

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

14/4

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1414


2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1414

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb., 6, 2001

Tape Number	Side A	Side B	Meter #
1		X	6-14,7
Committee Clerk Signature 			

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

Rep Rick Berg: Sponsoring bill to provide initial seed capital for a start up business. We can add in a sunset clause if it doesn't work out but since APUC is working so well, BPUC is the next step.

Vice-Chairman Keiser: What part of the start up would we fund?

Rep Berg: The initial idea, the inventor stage.

Rep Bill Pietsch: I support the bill. It's not to capitalize on business.

Rep Thorpe: Would this be spreading APUC too thinner.

Rep Pietsch: No, we're not going to share these funds.

Vice-Chair Keiser: Where should funding come from?

Rep Pietsch: ED & F.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number HB 1414

Hearing Date Feb. 6, 2001

Rep Froese: Would this attract private money's?

Rep Pletsch: APUC's first question is always how much have you put in.

Chairman Berg: We'll close the hearing on HB 1414.


2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1414(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb. 13, 2001

Tape Number	Side A	Side B	Meter #
2		X	50.2-61.2
Committee Clerk Signature 			

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

Chairman Berg: Proposed and explained amendments to BPUC.

Rep Pietsch: I move the amendments.

Rep Johnson: I second.

Rep Severson: I move a do pass as amended with rerefferral to appropriations.

Rep Johnson: I second.

13 yea, 0 nay, 2 absent Carrier Rep Keiser

FISCAL NOTE

Requested by Legislative Council

02/16/2001

Bill/Resolution No.:

Amendment to: HB 1414

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

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$91,800		\$60,800	
Appropriations						

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

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

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

The bill seeks to create a seed-financing fund similar to that disbursed by the Agricultural Products Utilization Commission (APUC). The ED&F director would assign the responsibilities and tasks described in this bill to either the APUC or the Development Fund board, which are both divisions of the department.

This fiscal impact statement assumes that the BPUC responsibilities would be assigned to the APUC and that the program would generate similar application volume.

The APUC currently has a single FTE and receives limited administrative and clerical assistance from the ED&F.

The fiscal effect is calculated based on three factors: 1) increased travel costs and per diem requirements for commission members to participate in granting hearings; 2) additional costs of contract or hired staff for administration of the fund, the applications and the grant awarded; and 3) startup cost including the propagation of rules, program design, application design, marketing and accounting.

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.*

The start-up businesses that receive assistance from this fund might eventually contribute to the increased tax collections, but it is impossible to estimate the level.

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.*

Travel costs: using current APUC application volume as the guide, the program might expect 16 to 22 grant applications per quarter. Assuming two-day quarterly hearings, the travel costs are estimated at \$6800, including the \$50 per diem authorized in the bill.

Additional contract or hired clerical help was calculated at \$27,000 per year. However, the APUC and ED&F have no additional FTE's available.

Program initiation cost including: legal, accounting, advertising, travel, marketing and planning costs were estimated at \$31,000.

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

The fiscal impact of this analysis assumes the continuation of the APUC with its appropriation as recommended in the executive budget. The request calls for a \$5 million appropriation with \$207,000 allocated for administration. The salary of the director is included in that administrative portion. The fiscal impact statement assumes that the director, though compensated by APUC, would oversee both programs.

If the APUC were to receive less appropriation for administration or if the BPUC is not managed with APUC, the fiscal cost of this program would be similar to APUC's administrative costs of \$207,000 plus the \$31,000 initiation costs.

Name:	Lance Gaebe	Agency:	ED & F
Phone Number:	328-5350	Date Prepared:	02/18/2001

FISCAL NOTE

Requested by Legislative Council
01/23/2001

Bill/Resolution No.: HB 1414

Amendment to:

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

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

This bill seeks to establish a business products utilization commission with powers to

(1) apply for, accept and expend any appropriation, grant, gift or service made available from public or private sources and

(2) administer grant programs to assist entrepreneurs in research, development, testing and marketing.

