000,000	2,000,000
Economic development initiatives	186,846	0	186,846
Flood impact grants/loans	0	18,358,866	18,358,866
Agricultural products utilization commi	ission 2,739,767	500,727	3,240,494
Research North Dakota	0	6,000,000	6,000,000
North Dakota trade office	2,613,400	0	2,613,400
Partner programs	2,022,044	0	2,022,044
Federal fiscal stimulus funds	0	796,770	796,770
Total all funds	\$93,273,052	\$26,071,341	\$119,344,393
Less estimated income	69,666,470	3,656,143	73,322,613
Total general fund	\$23,606,582	\$22,415,198	\$46,021,780"
	designate of		
Page 2, replace line 25 with:			
"Flood impact grants/loans		235,000,000	18,358,866"
Page 2, replace line 27 with:			
"Research North Dakota		0	6,000,000"
Page 2, remove lines 30 and 31			
Page 3, replace lines 1 and 2 with:			
"Tourism large infrastructure grants		0	500,000"
Page 3, replace lines 5 through 7 with	n:		
"Total all funds		\$272,121,750	\$36,655,636
Less estimated income		259,496,750	21,655,636
Total general fund		\$12,625,000	\$15,000,000"
Total golloral rails			

Page 3, after line 11, insert:

"SECTION 3. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$15,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the period beginning with the effective date of this Act and ending June 30, 2015. The funding provided in this section is considered one-time funding.

SECTION 4. APPROPRIATION - DICKINSON STATE UNIVERSITY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, and from special funds from private gifts and donations, the sum of \$3,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of constructing a Theodore Roosevelt center, for the biennium beginning July 1, 2013, and ending June 30, 2015. The funding provided in this section is considered a one-time funding item. Dickinson state university may not spend any of the funds appropriated from the general fund under this section until it has raised \$3,000,000 from nonstate sources for the project."

Page 3, line 14 remove "- Continuing"

Page 3, line 15 remove "appropriation"

- Page 3, line 18 remove the overstrike over "The fund must be used to"
- Page 3, line 19 remove the overstrike over "defray"
- Page 3, line 19 remove "All moneys in the fund are appropriated to the department of commerce on a continuing"
- Page 3, line 20, remove "basis for the purpose of defraying"
- Page 4, remove lines 22 through 30
- Page 5, replace lines 1 through 30 with:

"SECTION 8. AMENDMENT. Subsection 1 of section 6-09.15-01 of the North Dakota Century Code is amended and reenacted as follows:

- 1. "Beginning entrepreneur" means a resident of this state who:
  - a. Has graduated from high school or has received a general equivalency certificate.
  - b. Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
  - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than two hundred thousand dollarsan amount determined by the Bank of North Dakota.

**SECTION 9.** A new subsection to section 6-09.15-01 of the North Dakota Century Code is created and enacted as follows:

"Child care provider" means a child care home, group, or center licensed by the department of human services.

**SECTION 10.** A new section to chapter 6-09.15 of the North Dakota Century Code is created and enacted as follows:

### Loan guarantee for child care facility.

A beginning entrepreneur who receives a loan for a child care facility must meet the definition of child care provider in this section."

- Page 6, remove lines 25 through 31
- Page 7, remove lines 1 through 31
- Page 8, replace lines 1 through 5 with:

"SECTION 13. AMENDMENT. Section 39-04-39 of the North Dakota Century Code is amended and reenacted as follows:

### 39-04-39. Distribution of registration fees collected.

Any moneys in the registration fund accruing from license fees or from other like sources, in excess of the amount required to pay salaries and other necessary expenses, in accordance with the legislative assembly's appropriation for such purposes, must be promptly deposited in the highway tax distribution fund which must be distributed in the manner as prescribed by law. The state treasurer shall transfer

annually from the highway tax distribution fund to the ethanol production incentive fund an amount equal to fortytwenty percent of all sums collected for the registration of farm vehicles under subsection 5 of section 39-04-19 except that no transfer may be made in an amount that would result in the balance of the ethanol production incentive fund exceeding seven million five hundred thousand dollars."

- Page 8, line 10, replace "fifty" with "thirty"
- Page 8, line 13, after the period insert "The housing finance agency shall disburse from the fund:
  - a. Two million six hundred thousand dollars for grants to child care providers for new construction, rehabilitation, or acquisition of child care facilities.

    The housing finance agency shall establish guidelines to qualify for a grant under this section which must include a matching requirement of one dollar of matching funds for every three dollars of grant funds and a maximum grant amount of one hundred eighty-seven thousand five hundred dollars.
  - b. Four hundred thousand dollars for grants to licensed early childhood services providers that provide care for children with disabilities or developmental delays pursuant to section 5-11.1-18. The grants may be used for equipment, renovation of facilities used to provide the services, and staff."
- Page 8, line 16, overstrike "with a population of not more than ten"
- Page 8, line 17, overstrike "thousand individuals"
- Page 8, line 18, overstrike "At least fifty percent" and insert immediately thereafter "A portion"
- Page 8, line 18, after "fund" insert "as determined by the housing finance agency in the annual allocation plan"
- Page 8, line 18, overstrike "households with"
- Page 8, line 19, overstrike "incomes at not more than fifty percent of the area median" and insert immediately thereafter "individuals and families of low income or moderate"
- Page 8, line 20, after "fund" insert ", project developers, applicants, or grant recipients"
- Page 8, line 22, after "housing" insert "or child care facility"
- Page 8, line 24, after "project" insert "or a child care facility"
- Page 9, line 2, after the third semicolon insert "nonprofit organizations and for-profit child care providers;"
- Page 9, replace lines 15 through 21 with:

"SECTION 16. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

### Unmanned aircraft systems program - Report to legislative management.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties

appointed by the governor in the administration of the test site. The department may charge fees sufficient to operate the test site. The department shall, to the extent possible, use competitive bidding in the establishment and administration of the test site. The commissioner may charter a public corporation to operate the test site. The corporation must possess all of the powers of a business corporation consistent with this chapter. The department shall report to the legislative management semiannually on the status of the program.

**SECTION 17.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

### Unmanned aircraft systems program fund - Continuing appropriation.

There is created in the state treasury a special fund known as the unmanned aircraft systems fund which must be used to defray the expenses of the operations of an unmanned aircraft systems test site officially designated by the federal aviation administration. The fund consists of fees collected for the administration of the test site. All moneys in the fund are appropriated to the department of commerce on a continuing basis for the purpose of defraying the expenses of the unmanned aircraft systems program. Interest earned on moneys in the fund must be credited to the fund."

Page 9, remove lines 22 through 31

Page 10, replace lines 1 through 12 with:

"SECTION 18. A new section to chapter 54-65 of the North Dakota Century Code is created and enacted as follows:

### Research North Dakota biotechnology grants.

The department shall establish and administer a research North Dakota biotechnology grant program to provide grants to eligible tax-exempt nonprofit organizations or foundations with principal offices in North Dakota that shall award grants to eligible private companies with research facilities and principal operations located within the state to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases. To be eligible for a grant under this section, a tax-exempt nonprofit organization or foundation:

- Must be an independent grantmaking organization that has previous experience administering grants within the state for health-related purposes, including projects designed to improve health and access to health care;
- Must provide the department with detailed documentation:
  - a. Of private sector participation, including the private company's:
    - (1) Establishment of a partnership with a research university or a related research university organization to conduct research on and develop and commercialize vaccines and antibodies for the treatment of or cure for cancer or virally infectious diseases; and
    - (2) Establishment of research facilities and principal operations within the state; and

- Of the availability of one dollar of matching funds from private or other public sources for each dollar of state funds to be distributed.
   Matching funds must be in the form of cash and may not include in-kind assets;
- May not retain more than five percent of the grant award for administrative costs; and
- May not provide indirect cost reimbursement to a research university or a related research university organization of more than five percent of the amount of the grant award relating to the research university's involvement or the related research university organization's involvement."

Page 10, line 15, after the word "Dakota" insert "biotechnology"

Page 10, line 16, after the word "Dakota" insert "biotechnology"

Page 10, line 17, after the word "Dakota" insert "biotechnology"

Page 10, line 18, replace "this chapter" with "a research North Dakota biotechnology grant program"

Page 10, after line 19, insert:

"SECTION 20. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 54-17-40. For the purposes of the credit allowed in this subsection, subsections 2 through 9 of section 57-38-01.32 apply.

SECTION 21. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, 20102012) Housing incentive fund tax credit.

- A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
- North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
- The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
- If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

- The aggregate amount of tax credits allowed to all eligible contributors is limited to fifteen million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
- 6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
  - The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
  - The dollar amount paid for the contribution by the taxpayer.
  - c. The date the payment was received by the fund.
- 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
- 8. 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.
- 9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of 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."
- Page 12, line 7, replace "The amount" with "Of the \$1,000,000"
- Page 12, line 9, after "Laws" insert ", \$700,000"
- Page 12, line 10, after the period insert "The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall use up to \$300,000 for a grant to a not-for-profit organization assisting individuals with business ideas. The department of commerce shall use any remaining amount for the technology-based entrepreneurship grant program."
- Page 12, line 18, replace "for" with "during the biennium beginning July 1, 2013, and ending June 30, 2015. The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall award a grant of up to \$100,000 for promotion and marketing of the USS North Dakota. The department of commerce shall award"
- Page 12, line 19, replace "and" with ". The department of commerce shall award a direct grant and not a cost reimbursement grant"

Page 12, line 22, remove "during the biennium beginning July 1, 2013, and ending June 30, 2015"

Page 12, line 29, replace "\$1,500,000" with "\$1,000,000"

Page 13, line 1, after the word "DAKOTA" insert "BIOTECHNOLOGY"

Page 13, line 3, after the word "Dakota" insert "biotechnology"

Page 13, line 4, after the word "Dakota" insert "biotechnology grant"

Page 13, line 5, remove "The department of commerce may use up to"

Page 13, remove lines 6 through 10

Page 13, line 24, after the period insert "The grant program must award direct grants and not cost reimbursement grants."

