

FISCAL NOTE
Requested by Legislative Council
02/07/2017

Amendment to: HB 1165

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

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$10,000			
Appropriations						

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

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

HB 1165 increases the reporting requirements within the state grantor recipient reports to include a table of expenditures made with grant funds.

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

The Business Incentive Accountability (BIA) law requires grantors and recipient businesses enter into a BIA agreement before the recipient business receives an incentive. Recipient businesses must report annually on progress towards their goals for at least two years and until they meet their goals. HB 1165 increases the level of reporting required in the annual recipient reports. Updates to forms, BIA database, and web portal will be needed to accommodate the additional reporting requirements.

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

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

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

The expenditures represent the costs to update forms, BIA database, and web portal to accommodate the additional reporting requirements.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Carla Hahn

Agency: Department of Commerce

Telephone: 701-328-3698

Date Prepared: 02/08/2017

FISCAL NOTE
Requested by Legislative Council
01/06/2017

Bill/Resolution No.: HB 1165

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

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$10,000			
Appropriations						

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

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

HB 1165 Section 2 increases the reporting requirements within the state grantor recipient reports to include a table of expenditures made with grant funds by the recipient since the date the grant was awarded or the date the previous report was filed by the recipient.

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

The Business Incentive Accountability (BIA) law requires grantors and recipient businesses enter into a BIA agreement before the recipient business receives an incentive. Recipient businesses must report annually on progress towards their goals for at least two years and until they meet their goals. HB 1165 increases the level of reporting required in the annual recipient reports. Updates to forms, BIA database, and web portal will be needed to accommodate the additional reporting requirements.

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

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

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

The expenditures represent the costs to update forms, BIA database, and web portal to accommodate the additional reporting requirements.

The fiscal impact HB 1165 has on Political Subdivisions is not known.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Carla Hahn

Agency: Department of Commerce

Telephone: 701-328-3698

Date Prepared: 01/12/2017

2017 HOUSE APPROPRIATIONS

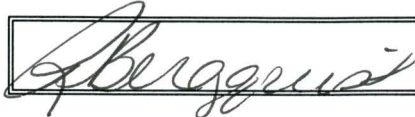
HB 1165

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1165
1/19/2017
27162

☐ Subcommittee
☐ Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to transparency of state grants; and to declare an emergency.

Minutes:

Attachment 1

Chairman **Delzer**: Called the meeting to order

0:45-4:22 Representative **Toman District 34**: Testifying in favor of HB 1165

Chairman **Delzer**: Most of this is being done already?

Representative **Toman**: That's correct, there's some parts that are not, we've launched a couple of web sites I'll let me speak about it. It hasn't been transferred over to the web site yet.

Chairman **Delzer**: Is it a case of not being collected or a case of not having the authority to open the web site or put it out there so people can see it?

Representative **Toman**: To my knowledge, it's partial authority, the grants are already collecting and they might not be collecting all that information from the grantor and grantees to comply it on the web site so there's maybe a gray line of can they publish that specific information rather than an aggregated rolled up report on the web site. The intention is to have a place for the public where they can see how the grants where spent and if they're deficient or are compliant.

3:00 Representative **Kempnich**: I'm on the North Dakota Transparency website; Where is the issue at on the transparency web site, is it about private information vs. public? It shows grants but it doesn't show exactly who, is that the issue?

Representative **Toman**: I just learned about the web site, to my knowledge it's relatively new so I haven't checked it out but I believe it might be some of that information and that's why it's not there.

5:00- Justin Dever Co-Deputy Commissioner for the ND Department of Commerce

I would like to provide some information and some back ground on business incentive accountability law which this makes changes to and talk about a few questions and

concern that we have. Legislature created the business incentive accountability law back in 2005 with the passage of HB 1203, the law is found in ND Century Code 54-60.1 and that's what this law amends. It puts in place requirements of how state and local grantors handle business incentives. This included requirements that each business incentive much meet a public purpose, job goals are created for those incentives with job creation purposes and recipients of business incentives must report on progress of job creation for at least two years or until they reach those job goals.

House Bill 1165 would make changes to the business incentives accountability law, especially as it applies to grants, this includes requiring additional information to be provided publicly for grants such as a table of expenditures. That's one area we are not currently collecting as part of the BIA law.

6:15 Chairman **Delzer**: You're not collecting any of the expenditure stuff not even some broad categories of it?

Mr. Dever: Commerce is not, the grantors are, so it's not put into a central location but it is all public information, you can go to the grantor and ask for it and they would release that information.