This bill appears similar in structure to Agricultural Products Utilization Commission. However there has been no appropriation (for staff or funding).

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.*

Not possible to estimate.

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.*

Not possible to estimate.

Overall charge of program is broad..as written initial expenditures would likely reimburse Commission members for expense related to carrying out charge.

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

None provided by legislation.

Name:	Randy Schwarzl	Agency:	North Dakota Department of Economic Development & Finance
Phone Number:	701-328-5314	Date Prepared:	01/30/2001

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1414

Page 1, line 1, remove the first "and"

Page 1, line 3, after "commission" insert "; and to provide an appropriation"

Page 1, line 19, remove "- Composition -"

Page 1, line 20, remove "Appointment"

Page 1, line 22, replace "may" with "shall"

Page 1, line 23, remove "If the director does not assign the duties of the commission"

Page 1, remove line 24

Page 2, remove lines 1 through 8

Page 2, line 19, remove "- Personnel"

Page 2, line 22, remove "secure office space, employ"

Page 2, remove line 23

Page 2, line 24, remove "appropriated to the commission, and"

Page 2, line 26, remove "- Administrative expenses"

Page 2, line 30, remove "The commission chairman, if"

Page 2, remove line 31

Page 3, replace lines 1 and 2 with:

"SECTION 7. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$250,000, or so much of the sum as may be necessary, to the department of economic development and finance for the purpose of funding the business products utilization commission, for the biennium beginning July 1, 2001, and ending June 30, 2003."

Re-number accordingly

Date: 2-13-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1414

House Industry, Business and Labor Committee

Legislative Council Amendment Number 16589. 0102 . 0200

Action Taken Do Pass as Amended RR to Appropriations

Motion Made By _____ Seconded By _____

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

Total (Yes) 13 No 0

Absent 2

Floor Assignment Rep Keiser

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

REPORT OF STANDING COMMITTEE

HB 1414: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1414 was placed on the Sixth order on the calendar.

Page 1, line 1, remove the first "and"

Page 1, line 3, after "commission" insert "; and to provide an appropriation"

Page 1, line 19, remove "- Composition -"

Page 1, line 20, remove "Appointment"

Page 1, line 22, replace "may" with "shall"

Page 1, line 23, remove "If the director does not assign the duties of the commission"

Page 1, remove line 24

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Renumber accordingly

2001 HOUSE APPROPRIATIONS

HB 1414

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1414

House Appropriations Committee

☐ Conference Committee

Hearing Date February 19, 2001

Tape Number	Side A	Side B	Meter #
1		8	2722 - 4128
Committee Clerk Signature <i>L. J. Douchette</i>			

Minutes:

HOUSE APPROPRIATIONS HEARING ON HB1414.

Rep. Berg: The genesis of this is that this committee spends a lot of time looking at expenses and we as a legislature need to focus a little bit on our revenue. There is no question that the revenue projections are not as rosy as they were six months ago and what we need to do is do things that will increase tax collections, so Mr. Chairman, what I have handed out here is what I perceive, let me back up. In economic development there is a lot of programs that don't do any good and there are a few programs that work, two of the programs that have worked have been the pace funding program and the apuc program. These programs are ones that the appropriations committee in 1991 when I served on the appropriations that we revamped those and I think they have been very effect the last ten years. The bill before you would take an existing program that's proven to work (apuc) and expand that program or create a program branch of that which would be (bpuc), the difference would be that (bpuc) would focus on businesses that are start ups