Page 13, remove lines 26 through 30

Page 14, remove lines 1 and 2

Page 14, line 3, remove "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"

Page 14, line 7, remove "strategic investment and"

Page 14, line 8, replace "improvements" with "general"

Page 14, remove lines 29 through 31

Page 15, remove lines 1 through 8

Page 15, after line 15, insert:

"SECTION 41. LEGISLATIVE MANAGEMENT STUDY - INTELLECTUAL PROPERTY AT RESEARCH UNIVERSITIES. During the 2013-14 interim, the legislative management shall consider studying the intellectual property policies and procedures at research universities within the state. The study must include consideration of the current and potential income generated through the commercialization of intellectual property. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Page 15, after line 20, insert:

"SECTION 43. EFFECTIVE DATE - EXPIRATION DATE. Sections 20 and 21 of this Act are effective for the first two taxable years beginning after December 31, 2012, and are thereafter ineffective."

Page 15, line 21, replace "\$1,500,000" with "\$1,000,000"

Page 15, line 24, after "sections" insert "3, 14, 16, 17,"

Page 15, line 24, replace "26" with "32,"

Page 15, line 24, replace "32" with "36"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

### Senate Bill No. 2018 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Dickinson State University Total all funds	\$0	\$0	\$9,000,000	\$9,000,000
Less estimated income	0	0	3.000.000	3,000,000
General fund	\$0	\$0	\$6,000,000	\$6,000,000
Housing Finance Agency			1000000	
Total all funds	\$0	\$0	\$15,000,000	\$15,000,000
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$15,000,000	\$15,000,000
Department of Commerce			.7.194.784	
Total all funds	\$124,566,065	\$127,327,563	(\$7,983,170)	\$119,344,393
Less estimated income	68,241,034	70,801,179	2,521,434	73,322,613
General fund	\$56,325,031	\$56,526,384	(\$10,504,604)	\$46,021,780
Bill total			100000000000000000000000000000000000000	- Station
Total all funds	\$124,566,065	\$127,327,563	\$16,016,830	\$143,344,393
Less estimated income	68,241,034	70,801,179	5,521,434	76,322,613
General fund	\$56,325,031	\$56,526,384	\$10,495,396	\$67,021,780

### Senate Bill No. 2018 - Dickinson State University - House Action

Theodore Roosevelt center	Executive Budget	Senate Version	House Changes \$9,000,000	House Version \$9,000,000
Total all funds Less estimated income	\$0 0	\$0 0	\$9,000,000 3,000,000	\$9,000,000
General fund	\$0	\$0	\$6,000,000	\$6,000,000
FTE	0.00	0.00	0.00	0.00

### Department No. 239 - Dickinson State University - Detail of House Changes

	Adds Funding for Theodore Roosevelt Center <sup>1</sup>	Total House Changes
Theodore Roosevelt center	\$9,000,000	\$9,000,000
Total all funds Less estimated income	\$9,000,000 3,000,000	\$9,000,000 3,000,000
General fund	\$6,000,000	\$6,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment adds funding of \$6 million from the general fund and \$3 million from special funds to Dickinson State University for construction of a Theodore Roosevelt Center. The \$6 million of funding from the general fund may not be spent until Dickinson State University raises \$3 million from nonstate sources for the project.

### Senate Bill No. 2018 - Housing Finance Agency - House Action

	Executive Budget	Senate Version	House Changes	Version \$15,000,000
Housing incentive fund			\$15,000,000	\$15,000,000
Total all funds	\$0	\$0	\$15,000,000	\$15,000,000

Less estimated income	0	0	0	0
General fund	\$0	\$0	\$15,000,000	\$15,000,000
FTE	0.00	0.00	0.00	0.00

## Department No. 473 - Housing Finance Agency - Detail of House Changes

	Provides a Transfer to Housing Incentive Fund <sup>1</sup>	Total House Changes
Housing incentive fund	\$15,000,000	\$15,000,000
Total all funds Less estimated income	\$15,000,000 0	\$15,000,000 0
General fund	\$15,000,000	\$15,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment provides a transfer of \$15 million from the general fund to the housing incentive fund.

### Senate Bill No. 2018 - Department of Commerce - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$12,396,970	\$12,658,468	(\$473,043)	\$12,185,425
Operating expenses	16.434.601	16,434,601	(1,498,852)	14,935,749
Capital assets	10,000	10,000	46.7356.70	10,000
Grants	59,147,950	61,647,950	(5,825,000)	55,822,950
Discretionary funds	928,082	928,082	100000000000000000000000000000000000000	928,082
Workforce enhancement fund	2.000,000	2,000,000		2,000,000
Economic development initiatives	186,846	186,846		186,846
Flood impact grants and loans	11,782,866	11,782,866	6,576,000	18,358,866
Ag Products Utilization Commission	3,246,536	3,246,536	(6,042)	3,240,494
Research North Dakota	12,000,000	12,000,000	(6,000,000)	6,000,000
North Dakota Trade Office	2,613,400	2,613,400	Contractor	2,613,400
Partner programs	2,022,044	2,022,044		2,022,044
Federal fiscal stimulus funds	796,770	796,770	2.57,773	796,770
North Dakota planning initiative Accrued leave payments	1,000,000	1,000,000	(1,000,000) 243,767	243,767
Total all funds	\$124,566,065	\$127,327,563	(\$7,983,170)	\$119,344,393
Less estimated income	68,241,034	70,801,179	2,521,434	73,322,613
General fund	\$56,325,031	\$56,526,384	(\$10,504,604)	\$46,021,780
FTE	69.25	69.25	0.00	69.25

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

Adjusts State Employee Compensation and Benefits Package <sup>1</sup>	Provides Separate Line Item for Accrued Leave Payments <sup>2</sup>	Reduces Funding for the State Data Center <sup>3</sup>	Removes Funding for Child Care Facility Grants <sup>4</sup>	Changes Funding Source for Unmanned Aircraft System <sup>5</sup>	Reduces Funding for Tourism Large Infrastructure Grants <sup>6</sup>
(\$235,318)	(\$237,725)	(98,852)			
			(5,000,000)		(825,000)
	Employee Compensation and Benefits Package <sup>1</sup> (\$235,318)	Employee Compensation and Benefits Package¹  (\$235,318)  Separate Line Item for Accrued Leave Payments²  (\$237,725)	Employee Compensation and Benefits Package¹ Payments² (\$235,318) (\$237,725) Reduces Funding for the State Data Center³ (\$98,852)	Employee Compensation and Benefits Package¹ Payments² (\$235,318) (\$237,725) Reduces Funding for the Payments² Center³ Facility Grants⁴ (\$2,000,000)	Employee Compensation and Benefits Package¹ Payments² Center³ Reduces Funding for the Payments² Center³ Removes Funding for Child Care Funding Source Facility Grants⁴ Aircraft System⁵ (\$235,318) (\$237,725) (98,852)

Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office Partner programs		(6,042)				
Federal fiscal stimulus funds North Dakota planning initiative						
Accrued leave payments		243,767				
Total all funds Less estimated income	(\$235,318) (54,566)	\$0 0	(\$98,852) 0	(\$5,000,000) 0	\$0 (4,000,000)	(\$825,000) 0
General fund	(\$180,752)	\$0	(\$98,852)	(\$5,000,000)	\$4,000,000	(\$825,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	Removes Funding for North Dakota Planning Initiative <sup>7</sup>	Removes Funding for UGPTI Transportation Study <sup>6</sup>	Reduces Funding for InnovateND Program <sup>9</sup>	Reduces Funding for Operation Intern <sup>10</sup>	Reduces Funding for Tourism Marketing <sup>11</sup>	Adds Funding for Flood Grants and Loans <sup>12</sup>
Salaries and wages Operating expenses Capital assets Grants Discretionary funds Workforce enhancement fund Economic development		(350,000)	(50,000)	(500,000)	(500,000)	
initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office Partner programs						6,576,000
Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments	(1,000,000)					
Total all funds Less estimated income	(\$1,000,000) 0	(\$350,000)	(\$50,000) 0	(\$500,000) 0	(\$500,000) 0	\$6,576,000 6,576,000
General fund	(\$1,000,000)	(\$350,000)	(\$50,000)	(\$500,000)	(\$500,000)	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Salaries and wages Operating expenses Capital assets Grants Discretionary funds Workforce enhancement fund Economic development initiatives Flood impact grants and loans Ag Products Utilization	Reduces Funding for Research North Dakota <sup>13</sup>	Total House Changes (\$473,043) (1,498,852) (5,825,000)				
Commission Research North Dakota North Dakota Trade Office Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments	(6,000,000)	(6,000,000) (1,000,000) 243,767				
Total all funds Less estimated income	(\$6,000,000)	(\$7,983,170) 2,521,434				

General fund

(\$6,000,000)

(\$10,504,604) 0.00

FTE

Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

Reduces the market component from 2 to 4 percent per year for employees below the midpoint
of their salary range up to 2 percent for employees in the first quartile of their salary range for the
first year of the biennium only.

Removes funding for additional retirement contribution increases.

<sup>2</sup> A portion of salaries and wages funding from the general fund (\$187,753) and from other funds (\$56,014) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

<sup>3</sup> This amendment reduces the funding for the State Data Center by \$98,852, from \$498,852 to \$400,000. The executive recommendation provided \$498,852.

<sup>4</sup> This amendment removes funding of \$5 million from the general fund for child care facility grants. The executive recommendation provided \$5 million.

<sup>5</sup> The funding source for the \$4 million portion of the unmanned aircraft system grant is changed from the strategic investment and improvements fund to the general fund. The executive recommendation provided the strategic investment and improvements fund as the funding source.

<sup>6</sup> This amendment reduces the funding for tourism large infrastructure grants by \$825,000 to provide a total of \$500,000. The executive recommendation provided \$1,325,000.

<sup>7</sup> This amendment removes funding of \$1 million for the North Dakota planning initiative. The executive recommendation provided \$1 million.

<sup>8</sup> Funding of \$350,000 from the general fund is removed for an Upper Great Plains Transportation Institute study of transportation infrastructure needs. The executive recommendation provided \$350,000.

<sup>9</sup> This amendment reduces funding for the InnovateND program by \$50,000, from \$500,000 to \$450,000. The executive recommendation provided \$500,000.

<sup>10</sup> Funding for the Operation Intern is reduced by \$500,000, from \$1.5 million to \$1 million. The executive recommendation provided \$1.5 million.