Chairman **Delzer**: You figure the information is there, with your 10 thousand fiscal note would be to gather that information? Would you have to gather it or would this bill from your stand point make you them send it to you?

7:45 Chairman **Delzer**: On page 5 of the bill where they list all these different sources of expenditures, is that the way they are done or are they done in board categories? If we're to pass the bill does that need to stay that way for it to work the way, it is being collected?

Mr. Dever: It would be our recommendation to just have broaden it and not have categories because they do vary by grantor

Chairman **Delzer**: So have you and Representative Toman worked together to try to come up with some broad categories that cover that?

Chairman **Delzer**: Is this putting any kind of unfunded mandate on any political subdivisions; schools, council arts, anything that way that they're not doing?

Mr. Dever: As this is written it would not because this would only apply to business incentives granted at the state level.

We are requesting the removal of tax ID numbers from this bill, they are confidential, we don't see the need to keep those in here. Remove line 5 page 4 of the bill.

We would recommend remove line 7 page 4, this law operates on the anniversary of the business incentive it doesn't operate on a physical year so it would continue to operate on the benefit date.

Line 8 of page 4 Sub section C our recommendation would be to ask for this information on the front end when they enter into these agreements and then ask for any updates. So if they receive additional funds they could update that information.

Page 5 line 5, the new language, it would be simpler or cleaner if that was a new sub section 3 and have it clearly defined that this only to granters. Would remove A thru S

Page 6 line 14 recommend to move that to a different section so that it applies generally, this sub section applies to not filing the recipient report, there's other ways the granter can become noncompliant

Line 15 page 6 that statement is already duplicated in law, Century code 54-60.1-04 already states that if a recipient becomes noncompliant he cannot receive any additional grants for at least 5 years or until they become compliant.

Chairman **Delzer**: Would you guys work together and see about working on an amendment to come forward and check out those web sites and see if this bill needs to continue at all.

Representative **Kempnich**: Grants are not on the transparency

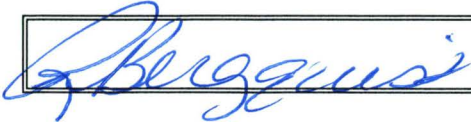
Chairman **Delzer**: No other discussion, I would like to point out the opposition handed out by Economic Development Association of North Dakota (EDND) (see attachment 1)

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB1165
2/2/2017
27793

☐ Subcommittee
☐ Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to transparency of state grants; and to declare an emergency.

Minutes:

Chairman Delzer: Representative Toman we are going to have you explain the changes on this bill.

Representative Toman: Just reviewing the proposed amendment

3:50 Chairman Delzer: This was put together by the congress department and the council reworked it?

Representative Toman: What this amendment does is removes the concerns with the tax identification number, and all those specified categories and will just be reporting what is being collected.

Chairman Delzer What does this do to the fiscal note?

Representative Toman: I don't think it'll do anything; they will absorb it into their budget since they are already collecting those figures, they just have to make the modifications on the web site.

Chairman Delzer: Most of this stuff is already on there, this will just add another report of two that will be on the web site. Do you have a definition of a normal report?

Representative Toman: It varies from grant to grant, so they are already collecting and storing that information.

Chairman Delzer: So what does this bill do that's not already being done?

Representative Toman: This would make the information the web site more expansive

Chairman Delzer: Committee any thoughts?

Representative Pollert made a motion to amend HB 1165 with amendment 17.0458.01001

Representative Schatz second the motion

Voice vote, All in favor, Motion Carries

Motion made by Representative Brandenburg Do Pass as Amended of HB 1165

Second by Representative Schatz

A Roll Call vote was taken. Yea: 16 Nay: 3 Absent: 2

Motion Carries

Representative Kading will carry the bill

1/22/17
2/2/17
Jone

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1165

Page 1, line 1, after "to" insert "create and enact a new subsection to section 54-60.1-07 of the North Dakota Century Code, relating to transparency of state grants; and to"

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, replace the second "and" with ", subdivision g of subsection 3 of section 54-60.1-03, and section"

Page 1, line 2, remove "; and to declare an emergency"

Page 3, after line 30, insert:

"SECTION 2. AMENDMENT. Subdivision g of subsection 3 of section 54-60.1-03 of the North Dakota Century Code is amended and reenacted as follows:

- g. A list of all financial assistance by all grantors for the project. A business incentive agreement for a grant must include a list of financial assistance provided by federal government sources, state government sources, local government sources, and any matching funds.