<sup>11</sup> This amendment reduces funding for tourism-related marketing by \$500,000, from \$9,184,329 to \$8,684,329. The executive recommendation provided \$9,184,329.

<sup>12</sup> Funding of \$6,576,000 of federal funds is added for flood impact grants and loans to provide a total of \$18,358,866. The executive recommendation provided \$11,782,866.

<sup>13</sup> This amendment reduces funding from the general fund for Research North Dakota by \$6 million, from \$12 million to \$6 million. The executive recommendation provided \$12 million.

#### This amendment also:

 Removes a section added by the Senate to create a new loan guarantee program for child care facility loans.

 Removes the transfer of \$200,000 from Bank of North Dakota profits to a child care facility loan guarantee program added by the Senate.

<sup>&</sup>lt;sup>1</sup> This amendment adjusts the state employee compensation and benefits package as follows:

- Adds three new sections to expand the beginning entrepreneur loan guarantee program to include child care facilities.
- Removes a section providing for a child care facility grant program.
- Removes a section added by the Senate to expand the Housing Finance Agency programs to include a child care facility finance program.
- Changes the requirements of the housing incentive fund to allow for financing of child care
  facilities, to provide grants for child care facilities, to provide grants to child care providers that
  provide services to children with disabilities, and to limit the fund balance to \$30 million. The
  Senate provided a maximum fund balance of \$50 million.
- Adds two new sections to provide housing incentive fund tax credits for two years and to limit total tax credits to \$15 million.
- Adds a new section to provide an effective date and an expiration date for housing incentive fund tax credits.
- Adds two new sections to establish an unmanned aircraft systems program administered by the
  Department of Commerce, to provide for semiannual reports to the Legislative Management, and
  to create a new continuing appropriation to the Department of Commerce of money in the
  unmanned aircraft systems program fund.
- Adds a new section to establish a Research North Dakota biotechnology grant program.
- Removes a section to create a Research North Dakota program.
- Removes a section added by the Senate to create a Research North Dakota venture grants program.
- Removes the requirement that up to \$2 million of the funds transferred to the Research North Dakota fund be used for Research North Dakota venture grants.
- Renames the Research North Dakota fund the Research North Dakota biotechnology fund.
- Adds a new section to reduce the percentage of farm vehicle registration fees that are distributed to the ethanol production incentive fund by 20 percent, from 40 percent to 20 percent.
- Removes a new continuing appropriation to the agricultural fuel tax fund.
- Removes a section providing a continuing appropriation to the energy conservation grant fund.
- Changes the exemption for the technology-based entrepreneurship grant program to designate that the Department of Commerce use up to \$300,000 for grants to a nonprofit organization assisting individuals with business ideas.
- Changes the exemption for base retention grants to designate that the Department of Commerce use up to \$100,000 for grants to promote the USS North Dakota.
- Reduces the amount transferred to the internship fund by \$500,000, from \$1.5 million to \$1 million.
- Removes a section providing for an Upper Great Plains Transportation Institute transportation study.
- Adds a new section for a Legislative Management study of intellectual property at research universities.
- Changes the emergency clause section to include the transfer to the housing incentive fund, the requirements for the housing incentive fund, and the continuing appropriation for the unmanned aircraft systems program.



56 2018

### **ENGROSSED SENATE BILL NO. 2018 - SECTION COMPARISON**

This memorandum provides information on the sections in Engrossed Senate Bill No. 2018. The schedule below compares the sections of Engrossed Senate Bill No. 2018 (Senate version) and the proposed House version of Engrossed Senate Bill No. 2018 with proposed amendments (LC #13.8168.02011).

Senate Version	House Version
	Section 3 (added by House)  • Provides a transfer of \$15 million from the general fund to the housing incentive fund
	<ul> <li>Section 4 (added by House)</li> <li>Provides an appropriation of \$6 million from the general fund to Dickinson State University for construction of the Theodore Roosevelt Center</li> </ul>
Renames the agricultural products utilization fund     Creates a new continuing appropriation of money in the fund to the Department of Commerce	Section 5 (amended by House)  Renames the agricultural products utilization fund Removes a new continuing appropriation
Section 4  • Renames the agricultural products utilization fund	Section 6 (same as Senate version)
Section 5  • Renames the agricultural products utilization fund	Section 7 (same as Senate version)
Section 6 (added by Senate)  • Creates a child care facility loan guarantee program administered by the Bank of North Dakota for loans of up to \$15,000	(Removed by House)
	Section 8 (added by House)  Removes the net worth limitation of the beginning entrepreneur loan guarantee program administered by the Bank of North Dakota
	Section 9 (added by House)  • Adds a definition for a child care provider to the beginning entrepreneur loar guarantee program
	Section 10 (added by House)  • Expands the beginning entrepreneur loan guarantee program to include child care facility financing
Section 7 (added by Senate)  Creates a Research North Dakota venture investment program for investments of up to \$250,000 from the North Dakota Development Fund, Incorporated	Section 11 (same as Senate version)
Section 8  • Removes the depositing of one cent per gallon of the motor vehicle fuel tax for agricultural purposes in the ethanol production incentive fund	Section 12 (same as Senate version)
Section 9 (added by Senate)  • Amends the housing finance programs to include child care facilities	(Removed by House)

Amends the housing incentive fund to include child care and to increase the maximum balance in the housing incentive fund to \$50 million	Section 13 (amended by House)  Amends the housing incentive fund to: Limit the maximum balance in the housing incentive fund to \$30 million  Designate \$2.6 million of the housing incentive fund for child care facility grants with a 3-to-1 match up to \$187,500  Designate \$400,000 of the housing incentive fund for grants to licensed early childhood service providers that serve children with disabilities  Allow the Housing Finance Agency to determine an annual allocation for low-income or moderate-income households  Allow the Housing Finance Agency to collect administrative fees from developers, applicants, and grant recipients  Expand the housing incentive fund to allow for child care facility financing
200	Section 14 (same as Senate version)
Renames the agricultural products utilization fund  Section 12  Creates an energy conservation grant fund to provide grants to political subdivisions for energy conservation projects  Creates a new continuing appropriation of money in the fund to the Department of Commerce	(Removed by House)
	<ul> <li>Section 15 (added by House)</li> <li>Creates an unmanned aircraft systems program for the Department of Commerce to administer an unmanned aircraft systems test site contingent upon Federal Aviation Administration designation</li> <li>Requires collaboration with the University of North Dakota, the North Dakota Aeronautics Commission, the Adjutant General, and private parties appointed by the Governor</li> <li>Allows the Department of Commerce to charge operating fees</li> <li>Requires competitive bidding</li> <li>Allows the Department of Commerce to charter a public corporation to operate the test site</li> <li>Requires the Department of Commerce to report semiannually to the Legislative Management on the status of the program</li> </ul>
	Section 16 (added by House)     Creates an unmanned aircraft systems program fund     Creates a new continuing appropriation of money in the fund to the Department of Commerce to defray the expenses of the operations of an unmanned aircraft systems test site
Section 13  • Creates a Research North Dakota grant program for grants to research universities requiring dollar-for-dollar matching funds	(Removed by House)
Section 14 (added by Senate)  • Creates Research North Dakota venture grants for grants to research universities for pursuing further commercialization of technology developed jointly by a research university and a spinoff or startup business	

	Creates a Research North Dakota biotechnology grant program for grants to an eligible nonprofit organization for awarding grants to eligible private companies that conduct research on vaccines and antibodies for the treatment or cure of cancer or virally infectious diseases     Provides requirements for eligible nonprofit organizations and eligible private companies, including principal operation within the state     Requires matching funds on a dollar-for-dollar basis
Creates a Research North Dakota fund     Creates a new continuing appropriation of money in the fund to the Department of Commerce	Section 18 (amended by House)  Creates a Research North Dakota biotechnology fund  Limits the fund to the biotechnology grant program
Commerce	Section 19 (added by House)  Allows for a tax credit in an amount equal to a contribution to the housing incentive fund
	Section 20 (added by House)  • Limits the total amount of tax credits allowed to \$15 million
Section 16  • Renames the agricultural products utilization fund	Section 21 (same as Senate version)
Section 17     Removes the depositing of two cents per gallon of the motor vehicle fuel tax for agricultural purposes refund in the agricultural fuel tax fund	Section 22 (same as Senate version)
Section 18  Renames the agricultural products utilization fund	Section 23 (same as Senate version)
Section 19  • Renames the agricultural products utilization fund	Section 24 (same as Senate version)
Section 20  • Agricultural Products Utilization Commission carryover authority	Section 25 (same as Senate version)
Section 21  • Discretionary funds carryover authority	Section 26 (same as Senate version)
Section 22  • Technology-based entrepreneurship grant program carryover authority	Section 27 (amended by House)  • Technology-based entrepreneurship grant program carryover authority  • Requires the Department of Commerce to award a grant of up to \$300,000 to a not-for-profit organization assisting individuals with business ideas
Section 23  • USS North Dakota marketing carryover authority	Section 28 (same as Senate version)
Section 24  • Grants for Stanley R. Mickelson Safeguard Complex and Minot Air Force Base carryover authority	Section 29 (amended by House)  • Grants for Stanley R. Mickelson Safeguard Complex and Minot Air Force Base carryover authority  • Requires the Department of Commerce to award a grant of up to \$100,000 for promotion and marketing of the USS North Dakota  • Requires the Department of Commerce to award a direct grant and not a cost reimbursement grant for a base realignment grant to Minot Air Force Base

occurred to	Section 30 (same as Senate version)
Transfers \$2 million from the general fund to the workforce enhancement fund	
occitori 20	Section 31 (amended by House)
Transfers \$1.5 million of the operating expenses line item to the internship fund	Transfers \$1 million of the operating expenses line item to the internship fund
Transfers \$12 million appropriated in the Research North Dakota line item to the Research North Dakota fund     Designates \$2 million of the \$12 million for Research North Dakota venture grants	Section 32 (amended by House)  • Transfers \$6 million appropriated in the Research North Dakota line item to the Research North Dakota biotechnology fund
Section 28 (added by Senate)  Transfers \$200,000 from Bank of North Dakota profits to the child care facility loan guarantee fund	(Removed by House)
Section 29	Section 33 (same as Senate version)
<ul> <li>Requires the North Dakota Trade Office to raise dollar-for-dollar matching funds before the Department of Commerce may spend the final 30 percent of the \$2,613,400 appropriated in the North Dakota Trade Office line item</li> </ul>	
Section 30 (amended by Senate)  Limits the \$1.5 million of funding for base retention grants to communities with Air Force bases  Allows for grants of up to \$500,000 to each community with an Air Force base or Air National Guard facilities  Removes the matching fund requirement	Force Bases or Air National Guard facilities
Section 31	(Removed by House)
<ul> <li>Requires the Department of Commerce to develop qualification guidelines for the child care facility grant program</li> <li>Requires \$1 of matching funds for every \$3 of grant funds</li> <li>Limits the grants to \$187,500</li> </ul>	
Section 32	Section 35 (amended by House)
<ul> <li>Provides that the \$4 million from the strategic investment and improvements fund for the unmanned aircraft systems test site is contingent upon receiving Federal Aviation Administration approval</li> </ul>	<ul> <li>Provides that the \$4 million from the general fund for the unmanned aircraft systems</li> </ul>
Section 33 (added by Senate)     Creates an enhanced use lease grant program of \$2.5 million for a private company to construct infrastructure on or adjacent to the Grand Forks Air Force Base	Section 36 (same as Senate version)
Section 34 (added by Senate)	Section 37 (same as Senate version)
<ul> <li>Provides for a report to the Legislative Management relating to recommendations in the 2020 and Beyond Initiative</li> </ul>	
Section 35 (added by Senate)  • Provides for a report to the Budget Section relating to the Experimental Program to Stimulate Competitive Research and Research North Dakota	
Section 36 (added by Senate)  • Provides for a report to the Budget Section relating to a study of transportation infrastructure needs conducted by the Upper Great Plains Transportation Institute	(Removed by House)
Section 37 (added by Senate)  • Provides for a Legislative Management study of child care service needs	Section 39 (same as Senate version)

	Section 40 (added by House)  • Provides for a Legislative Management study of intellectual property at research universities
Section 38 (added by Senate)  Provides legislative intent that the funding in the North Dakota Development Fund, Incorporated, be used for investments under the Research North Dakota venture investment program	Section 41 (same as Senate version)
	Section 42 (added by House)  • Provides an effective date and expiration date of the first two taxable years after December 31, 2012, for the housing incentive fund tax credits
Section 39 (amended by Senate)     Declares \$1.5 million in the operating expenses line item for the Operation Internet program to be an emergency     Declares \$5 million for the unmanned aircraft systems to be an emergency	Section 43 (amended by House)  Declares \$1 million in the operating expenses line item for the Operation Internsprogram and \$5 million in the grants line item for the unmanned aircraft systems program to be an emergency  Declares the amendment to the housing incentive fund to be an emergency  Declares the unmanned aircraft systems program and the unmanned aircraft systems fund to be an emergency

#### **Summary of Senate Changes**

Sections added by Senate 6, 7, 9, 10, 14, 28, 33, 34, 35, 36, 37, and 38 (12 total)

Sections removed by Senate None (0 total)

Sections amended by Senate 27, 30, and 39 (3 total)

#### **Summary of House Changes**

Sections added by House 3, 4, 8, 9, 10, 15, 16, 17, 19, 20, 40, and 42 (12 total)

Sections added by Senate and removed by House 6, 9, 14, 28, and 36 (5 total) - Senate version section numbers

Sections removed by House 12, 13, and 31 (3 total) - Senate version section numbers

Sections amended by House 5, 13, 18, 27, 29, 31, 32, 34, 35, and 43 (10 total)



### ENGRSOSSED SENATE BILL NO. 2018 - SUMMARY OF FUNDING CHANGES

This memorandum provides a comparison of the funding changes in Engrossed Senate Bill No. 2018 (Senate Version) and the House version of Engrossed Senate Bill No. 2018 with proposed amendments (LC #13.8168.02011). The schedule below provides information on changes made by the Senate and the House to specific appropriations and transfers included in Engrossed Senate Bill No. 2018.

Department of Commerce Appropriation Changes By Line Item	Executive Budget	Senate Changes	Senate Version	House Changes	House Version
Salaries and wages	\$12,396,970	\$261,498	\$12,658,468	(\$473,043)	\$12,185,425
Accrued Leave Payments	0	0	0	243,767	243,767
Agricultural products utilization commission	3,246,536	0	3,246,536	(6,042)	3,240,494
Operating expenses			20.00		
State Data Center	498,852	0	498,852	(98,852)	400,000
Upper Great Plains Transportation Institute transportation study	350,000	0	350,000	(350,000)	0
InnovateND program	500,000	0	500,000	(50,000)	450,000
Operation Intern	1,500,000	0	1,500,000	(500,000)	1,000,000
Tourism marketing	9,184,329	0	9,184,329	(500,000)	8,684,329
Other operations	4,401,420	0	4,401,420	0	4,401,420
Total operating expense line item	16,434,601	0	16,434,601	(1,498,852)	14,935,749
Grants		0.500.000	0.500.000		2,500,000
Enhanced use lease grant program	5 000 000	2,500,000	2,500,000	(5,000,000)	2,500,000
Child care facility grants	5,000,000	0	5,000,000 5,000,000 <sup>1</sup>	(5,000,000)	5,000,000 <sup>1</sup>
Unmanned aircraft systems program	5,000,0001			(025,000)	500,000
Tourism large infrastructure grants	1,325,000	0	1,325,000	(825,000)	47,822,950
Other grants	47,822,950	0	47,822,950	U	
Total grants line item	59,147,950	2,500,000	61,647,950	(5,825,000)	55,822,950
Flood grants and loans	11,782,866	0	11,782,866	6,576,000	18,358,866
Research North Dakota	12,000,000	0	12,000,000	(6,000,000)	6,000,000
North Dakota planning initiative	1,000,000	0	1,000,000	(1,000,000)	0
Other line items	8,557,142	0	8,557,142	0	8,557,142
Total appropriation (All funds)	\$124,566,065	\$2,761,498	\$127,327,563	(\$7,983,170)	\$119,344,393
Other agency appropriation/transfer changes (Included in Senate Bill No. 2018)		4444 700	****		
Bank of North Dakota - Transfer to child care facility loan guarantee fund	\$0	\$200,000	\$200,000	(\$200,000)	\$0
Housing Finance Agency - Transfer to housing incentive fund	0	0	0	15,000,000	15,000,000
Dickinson State University - Appropriation for Theodore Roosevelt Center	0	0	0	9,000,000	9,000,000
Total other agency appropriations/transfers (All funds)	\$0	\$200,000	\$200,000	\$23,800,000	\$24,000,000
Total funding provided in Engrossed Senate Bill No. 2018 (All funds)	\$124,566,065	\$2,961,498	\$127,527,563	\$15,816,830	\$143,344,393

The executive budget and the Senate version provided funding of \$1 million from the general fund and \$4 million from the strategic investment and improvements fund for the unmanned aircraft systems program. The House version provided funding of \$5 million from the general fund.

13.9690.01000

Leg. Council - Adam Mathiak Prepared by the North Dakota Legislative Council staff

April 2013

4-23-13

# PROPOSED CHILD CARE-RELATED FUNDING - 2013-15 BIENNIUM

The schedule below provides information on proposed funding under consideration by the Legislative Assembly relating to child care and early childhood education during the 2013-15 biennium, as of April 22, 2013.

	General Fund	Special Funds	Total
nfrastructure  HB 1013 - Department of Public Instruction - Grants of up to \$5,000 per classroom to assist schools making safety compliant space available for licensed prekindergarten programs	\$125,000	\$0 500,000	\$125,000
HB 1113 - Department of Commerce - Continues to provide financing to early childhood facilities from the development fund through a continuing appropriation	0		
SB 2018 - Housing Finance Agency - Grants of up to \$187,500 from the housing incentive fund to political subdivisions for new and expanded licensed child care facilities and essential equipment for the facilities	0	2,600,000	2,600,000
SB 2018 - Bank of North Dakota - Expansion of the beginning entrepreneur loan	0	17,762,391 <sup>1</sup>	17,762,391 <sup>1</sup> 10,000,000 <sup>2</sup>
SB 2014 - Bank of North Dakota - Provides a transfer from Bank of North Dakota profits to the partnership in assisting community expansion (PACE) fund <sup>2</sup>	0		\$30,987,391
Total infrastructure funding	\$125,000	\$30,862,391	\$30,967,391
Workforce and training  HB 1012 - Department of Human Services - Early childhood contracts providing training, technical assistance, and professional development for child care providers, maintaining child care provider lists, and recruiting providers	\$166,221	\$2,551,178	\$2,717,399
HB 1012 - Department of Human Services - Grants to child care providers for workforce development, quality improvement technical assistance, and capacity building in accordance with North Dakota Century Code Section 50-11.1-14.1	3,150,000	0	3,150,000
HB 1012 - Department of Human Services - Child care provider licensing reviews and revisions of administrative rules for child care facilities	142,964	630,117	773,081
HB 1013 - Department of Public Instruction - Continuing education grants for preschool teachers	150,000	0	150,000
HB 1250 - Provides a tax credit equal to 50 percent of the qualified child care	Unknown	Unknown 0	6,000,000
HB 1422 - Department of Human Services - Provides an appropriation for a child	6,000,000	400,000	400,000
SB 2018 - Housing Finance Agency - Grants from the housing incentive fund to licensed early childhood service providers that provide care to children with disabilities or developmental delays pursuant to Section 50-11.1-18	Ů	400,000	
Total workforce and training funding	\$9,609,185	\$3,581,295	\$13,190,480
Low income and welfare subsidies  HB 1012 - Department of Human Services - Child care grant payments to providers on behalf of eligible recipients for child care services	\$252,686	\$20,645,979	\$20,898,665
HB 1012 - Department of Human Services - Child care transition assistance including payments to temporary assistance for needy families (TANF)-eligible	0	897,336	897,336
recipients for child care services  HB 1012 - Department of Human Services - Head Start collaboration providing support to local Head Start programs	0	198,468	
Total low income and welfare subsidy funding	\$252,686	\$21,741,783	\$21,994,469
Studies  HB 1013/SB 2229 - Department of Public Instruction - HB 1013 provides funding and SB 2229 provides language for a study of early childhood care and early childhood education	\$200,000		
SB 2018 - Provides for a Legislative Management study of the current and potential child care service needs and child care workforce needs	0		

#### Infrastructure

SB 2244 - Provides for a Legislative Management study of the availability and access to child care services in the state and the state's role in ensuring available and accessible child care services in the state

Total study funding

Total child care-related funding

Ī	General Fund	Special Funds	Total
	0	0	0
	\$200,000	\$0	\$200,000
	\$10,186,871	\$56,185,469	\$66,372,340

<sup>1</sup>This amount reflects the total funds available for the beginning entrepreneur loan guarantee program as of March 31, 2013, and the Bank of North Dakota has authority to carry over any unexpended funds.