Page 4, line 5, after the second underscored comma insert "and"

Page 4, line 5, remove ", and tax identification"

Page 4, line 6, remove "number"

Page 4, line 7, remove "The date the fiscal year of the recipient begins:"

Page 4, remove lines 8 through 12

Page 4, line 13, remove "d."

Page 4, line 14, remove the overstrike over "e."

Page 4, line 14, remove "e."

Page 4, line 16, remove the overstrike over "d."

Page 4, line 16, remove "f."

Page 4, line 20, remove the overstrike over "e."

Page 4, line 20, remove "g."

Page 4, line 21, remove the overstrike over "f."

Page 4, line 21, remove "h."

Page 4, line 27, remove the overstrike over "g."

Page 4, line 27, remove "i."

Page 4, line 28, remove the overstrike over "h."

2/2/20

Page 4, line 28, remove "j."

Page 4, line 29, remove the overstrike over "i."

Page 4, line 29, remove "k."

Page 4, line 29, overstrike "and"

Page 4, line 30, remove the overstrike over "j."

Page 4, line 30, replace "i." with "For grants, an updated list of financial assistance provided by federal government sources, state government sources, local government sources, and any matching funds; and

k."

Page 5, line 5, remove ". The report must include the outcomes achieved"

Page 5, remove lines 6 through 31

Page 6, remove line 1

Page 6, line 2, remove "u. Other expenses"

Page 6, line 3, remove "3."

Page 6, after line 5, insert:

"3. In addition to the report provided under subsection 2, grant recipients shall provide the state grantor with a table of expenditures made with grant funds by the recipient since the date the grant was awarded or the date the previous report was filed by the recipient."

Page 6, line 14, remove "The name of the noncompliant recipient must be placed on a publicly available"

Page 6, replace lines 15 through 24 with:

"SECTION 4. A new subsection to section 54-60.1-07 of the North Dakota Century Code is created and enacted as follows:

The department shall provide information regarding state grantor reports on its website, including the compilation and summary, the state grantor recipient report on grant expenditures, and a report listing noncompliant state grantor recipients."

Renumber accordingly

Date: 2/2/2017
Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1165**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 17.0458.01001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Pollert Seconded By Representative Schatz

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich			Representative Streyle		
Representative: Boehning			Representative Vigesaa		
Representative: Brabandt					
Representative Brandenburg					
Representative Kading			Representative Boe		
Representative Kreidt			Representative Delmore		
Representative Martinson			Representative Holman		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Pollert					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No motion carried

Absent _____

Floor Assignment _____

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

Date: 2/2/2017
Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1165**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 17.0458.01001

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☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Brandenburg Seconded By Representative Schatz

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X		Representative Streyle	X	
Representative: Boehning	X		Representative Vigesaa	X	
Representative: Brabandt	X				
Representative Brandenburg	X				
Representative Kading	X		Representative Boe	X	
Representative Kreidt	A		Representative Delmore		X
Representative Martinson	X		Representative Holman		X
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson		X			
Representative Pollert	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	A				

Total (Yes) 16 No 3

Absent 2

Floor Assignment Representative Kading

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

REPORT OF STANDING COMMITTEE

HB 1165: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). HB 1165 was placed on the Sixth order on the calendar.

Page 1, line 1, after "to" insert "create and enact a new subsection to section 54-60.1-07 of the North Dakota Century Code, relating to transparency of state grants; and to"

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Renumber accordingly

2017 SENATE APPROPRIATIONS

HB 1165

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1165
3/22/2017
Job # 29550

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

monson for Rose Loring

Explanation or reason for introduction of bill/resolution:

Relating to transparency of state grants.

Minutes:

Testimony Attached # 1.

Legislative Council: Adam Mathiak
OMB: Becky Deichert

Chairman Holmberg called the committee to order on HB 1165.

Representative Toman, District 34, Mandan; Bill Sponsor: The fiscal note is not as great as what was perceived. Basically it expands the government grant information reporting to the public. On page three, it defines the grant and adds to the requirements. Section 4 is reporting state grants on the website. It adds to the requirements for grantees to be reported back to what state grant federal monies are used. Through deliberations with the Dept. of Commerce they found out some of this is already being posted so it's really just expanding what they collect. The original bill was pared down and the original intent is changed. Each grant is different, so they put them on the website.

Senator Mathern: I think I understand the intent, but wondering what level of grant would kick in these requirements. Some grants are so small that the grantee has so few resources to meet the requirements. Does it apply to every grant?