<sup>2</sup>This amount reflects the portion of the \$28 million transfer to the PACE fund, which the Bank of North Dakota intends to designate to flex PACE. Child care facility loans could qualify for flex PACE interest buydowns of up to \$100,000 per loan.



# SB 2018 Conference Committee

#### Conferees

Senators Grindberg (Chairman), Holmberg, & Robinson

Representatives Skarphol, Martinson, & Williams

# Senate-House Differences

	Senate	House
Research North Dakota (general)	\$10 million (§13)	\$0
RND Venture Grants	\$2 million (§14)	\$0
Biotechnology Earmark	\$0	\$6 million
Theodore Roosevelt Center Earmark	\$0	\$6 million
-Childcare Facility Grants	\$5 million (§31)	\$0
Housing Incentive Fund	\$50 million (SB 2014)	\$30 million
HIF child care	Non-specified amount (§10)	\$3 million of available funds
- HFA Child Care Facility Finance	Included (§9)	Removed
Child care loan guarantee	\$200,000 (§§ 6 & 28)	Removed
Beginning Entrepreneur Loan Guarantee Program	Not included	included with the second secon
- Census Office	\$498,852	\$400,000
UND/NDSU IP Study	Not included	Included
Contingent UAS Test Site	\$4 million SIIF (§32)	\$4 million general fund
- UAS Test Site Statute	Not included	Included
-Base Retention Grants	\$1.5 million	\$1.5 million provided up front
Tourism Large Infrastructure	\$1,325 million	\$500,000
Tourism Operations & Marketing	\$9,184,329	\$8,684,329
North Dakota Planning Initiative	\$1 million	\$0
USS North Dakota Earmark	No new funding	\$100,000 of Minot Base Retention Carryover
- UGPTI Roads Study	\$350,000 (§36)	\$0 (included in SB 2020)
Innovate ND	\$500,000	\$450,000
IDEA Center Earmark	\$0	\$300,000 of TBEG carryover
Operation Intern	\$1.5 million	\$1.0 million
Energy Conservation Grant Fund	Included (§12)	Removed
Flood Impact Grants and Loans	\$11,782,866	\$18,358,866
APUC Continuing Appropriations	Included (§3)	Removed
Compensation Package	Executive Recommendation	House Version w/ Accrued Leave line

# Other Commerce-related Appropriations Bills

SB 2014 (Industrial Commission)

	House
	\$0
\$3.0 million	\$0
\$500,000	\$500,000
12	\$2,000,000
	Senate ~ \$2.7 million \$3.0 million \$500,000 \$0

#### **HB 1012**

Section 17 (Engrossed with Senate Amendments) appropriates \$100,000 general funds and \$150,000 special funds to the Department of Commerce for the activities of the health care consortium.

#### **HB 1211**

Appropriates \$400,000 to the Department of Commerce for the purpose of providing matching funds to an organization assisting in the recruitment, distribution, supply, quality, and efficiency of personnel providing health services in rural areas of the state.

#### **HB 1358**

Section 11 (Second Engrossment) appropriates \$6 million SIIF funds to the Department of Commerce "for the purpose of administering a grant program for nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas and related economic development activities."

### SB 2218

Appropriates \$5 million to the Department of Commerce for the purpose of providing workforce development grants to tribally controlled community colleges.

#### SB 2219

Senate version appropriates \$8 million to the Department of Commerce for a North Dakota state energy conservation program (i.e. weatherization program). House version appropriates \$1 million to the Bank of North Dakota for an energy conservation revolving loan program.

### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1505-1516 of the Senate Journal and pages 1617-1628 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 7, after "Code" insert "and section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly"

Page 1, line 9, remove "and"

Page 1, line 9, after "fund" insert "workforce development grants to tribally controlled community colleges"

Page 11, after line 29, insert:

"SECTION 20. AMENDMENT. Section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly, is amended and reenacted as follows:

Establishment of workforce development grant for tribally controlled community colleges.

There is established within the division of workforce development of the department of commerce a program to provide workforce development grants to tribally controlled community colleges in North Dakota. A tribally controlled community college in this state may apply to the department of commerce for a job training grant in such manner as the department of commerce prescribes. In order to qualify for a grant under this section, an applicant must be a tribally controlled community college not located on an Indian reservation or a tribally controlled community college located on an Indian reservation with an unemployment rate of greater than thirty percent. The department of commerce shall consult with the executive director of the Indian affairs commission to determine eligible tribally controlled community colleges."

Renumber accordingly

Prepared by the Legislative Council staff for Representative Porter
April 22, 2013



### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1505-1516 of the Senate Journal and pages 1617-1628 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 15, after line 15, insert:

"SECTION 38. LEGISLATIVE MANAGEMENT STUDY - ENERGY

corridor. During the 2013-14 interim, the legislative management shall consider studying the feasibility and desirability of the establishment of an energy corridor in the western portion of the state, including an examination of rights of way and state highway and county road easements necessary for the further development of energy resources in the state, and including the existing and necessary easements required to make United States highway 85 a four-lane highway corridor to complement the development of energy transportation resources. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Renumber accordingly

"SECTION?. AMENDMENT. Subdivision d of subsection 5 of section 54-44.7-03 of the North Dakota Century Code is amended and reenacted as follows:

d. Location with greater weight given to firms headquartered in North Dakota.

Rep. Carlson #/ SB 2018 4-26-13 E BILL NO. 2018

#### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1505-1516 of the Senate Journal and pages 1617-1628 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 9, line 30, after "section" insert ", including the requirement that an application must be jointly submitted by a private sector partner and the research university, must include an agreed upon scope of work and budget, and must provide information on how intellectual property generated through the project will be handled. The commission may approve changes to the scope of work or budget only to the extent that the changes are agreed to by both the private sector partner and the research university."

Page 13, line 6, after the period insert "The department of commerce shall use \$2,000,000 of the funds transferred to the research North Dakota fund for research North Dakota grants to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of or cure for cancer or virally infectious diseases or other pathogens including bacteria, mycobacteria, fungi and parasites."

Any application submitter mut be a conguned by a cartrer ship agreement hetween the grivate Sector cartre at a reveal university. The acreament mut include - scape of work - budget location of work to be capitaled as well as how endeduced crossity will be hadled. Next the same

Still Dollar for Dollar Match

13.8168.02015 Title. Prepared by the Legislative Council staff for Representative Martinson

April 25, 2013

#2

sen Grinaway

#### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the Senate accede to the House amendments as printed on pages 1505-1516 of the Senate Journal and pages 1617-1628 of the House Journal, and that Engrossed Senate Bill No. 2018 be further amended as follows:

Page 15, after line 15, insert:

"SECTION 38. LEGISLATIVE MANAGEMENT STUDY - CHILDREN'S SCIENCE CENTER. During the 2013-14 interim, the legislative management shall consider studying the development of a children's science center in the city where the state capitol is located. The study must include consideration of the feasibility and desirability of providing state assistance to develop a children's science center. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2018 - Department of Commerce - Conference Committee Action

This amendment adds a new section to provide for a legislative management study of the feasibility and desirability of developing a children's science center in Bismarck.



	Housing Incention	ve Fund Legislation/Appropriations*	
	Senate Version	House Version	Executive Budget
B 2018	Amends the Housing Incentive Fund to include child care and to increase the maximum balance in the Housing Incentive Fund to \$50 million	Provides an appropriation of \$15 million from the general fund to the Housing Incentive Fund Amends the Housing Incentive Fund to:	No funding for the Fund in this bill
		*Limit the maximum balnace in the Housing Incentive Fund to \$30 million	
		*Authorize \$15 million tax credits for contributions to the Housing Incentive Fund *Designate \$2.6 million of the Housing Incentive Fund for child care facility grants with a 3-to-1 match up to \$187,500	
		*Designate \$400,000 of the Housing Incentive Fund for grants to licensed early childhood service providers that serve children with disabilities	
SB 2014	Transfers \$30 million from the General Fund to the Housing Incentive Fund	(Removed any reference to the Housing Incentive Fund)	Transfers \$30 million from the General Fund to the Housing Incentive Fund
		Indirectly related was the appropriation of \$2 million for Homeless Shelters	
HB 1029	Establishes the maximum amount in the Housing Incentive Fund at \$20 million and authorizes \$20 million of tax credits	Establishes the maximum amount in the Housing Incentive Fund at \$20 million and authorizes \$20 million of tax credits	Estalished the maximum amount in the Housing Incentive Fund at \$50 million and authorized \$20 million of tax credits.
	*This chart does not deal with the policy differences between the the House and Senate Versions of 1029 and 2018		

April 2013

4-26-13

### **ENGROSSED SENATE BILL NO. 2018 -**PROPOSED AMENDMENTS

This memorandum provides information on the proposed amendments to Engrossed Senate Bill No. 2018 under consideration by the conference committee, as shown in the schedule below.

	Total Funds		
	Senate Version	House Version	Conference Committee Version
Proposed fiscal changes	640,000,000	\$0	\$6,000,000
Research North Dakota	\$10,000,000		\$2,000,000
Research North Dakota venture grants	\$2,000,000	\$0	
Research North Dakota biotechnology grants	\$0	\$6,000,000	\$4,000,000
Theodore Roosevelt Center - \$3 million of special funds	\$0	\$9,000,000	\$15,000,000
Child care facility grants	\$5,000,000	\$0	\$0
Child care facility grants - Housing incentive fund	\$0	\$2,600,000	\$100.000
Early childhood provider grants - Funding source change (housing incentive fund to general fund)	\$0	\$400,000	\$400,000
Maximum fund balance - Housing incentive fund	\$50,000,000	\$30,000,000	\$0
Child care facility loan guarantee - Bank of North Dakota	\$200,000	\$0	\$(
Census office	\$498,852	\$400,000	\$400,000
Unmanned aircraft system - Funding source change (strategic investment and improvements fund to general fund)	\$5,000,000	\$5,000,000	\$5,000,00
Tourism large infrastructure grants	\$1,325,000	\$500,000	\$750,00
Tourism operations and marketing	\$9,184,329	\$8,684,329	\$9,184,32
North Dakota planning initiative	\$1,000,000	\$0	\$
Visual North Dakota	\$0	\$0	\$250,00
Designate a portion of carryover for USS North Dakota	\$0	\$100,000	\$100,00
Designate a portion of carryover for IDEA Center	\$0	\$300,000	\$300,00
Grants line item - Additional funding for entrepreneur centers	\$0	\$0	\$300,00
Upper Great Plains Transportation Institute transportation study	\$350,000	\$0	\$
	\$500,000	\$450,000	\$450,00
InnovateND	\$1,500,000	\$1,000,000	\$1,500,00
Operation Intern	\$11,782,866	\$18,358,866	\$18,358,86
Flood impact grants	\$12,658,468	\$12,185,425	\$12,361,11
Salaries and wages line - Compensation package Accrued leave payments	\$0	\$243,767	\$243,76
Other proposed changes Agricultural products utilization fund new continuing appropriation	Included	Removed	Remove
New loan guarantee program for child care facilities	Included	Removed	Remove
Expansion of beginning entrepreneur loan guarantee	N/A	Included	Include
New Housing Finance Agency program for child care facilities	Included	Removed	Remove
Expansion of housing incentive fund for child care facilities	Included	Included	Remove
Housing incentive fund tax credits and effective and expiration dates	N/A	Included	Remove
Research North Dakota biotechnology grant requirements	N/A	Included	Further amen
Unmanned aircraft system program and new continuing appropriation	N/A	Included	Include
Unmanned aircraft system program and new continuing appropriation	Included	Removed	Remove
Creation of energy conservation fund and new continuing appropriation	N/A	Included	Include
Base retention grant change to direct grants	N/A	Included	Further amen
Legislative Management study of intellectual property	N/A	N/A	Include
Legislative Management study of children's science center	N/A	N/A	Include
Legislative Management study of an energy corridor	N/A	N/A	Include
Amendment to provide "greater weight to firms headquartered in North Dakota"	N/A	N/A	Include
Amendment to remove unemployment restrictions from Senate Bill No. 2218	IN/A	1,073	

# PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1505-1516 of the Senate Journal and pages 1617-1628 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 2, after the semicolon insert "to provide an appropriation to the department of human services for early childhood service provider grants; to provide an appropriation to Dickinson state university;"

Page 1, line 2, remove "a new chapter to title 6,"

Page 1, line 3, replace "section 54-45.5-10, and three" with "two new sections to chapter 54-60, and three"

Page 1, line 4, remove "a loan guarantee program,"

Page 1, line 4, remove "the energy"

Page 1, line 5, replace "conservation fund" with "an unmanned aircraft systems program"

Page 1, line 6, replace "54-17-07.3, 54-17-40," with "and"

Page 1, line 6, after the seventh comma insert "subdivision d of subsection 5 of section 54-4.7-03, sections"

Page 1, line 7, after "Code" insert "and section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly"

Page 1, line 8, after the first comma insert "the"

Page 1, line 9, replace "housing finance programs, and the housing incentive fund" with "and workforce development grants to tribally controlled community colleges"

Page 1, line 10, remove "a"

Page 1, line 10, replace "appropriation" with "appropriations"

Page 1, line 10, remove "for an upper great plains"

Page 1, line 11, replace "transportation institute study" with "statements of legislative intent"

Page 1, remove lines 22 through 24

Page 2, replace lines 1 through 14 with:

"Salaries and wages Accrued leave payments Operating expenses Capital assets Grants Discretionary funds Workforce enhancement fund Economic development initiatives	\$10,858,251 0 13,876,650 70,018 59,977,994 928,082 0 186,846	\$1,502,863 243,767 2,059,099 (60,018) (3,605,044) 0 2,000,000 0 18,358,866	\$12,361,114 243,767 15,935,749 10,000 56,372,950 928,082 2,000,000 186,846 18,358,866
Flood impact grants/loans	0	18,358,866	18,336,600

	A complete de de de la complete	-00 707	0.040.404
Agricultural products utilization comm	mission 2,739,767	500,727	3,240,494 12,000,000
Research North Dakota	0	12,000,000	2,613,400
North Dakota trade office	2,613,400	0	2,022,044
Partner programs	2,022,044	700 770	
Federal fiscal stimulus funds	0	796,770	796,770
Visual North Dakota	<u>0</u>	250,000	250,000
Total all funds	\$93,273,052	\$34,047,030	\$127,320,082
Less estimated income	<u>69,666,470</u>	3,696,552	73,363,022
Total general fund	\$23,606,582	\$30,350,478	\$53,957,060"
Page 2, replace line 25 with:			
"Flood impact grants/loans		235,000,000	18,358,866"
Page 2, remove lines 30 and 31			
Page 3, replace lines 1 and 2 with:			
"Tourism large infrastructure grants		0	750,000
Visual North Dakota		0	250,000
Innovation grants		0	300,000"
Page 3, replace lines 5 through 7 w	ith:		
"Total all funds		\$272,121,750	\$43,455,636
Less estimated income		259,496,750	21,655,636
Total general fund		\$12,625,000	\$21,800,000"

Page 3, after line 11, insert:

"SECTION 3. APPROPRIATION - DEPARTMENT OF HUMAN SERVICES - EARLY CHILDHOOD SERVICE PROVIDER GRANTS. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$400,000, or so much of the sum as may be necessary, to the department of human services for the purpose of providing grants to licensed early childhood services providers that provide care for children with disabilities or developmental delays pursuant to section 50-11.1-18, for the biennium beginning July 1, 2013, and ending June 30, 2015. The grants may be used for equipment, renovation of facilities used to provide the services, and staff. The funding provided in this section is considered a one-time funding item.

SECTION 4. APPROPRIATION - DICKINSON STATE UNIVERSITY - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of awarding a grant to an organization for the construction of a Theodore Roosevelt presidential library, for the biennium beginning July 1, 2013, and ending June 30, 2015. Dickinson state university may not use any of the funds appropriated in this section for administrative costs and may not award any of the funds until the grant recipient has raised at least \$3,000,000 from nonstate sources for the project. A grant awarded under this section may be used only for construction costs of the Theodore Roosevelt presidential library. The facility constructed may be used only to house the Theodore Roosevelt presidential library. The funding provided in this section is considered a one-time funding item."

Page 3, line 15, remove "appropriation"

Page 3, line 18, remove the overstrike over "The fund must be used to"

Page 3, line 19, remove the overstrike over "defray"

Page 3, line 19, remove "All moneys in the fund are appropriated to the department of commerce on a continuing"

Page 3, line 20, remove "basis for the purpose of defraying"

Page 4, remove lines 22 through 30

Page 5, remove lines 1 through 30

Page 6, remove lines 25 through 31

Page 7, overstrike lines 1 through 31

Page 8, remove lines 1 through 30

Page 9, overstrike lines 1 through 8

Page 9, replace lines 15 through 21 with:

"SECTION 11. AMENDMENT. Subdivision d of subsection 5 of section 54-44.7-03 of the North Dakota Century Code is amended and reenacted as follows:

d. Location, with higher priority given to firms headquartered in North Dakota.

**SECTION 12.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

# Unmanned aircraft systems program - Report to legislative management.

The department may establish and administer an unmanned aircraft systems test site, contingent upon receiving official designation by the federal aviation administration. The department shall cooperate with the university of North Dakota, the North Dakota aeronautics commission, the adjutant general, and private parties appointed by the governor in the administration of the test site. The department may charge fees sufficient to operate the test site. The department shall, to the extent possible, use competitive bidding in the establishment and administration of the test site. The commissioner may charter a public corporation to operate the test site. The corporation must possess all of the powers of a business corporation consistent with this chapter. The department shall report to the legislative management semiannually on the status of the program.

SECTION 13. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

# Unmanned aircraft systems program fund - Continuing appropriation.

There is created in the state treasury a special fund known as the unmanned aircraft systems fund, which must be used to defray the expenses of the operations of an unmanned aircraft systems test site officially designated by the federal aviation administration. The fund consists of fees collected for the administration of the test site. All moneys in the fund are appropriated to the department of commerce on a

- continuing basis for the purpose of defraying the expenses of the unmanned aircraft systems program. Interest earned on moneys in the fund must be credited to the fund."
- Page 9, line 30, after "section" insert ", including the requirement that an application must be accompanied by a partnership agreement between the private sector partner and a research university. The agreement must include details regarding the scope of the work, the budget, the location of the work to be completed, the intellectual property ownership rights, and the intellectual property income distribution. The commission may approve changes to the scope of the work or the budget only to the extent that the changes are agreed upon by the private sector partner and the research university"
- Page 10, line 18, replace "this chapter" with "the research North Dakota grant program and the research North Dakota venture grant program"
- Page 11, after line 29, insert:

"SECTION 21. AMENDMENT. Section 1 of Senate Bill No. 2218, as approved by the sixty-third legislative assembly, is amended and reenacted as follows:

Establishment of workforce development grant for tribally controlled community colleges.

There is established within the division of workforce development of the department of commerce a program to provide workforce development grants to tribally controlled community colleges in North Dakota. A tribally controlled community college in this state may apply to the department of commerce for a job training grant in such manner as the department of commerce prescribes. In order to qualify for a grant under this section, an applicant must be a tribally controlled community college not located on an Indian reservation or a tribally controlled community college located on an Indian reservation with an unemployment rate of greater than thirty percent. The department of commerce shall consult with the executive director of the Indian affairs commission to determine eligible tribally controlled community colleges."