Rep. Toman: Yes it does, but the amendments we worked on with the Dept. of Commerce brought that down to the information they are submitting already for those grants. The smaller grants might not have as extensive of a report. If the public wanted to see who got the \$1000 grants, they could see who got that and what they used it for based on what they submitted.

Chairman Holmberg: The Council of the Arts publish all the grants they give out and that's down to \$200.

Senator Erbele: Are you saying that you're trying to put in code what is basically in practice or are you trying to expand something that is currently in practice?

Rep. Toman: It sort of was in practice. The Department of Commerce already has a website with the grants. This is just expanding that information. Section 4 is the reporting part of it. They will include that submitted grant report and what the matching funds are which are not currently on there. It's not a major expansion. Some could be transparency of state dollars that the public cares about. Less extensive of a list than what I originally submitted. There's no work for the Dept. of Commerce.

Senator Oehlke: The DOT occasionally has something they call Special Roads Fund where money is put in and appointed legislators and DOT engineers can accept grants from communities all over the state. Some are small, not more than a few thousand dollars in most cases. If you wanted to know something about that project, you can go to the DOT website. If this passes, would those grants have to be reported to a common entity? And then who would that entity have to provide that information to?

Rep. Toman: This deals with Chapter 54-60.1-01. These are the grants on the commerce website and the grants they put on there. It's not going to affect others.

Justin Dever, Co-Deputy Commissioner, Department of Commerce, testified in a neutral position on HB 1165. Testimony Attached # 1.

(13:05) Senator Hogue: Talking about the Fiscal Note, Rep. Toman said it might not be \$10,000. It looks like the cost is to update forms and a data base. Do you do this internally?

Justin Dever: That is something that would need to be contracted out. The estimate is about \$10,000.

Chairman Holmberg: That is not an appropriation. It is just a cost that the agency feels they might have to cover. The bill itself does not spend anything.

Senator Mathern: On the bottom of page 1 it talks about \$25,000 or more. Does that exception apply to everything in this bill or just one type of grant and how do you implement that exception? Is there a cut-off point?

Justin Dever: The Business Incentive Accountability Law applies to when a company receives \$25,000 or more in incentives, then they will be entered in the system. If they receive another grant or incentive within that one-year period that puts them over the \$25,000, then it kicks in. If they don't receive another one within that one-year period, then they just drop out of the system. It would be cleaner if it was just a straight \$25,000 per incentive, but the law isn't written that way.

Chairman Holmberg: Section 5 on page 3 defines what a grant is. Why wasn't that defined before?

Justin Dever: They have specific provisions that will apply only to grants. Grants are included in the current system. The definition of business incentive includes a direct cash transfer, loan, or equity investment. A grant is a direct transfer. It needs to be defined because there are additional requirements if it is a grant compared to a loan or tax credit.

Chairman Holmberg pointed out that this bill came to the committee because it was an original appropriations bill in the House. If it had gone to another committee, they probably never would have seen it.

Chairman Holmberg: Closed the hearing on HB 1165.

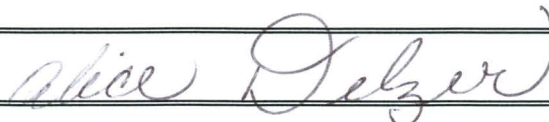
2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 1165
3/23/2017
29576

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A DO NOT PASS on HB 1165. (State grant transparency)

Minutes:

No testimony

Chairman Holmberg: called the Committee to order on HB 1165 regarding transparency of state grants. All committee members were present. Lori Laschkewitsch, OMB and Michael Johnson, Legislative Council were also present.

Senator Erbele discussed the merit of this bill and felt that they should move a do not pass on 1165.

Senator Erbele moved a Do Not Pass. 2nd by V. Chairman Krebsbach.

Chairman Holmberg: Discussion? Call the roll on a Do Not Pass on 1165.

A Roll Call vote was taken on a DO NOT PASS on 1165. Yea: 14; Nay: 0; Absent: 0.

Senator Erbele will carry the bill.

The hearing was closed on HB 1165.