- Page 12, line 7, replace "The amount" with "Of the \$1,000,000"
- Page 12, line 9, after "Laws" insert ", \$700,000"
- Page 12, line 10, after the period insert "The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall use up to \$300,000 for a grant to a nonprofit organization assisting individuals with business ideas. The department of commerce shall use any remaining amount for the technology-based entrepreneurship grant program."
- Page 12, line 18, replace the first "for" with "during the biennium beginning July 1, 2013, and ending June 30, 2015. The department of commerce shall spend these funds for the purposes provided in this section. The department of commerce shall award a grant of up to \$100,000 for promotion and marketing of the USS North Dakota. The department of commerce shall award"
- Page 12, line 19, replace "and" with ". The department of commerce shall award a direct grant and not a cost reimbursement grant"
- Page 12, line 22, remove "during the biennium beginning July 1, 2013, and ending June 30, 2015"
- Page 13, line 4, after "Dakota" insert "grant"

Page 13, line 4, after "program" insert "and the research North Dakota venture grant program"

Page 13, line 6, after the period insert "The department of commerce shall use \$4,000,000 of the funds transferred to the research North Dakota fund for research North Dakota grants to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites."

Page 13, remove lines 7 through 10

Page 13, line 24, after the period insert "The grant program must award direct grants and not cost reimbursement grants."

Page 13, remove lines 26 through 30

Page 14, remove lines 1 and 2

Page 14, line 3, remove "STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -"

Page 14, line 7, remove "strategic investment and"

Page 14, line 8, replace "improvements" with "general"

Page 14, after line 9, insert:

"SECTION 33. INNOVATION GRANT PROGRAM. The grants line item in section 1 of this Act includes the sum of \$300,000 from the general fund for grants to entrepreneurial centers associated with a research university. The department shall develop guidelines to qualify for a grant under this section, including the requirements that an entrepreneurial center submit a detailed proposal on how the grant funds will be used to further innovation and entrepreneurship in the state and that an entrepreneurial center provide a detailed report of the results. Grants awarded under this section shall be divided equally among eligible entrepreneurial centers."

Page 14, remove lines 29 through 31

Page 15, remove lines 1 through 8

Page 15, after line 15, insert:

"SECTION 38. LEGISLATIVE MANAGEMENT STUDY - INTELLECTUAL PROPERTY AT RESEARCH UNIVERSITIES. During the 2013-14 interim, the legislative management shall consider studying the intellectual property policies and procedures at research universities within the state. The study must include consideration of the current and potential income generated through the commercialization of intellectual property. The study must include consideration of the best practices related to intellectual property, the federal Bayh-Dole Act, and the federal Patent Reform Act of 2011. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

SECTION 39. LEGISLATIVE MANAGEMENT STUDY - CHILDREN'S SCIENCE CENTER. During the 2013-14 interim, the legislative management shall consider studying the development of a children's science center in the city where the state capitol is located. The study must include consideration of the feasibility and desirability of providing state assistance to develop a children's science center. The legislative management shall report its findings and recommendations, together with

any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

SECTION 40. LEGISLATIVE MANAGEMENT STUDY - ENERGY CORRIDOR.

During the 2013-14 interim, the legislative management shall consider studying the feasibility and desirability of the establishment of an energy corridor in the western portion of the state, including an examination of rights of way and state highway and county road easements necessary for the further development of energy resources in the state, and including the existing and necessary easements required to make United States highway 85 a four-lane highway corridor to complement the development of energy transportation resources. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Page 15, after line 20, insert:

"SECTION 42. LEGISLATIVE INTENT - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. It is the intent of the sixty-third legislative assembly that the Theodore Roosevelt center become an independent nonprofit organization and be renamed the Theodore Roosevelt presidential library."

Page 15, line 24, replace "26" with "12, 13, 28"

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

# Senate Bill No. 2018 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Dickinson State University	\$0	\$0	\$6,000,000	\$6,000,000	\$9,000,000	(\$3,000,000)
Total all funds	0	0	0	0	3,000,000	(3,000,000)
Less estimated income General fund	\$0	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$0
Department of Human Services			****	6400,000	\$0	\$400,000
Total all funds	\$0	\$0	\$400,000	\$400,000	0	000,000
Less estimated income	0	0	0	0 000	\$0	\$400,000
General fund	\$0	\$0	\$400,000	\$400,000	Ψ	ψ100,000
Housing Finance Agency		**	40	\$0	\$15,000,000	(\$15,000,000)
Total all funds	\$0	\$0 0	\$0	0	0	(0,0,000,000)
Less estimated income	0	\$0	\$0	\$0	\$15,000,000	(\$15,000,000)
General fund	\$0	\$0	30	•	4.0,000,000	11
Department of Commerce	0404 500 005	\$127,327,563	(\$7,481)	\$127,320,082	\$119,344,393	\$7,975,689
Total all funds	\$124,566,065 68,241,034	70,801,179	2.561.843	73,363,022	73,322,613	40,409
Less estimated income General fund	\$56,325,031	\$56,526,384	(\$2,569,324)	\$53,957,060	\$46,021,780	\$7,935,280
Bill total				VAND		100 001 011
Total all funds	\$124,566,065	\$127,327,563	\$6,392,519	\$133,720,082	\$143,344,393	(\$9,624,311)
Less estimated income	68,241,034	70,801,179	2,561,843	73,363,022	76,322,613	(2,959,591
General fund	\$56,325,031	\$56,526,384	\$3,830,676	\$60,357,060	\$67,021,780	(\$6,664,720)

# Senate Bill No. 2018 - Dickinson State University - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version \$9,000,000	Comparison to House (\$9,000,000)
Theodore Roosevelt center					43,000,000	140,000,000]

Total all funds Less estimated income	\$0 0	\$0 0	\$0 0	\$0 0	\$9,000,000 3,000,000	(\$9,000,000) (3,000,000)
General fund	\$0	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

# Department No. 239 - Dickinson State University - Detail of Conference Committee Changes

	Adds Funding for a Theodore Roosevelt Presidential Library <sup>1</sup>	Total Conference Committee Changes
Theodore Roosevelt center		
Total all funds Less estimated income	\$6,000,000 0	\$6,000,000 0
General fund	\$6,000,000	\$6,000,000
FTE	0.00	0.00

<sup>&</sup>lt;sup>1</sup> This amendment adds a new section to provide funding of \$6 million from the general fund to Dickinson State University to award a grant to the Theodore Roosevelt Presidential Library and to require the Theodore Roosevelt Presidential Library to raise at least \$3 million from nonstate sources. The House added a section to provide \$6 million from the general fund and \$3 million from special funds from private gifts and donations for the construction of a Theodore Roosevelt Center.

This amendment also adds a new section to provide legislative intent that the Theodore Roosevelt Center become an independent nonprofit organization and that the Theodore Roosevelt Center be renamed the Theodore Roosevelt Presidential Library.

### Senate Bill No. 2018 - Department of Human Services - Conference Committee Action

Early childhood service provider	Executive Budget	Senate Version	Conference Committee Changes \$400,000	Conference Committee Version \$400,000	House Version	Comparison to House \$400,000
grants _	\$0	\$0	\$400,000	\$400,000	\$0	\$400,000
Total all funds Less estimated income	0 \$0	<u>0</u> \$0	\$400,000	\$400,000	0 \$0	<u>0</u> \$400,000
General fund	0.00	0.00	0.00	0.00	0.00	0.00
FTE						

# Department No. 325 - Department of Human Services - Detail of Conference Committee Changes

Early childhood service provider grants	Adds Funding for Early Childhood Service Provider Grants <sup>1</sup> \$400,000	Total Conference Committee Changes \$400,000
Total all funds	\$400,000	\$400,000
Less estimated income	0	0

General fund	\$400,000 0.00	\$400,000 0.00
FTF		- 473

<sup>&</sup>lt;sup>1</sup> This amendment adds funding of \$400,000 from the general fund to the Department of Human Services for grants to early childhood service providers that serve children with disabilities or developmental delays. The House provided \$400,000 of funding from the housing incentive fund.

### Senate Bill No. 2018 - Housing Finance Agency - Conference Committee Action

The House added a section to provide a transfer of \$15 million from the general fund to the housing incentive fund which is not included in the Conference Committee version.

### Senate Bill No. 2018 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$12,396,970	\$12,658,468	(\$297,354)	\$12,361,114	\$12,185,425	\$175,689
Operating expenses	16,434,601	16,434,601	(498,852)	15,935,749	14,935,749	1,000,000
Capital assets	10,000	10,000		10,000	10,000	200000
Grants	59.147,950	61,647,950	(5,275,000)	56,372,950	55,822,950	550,000
Discretionary funds	928,082	928,082	7.7.2.2.	928,082	928,082	
Workforce enhancement fund	2,000,000	2,000,000		2,000,000	2,000,000	
Economic development initiatives	186,846	186,846	1.00	186,846	186,846	
Flood impact grants and loans	11,782,866	11,782,866	6,576,000	18,358,866	18,358,866	
Ag Products Utilization	3,246,536	3,246,536	(6,042)	3,240,494	3,240,494	
Commission		20-21-0	220 13			6.124.426
Research North Dakota	12,000,000	12,000,000		12,000,000	6,000,000	6,000,000
North Dakota Trade Office	2,613,400	2,613,400		2,613,400	2,613,400	
Partner programs	2,022,044	2,022,044		2,022,044	2,022,044	
Federal fiscal stimulus funds	796,770	796,770		796,770	796,770	
North Dakota planning initiative	1,000,000	1,000,000	(1,000,000)			
Accrued leave payments	110001223		243,767	243,767	243,767	
Visual North Dakota			250,000	250,000		250,000
Total all funds	\$124,566,065	\$127,327,563	(\$7,481)	\$127,320,082	\$119,344,393	\$7,975,689
Less estimated income	68,241,034	70,801,179	2,561,843	73,363,022	73,322,613	40,409
Less estimated income	00,241,004	70,001,110				
General fund	\$56,325,031	\$56,526,384	(\$2,569,324)	\$53,957,060	\$46,021,780	\$7,935,280
FTE	69.25	69.25	0.00	69.25	69.25	0.00

# Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

Discretionary funds Workforce enhancement fund Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office		Adjusts State Employee Compensation and Benefits Package <sup>1</sup>	Provides Separate Line Item for Accrued Leave Payments <sup>2</sup>	Reduces Funding for the State Data Center <sup>3</sup>	Removes Funding for UGPTI Transportation Study <sup>4</sup>	Reduces Funding for InnovateND Program <sup>5</sup>	Removes Funding for Child Care Facility Grants <sup>6</sup>
Operating expenses (98,852) (350,000) (50,000)  Capital assets Grants Discretionary funds Workforce enhancement fund Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office	Salaries and wages	(\$59,629)	(\$237,725)	1007 VOAV		(50,000)	
Grants Discretionary funds Workforce enhancement fund Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office				(98,852)	(350,000)	(50,000)	
Discretionary funds Workforce enhancement fund Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office							(5,000,000)
Workforce enhancement fund Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office							(electrical)
Economic development initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office							
initiatives Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office							
Ag Products Utilization (6,042)  Commission  Research North Dakota  North Dakota Trade Office							
Commission Research North Dakota North Dakota Trade Office	Flood impact grants and loans						
North Dakota Trade Office			(6,042)				
Partner programs	North Dakota Trade Office						
ration programs	Partner programs						

Federal fiscal stimulus funds North Dakota planning initiative		040.767				
Accrued leave payments Visual North Dakota		243,767			(050,000)	(\$5,000,000)
	(\$59,629)	\$0	(\$98,852)	(\$350,000)	(\$50,000)	(\$5,000,000)
Total all funds Less estimated income	(14,157) (\$45,472)	<u>0</u> \$0	(\$98,852)	<u>0</u> (\$350,000)	(\$50,000)	(\$5,000,000)
General fund	0.00	0.00	0.00	0.00	0.00	0.00
FTE	0.00	0.00				
	Reduces Funding for Tourism Large Infrastructure Grants <sup>7</sup>	Adds Funding for Innovation Grants <sup>6</sup>	Changes Funding Source for Unmanned Aircraft System <sup>9</sup>	Adds Funding for Flood Grants and Loans <sup>10</sup>	Removes Funding for North Dakota Planning Initiative <sup>11</sup>	Adds Funding for Visual North Dakota <sup>12</sup>
Salaries and wages Operating expenses						
Capital assets Grants	(575,000)	300,000				
Discretionary funds Workforce enhancement fund Economic development						
initiatives Flood impact grants and loans				6,576,000		
Ag Products Utilization Commission Research North Dakota						
North Dakota Trade Office Partner programs Federal fiscal stimulus funds						
North Dakota planning initiative Accrued leave payments					(1,000,000)	250,000
Visual North Dakota	(\$575,000)	\$300,000	\$0	\$6,576,000	(\$1,000,000)	\$250,000
Total all funds Less estimated income	<u>0</u> (\$575,000)	\$300,000	<u>(4,000,000)</u> \$4,000,000	6,576,000 \$0	(\$1,000,000)	\$250,000
General fund	0.00	0.00	0.00	0.00	0.00	0.00
FTE	0.00					
Salaries and wages Operating expenses	Total Conference Committee Changes (\$297,354) (498,852)					
Capital assets Grants	(5,275,000)					
Discretionary funds Workforce enhancement fund Economic development initiatives	6,576,000					
Flood impact grants and loans Ag Products Utilization Commission Research North Dakota North Dakota Trade Office	(6,042)					
Partner programs Federal fiscal stimulus funds North Dakota planning initiative Accrued leave payments	(1,000,000) 243,767					
Visual North Dakota	250,000					
Total all funds Less estimated income	(\$7,481) 2,561,843					
General fund	(\$2,569,324)					
FTE	0.00					

- <sup>1</sup> This amendment adjusts the state employee compensation and benefits package as follows:
  - Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
  - Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
  - Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.
- <sup>2</sup> A portion of salaries and wages funding from the general fund (\$187,753) and from other funds (\$56,014) for permanent employees compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.
- <sup>3</sup> This amendment reduces the funding for the State Data Center by \$98,852, from \$498,852 to \$400,000. The executive recommendation and the Senate provided \$498,852, and the House provided \$400,000.
- <sup>4</sup> Funding of \$350,000 from the general fund is removed for an Upper Great Plains Transportation Institute study of transportation infrastructure needs. The executive recommendation and the Senate provided \$350,000, and the House removed the funding.
- <sup>5</sup> This amendment reduces funding for the InnovateND program by \$50,000, from \$500,000 to \$450,000. The executive recommendation and the Senate provided \$500,000, and the House provided \$450,000.
- <sup>6</sup> This amendment removes funding of \$5 million from the general fund for child care facility grants. The executive recommendation and the Senate provided \$5 million, and the House removed this funding.
- <sup>7</sup> This amendment reduces the funding for tourism large infrastructure grants by \$575,000 to provide a total of \$750,000. The executive recommendation and the Senate provided \$1,325,000. The House reduced the funding by \$825,000 to provide a total of \$500,000.
- <sup>8</sup> Funding of \$300,000 from the general fund for innovation grants to entrepreneurial centers associated with a research university is added.
- <sup>9</sup> The funding source for the \$4 million portion of the unmanned aircraft system grant is changed from the strategic investment and improvements fund to the general fund, which is the same as the House version. The executive recommendation and the Senate provided the strategic investment and improvements fund as the funding source.
- <sup>10</sup> Funding of \$6,576,000 of federal funds is added for flood impact grants and loans to provide a total of \$18,358,866, which is the same as the House version. The executive recommendation and the Senate provided \$11,782,866.
- <sup>11</sup> Funding of \$1 million for the North Dakota planning initiative is removed, which is the same as the House version. The executive recommendation and the Senate provided \$1 million.
- <sup>12</sup> This amendment adds funding of \$250,000 from the general fund for Visual North Dakota for mapping projects.

#### This amendment also:

- Removes a section added by the Senate to create a new loan guarantee program for child care facility loans, which the House also removed.
- Removes the transfer of \$200,000 from Bank of North Dakota profits to a child care facility loan guarantee program added by the Senate, consistent with House action.
- Removes a section providing for a child care facility grant program. The Senate version included

- this section, but the House removed it.
- Removes a section added by the Senate to expand the Housing Finance Agency programs to include a child care facility finance program, which the House also removed.
- Removes a section amended by the House to provide requirements that the housing incentive
  fund allow for financing of child care facilities, to provide grants for child care facilities, to provide
  grants to child care providers that provide services to children with disabilities, and to limit the
  fund balance to \$30 million. The Senate version provided for a maximum fund balance of
  \$50 million.
- Adds two new sections to establish an unmanned aircraft systems program administered by the
  Department of Commerce, to provide for semiannual reports to the Legislative Management, and
  to create a new continuing appropriation to the Department of Commerce of money in the
  unmanned aircraft systems program fund, which is the same as the House version.
- Designates \$4 million of Research North Dakota grants for biotechnology. The House added a new section to create a Research North Dakota biotechnology program.
- Designates up to \$2 million of the funds transferred to the Research North Dakota fund be used for Research North Dakota venture grants.
- Removes a new continuing appropriation to the agricultural fuel tax fund, which is the same as the House version. The executive recommendation and the Senate provided for a new continuing appropriation.
- Removes a section providing a continuing appropriation to the energy conservation grant fund, consistent with House action.
- Adds a new section to amend the agency selection process for contracting with firms that
  provide architectural and engineering services to give higher priority to North Dakota firms.
- Adds a new section to amend Senate Bill No. 2218, as approved by the 63rd Legislative
  Assembly, to remove requirements that an eligible tribally controlled community college be
  located on a reservation with an unemployment rate greater than 30 percent.
- Adds a new section to provide requirements for the innovation grant program.
- Changes the exemption for the technology-based entrepreneurship grant program to designate that the Department of Commerce use up to \$300,000 for a grant to the Incubator for Developing Entrepreneurial Activity (IDEA) Center in Bismarck, the same as the House version.
- Changes the exemption for base retention grants to designate that the Department of Commerce
  use up to \$100,000 for grants to promote the USS North Dakota, the same as the House
  version.
- Removes a section providing for an Upper Great Plains Transportation Institute transportation study, consistent with House action.
- Adds a new section for a Legislative Management study of intellectual property at research universities, the same as the House version.
- Adds two new sections for Legislative Management studies of an energy corridor and of the development of a children's science center in Bismarck.
- Adds a statement of legislative intent to provide that the Theodore Roosevelt Center become a nonprofit organization and be renamed the Theodore Roosevelt Presidential Library.
- Changes the emergency clause section to include the continuing appropriation for the unmanned aircraft systems program.

Prepared by the Legislative Council staff for Representative Skarphol April 27, 2013

### PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1015-1516 of the Senate Journal and pages 1617-1628 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 2, after the semicolon insert "to provide a contingent appropriation to Dickinson state university;"

Page 3, after line 11, insert:

"SECTION 3. CONTINGENT APPROPRIATION - DICKINSON STATE UNIVERSITY - THEODORE ROOSEVELT PRESIDENTIAL LIBRARY. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$6,000,000, or so much of the sum as may be necessary, to Dickinson state university for the purpose of awarding a grant to an organization for the construction of a Theodore Roosevelt presidential library, for the biennium beginning July 1, 2013, and ending June 30, 2015. The funding provided under this section is available to Dickinson state university only if actual general fund revenues, excluding transfers into the general fund from the strategic investment and improvements fund, the mill and elevator, the lottery, and the gas tax administration, for the period July 1, 2013, through June 30, 2014, exceed estimated general fund revenues, excluding transfers into the general fund from the strategic investment and improvements fund, the mill and elevator, the lottery, and the gas tax administration, for that period by at least five percent, as determined by the office of management and budget, based on the legislative estimates made at the close of the 2013 regular legislative session. Dickinson state university may not use any of the funds appropriated in this section for administrative costs and may not award any of the funds until the grant recipient has raised at least \$3,000,000 from nonstate sources for the project. A grant awarded under this section may be used only for construction costs of the Theodore Roosevelt presidential library. The facility constructed may be used only to house the Theodore Roosevelt presidential library. The funding provided in this section is considered a onetime funding item."

Renumber accordingly

#### STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2018 - Department of Commerce - Conference Committee Action

This amendment adds a new section to provide an additional \$6 million from the general fund to Dickinson State University for a grant to the Theodore Roosevelt Presidential Library, contingent upon actual general fund revenues exceeding estimates for the first year of the biennium by at least 5 percent.