Date: 3-23-17Roll Call Vote #: 1

**2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1165**

Senate Appropriations Committee☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
 Other Actions: ☐ Reconsider ☐ _____

Motion Made By Erbele Seconded By Krebsbach

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	<input checked="" type="checkbox"/>		Senator Mathern	<input checked="" type="checkbox"/>	
Vice Chair Krebsbach	<input checked="" type="checkbox"/>		Senator Grabinger	<input checked="" type="checkbox"/>	
Vice Chair Bowman	<input checked="" type="checkbox"/>		Senator Robinson	<input checked="" type="checkbox"/>	
Senator Erbele	<input checked="" type="checkbox"/>				
Senator Wanzek	<input checked="" type="checkbox"/>				
Senator Kilzer	<input checked="" type="checkbox"/>				
Senator Lee	<input checked="" type="checkbox"/>				
Senator Dever	<input checked="" type="checkbox"/>				
Senator Sorvaag	<input checked="" type="checkbox"/>				
Senator Oehlke	<input checked="" type="checkbox"/>				
Senator Hogue	<input checked="" type="checkbox"/>				

Total (Yes) 14 No 0Absent 0Floor Assignment Erbele

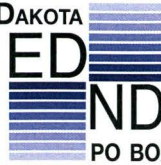
If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1165, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1165 was placed on the Fourteenth order on the calendar.

2017 TESTIMONY

HB 1165



Att. 1
1/19/17
HB 1165

Testimony of Jennifer Greuel
Economic Development Association of North Dakota (EDND)
In Opposition of HB 1165
January 19, 2017

Chairman and members of the House Appropriations Committee:

My name is Jennifer Greuel. I am the executive director of the Economic Development Association of North Dakota (EDND) and am testifying on behalf of the EDND in opposition to HB 1165.

EDND represents more than 80 large and small and rural and urban economic development organizations on the front line of growing businesses and communities in North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Although EDND is supportive of reporting practices and gathering data to ensure transparency and that taxpayers are benefitting from government incentives, our organization has several concerns about this bill. First, it is our understanding these requirements are duplicative because agencies are already gathering much of this information as part of the Business Incentive Accountability (BIA) law. This law requires grantors and recipient businesses to enter into a BIA agreement before the recipient business receives an incentive. Second, the emergency clause places a difficult burden on agencies to change their grant forms and processes as soon as this legislation is adopted. Finally, on page 4, line 12, "Any other source" is also a concern. As it is written, it could be interpreted as any funding source, individually by name and amount. We believe this may create a potential unintended consequence of requiring the recipient to give details about funding received from other sources, which could potentially create a requirement for private investor information to be disclosed.

Thank you for the opportunity to address the committee and express EDND's concerns about this bill.



HB 1165
3-22-17

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1165

MARCH 22, 2017, 10:30 A.M.

SENATE APPROPRIATIONS COMMITTEE

SENATOR RAY HOLMBERG, CHAIRMAN

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JUSTIN DEVER – CO-DEPUTY COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Justin Dever and I serve as Co-Deputy Commissioner for the North Dakota Department of Commerce. I am here to provide some background regarding the Business Incentive Accountability Law and some insights into HB 1165.

Background

The legislature created the Business Incentive Accountability Law through the passage of HB 1203 in 2005. The law can be found in NDCC Chapter 54-60.1 and it put in place requirements on how state and local grantors handle business incentives. This includes requirements that each business incentive must meet a public purpose, job goals are created for those incentives with a job creation purpose, and recipients of business incentives must report annual on progress towards job creation for at least two years.

HB 1165 would make changes to the Business Incentive Accountability Law, especially as it pertains to grants. This includes requiring additional information to be provided publicly for grants, such as a table of expenditures of grant funds.

Current Transparency Efforts

The Department of Commerce recently launched a transparency page as part of our website. This page can be accessed at www.ndcommerce.com/transparency/. When you go this page, you will find information regarding Commerce's grant and loan programs, as well as the certifications Commerce provides. There is also a link to the Business Incentive Accountability database (www.ndcommerce.com/accountability) where you can search for businesses that have received any state incentives.

Under the current system, an interested person could review the list of recipients. If they are interested in a specific grant award, they are then able to contact Commerce and we would get them the specific information they seek.

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Changes in HB 1165

For those grants that fall under the Business Incentive Accountability law, HB 1165 would require additional steps. This includes the reporting of federal funds received by the recipient (currently state and local are included), and a table of expenditures. To facilitate these additional requirements, we will need to make changes to our database system to add fields and allow for the attachment of a table of expenditures. We would also need to reprogram the interface between the database and the web portal. We estimate that this would cost \$10,000, plus additional staff time.

Mr. Chairman and members of the Appropriations Committee, thank you for allowing me to visit with you today. That concludes my testimony and I am happy to entertain any questions.