and if you look at the sheet that I handed out, its going to cost about all the programs and what's happening, if you look under seed financing, really there's angel investors, there's apuc, the seed fund was defeated and this bill would basically that would fill that. If you look at the engrossed bill, the intent is not to create another board or another commission, but simply roll this authority into the current apuc administration and the Department of Economic Development and Finance. The reason this bill is before this committee is an amendment was placed on it to have an appropriation of \$250,000 of general fund dollars placed in there. This bill is also set up under section 4 that it may receive private sector money or money from other entities, and so the bill as introduced did not have the appropriation on there, but would be an entity that could receive some money and then use it to invest and start up businesses. What sets apuc apart and what sets bpuc apart is rather than a loan or expansion of an existing process, if you look on section 4, and page 2, line 2 through 4, it really provides a grant, so it would be a grant to do some research and development testing and marketing, typically these grants are very small, probably \$5 to \$20 thousand dollars. It is a streamlined process, its a board that takes a look at the application and makes a decision. With that support and that grant, it may determine whether that business could take the next level and expand further. That is the essence of what this bill would do, and I would be happy to answer any questions.

Rep. Delzer: Do you see this as being a different commission, or do you see it being the same one?

Rep. Berg: If you look in Section 3, it says that the bpeu commission shall administer. Line 21, I really look at the Director of Economic Development to assign the duties to and existing board or commission within the department. Now I'm not sure if that board would be the apuc board, it could be the development fund board, but it would be an existing board.

Rep. Delzer: The reason for my question is to make sure that they are somehow separate entities so the money doesn't flow back and forth as such so that apuc has what its supposed to do and bpuc has what its supposed to do. I'm not sure that's covered, it almost looks to me like, if you made the same commission you could move the money back and forth.

Rep. Berg: That wasn't my intention in the amendments that you have in the engrossed bill before you, but I think Rep. Delzer is correct, I really envision the fire wall between apuc and bpuc at least from those dollars.

Rep. Wald: I think we could have an amendment that simply says that the two funds cannot be CO-mingled which would solve that problem.

Rep. Warner: I think that most of my concerns were addressed by Rep. Delzer. I commend Rep. Berg for bringing this forth. I think this is a very good plan, but I hope would hope that the two sides would be kept separate.

Rep. Timm: Would anyone mind, Rep. Berg, if we amended that bill?

Rep. Byerly: I would suspect that they would not make the apuc board be the overseer of the bpuc board, because they don't have anything in common. The board for apuc is made up of people related to agriculture, and it would make very little sense to put those people in charge of this fund.

Rep. Berg: The way I would see this interfacing, is from an administration standpoint apuc here is our application, here's the process, and from the granting standpoint it maybe the development board in the regular meeting would have someone come and apply for a grant.

Rep. Carlisle: The ED&F budget, my understanding, how they have substantial increases in it, this would be an addition to that?

Rep. Guleson: The apuc commission and the projects are self funded through the gas tax refund, and as I understand it they don't receive any general fund dollars. Did you look at a source of funding for the bpuc out of revenues derived from economic development projects that we have ongoing or anything like that?

Rep. Berg: We looked at that, and first of all I would like to make a comment. Apuc is funded in part by the gas tax refund, but there is also general fund dollars in there. Again there is no gas refund for businesses, so we weren't able to look at a gas tax refund. There certainly are things that the state does, commercial loans, etc., that could be used to tap into this, but in the general sense these are dollars that will hopefully come back as more general fund revenue.

Rep. Glassheim: You would have to pre grant money to be given out that would have to be raised from private sources, is that the thought, or is the \$250,000 involved with the grant program?

Rep. Berg: The \$250,000 of general fund would be in the grant program, there also able to go out raise and receive private dollars that would go to the grant program.

Rep. Koppleman: In the beginning of the bill it talks about entrepreneurial start up projects generically, but as you get into the bill and by the name, as a business products utilization commission, it implies to me that were taking strictly about products or are you talking about services as well?

Rep. Berg: I would really look at primary sector type of businesses and those are generally a product that someone is bringing to the marketplace, now it maybe software it may be actual property, but I think it would be rather than a real estate company or accounting firm or something like that.

Rep. Timm: Any other questions of Rep. Berg? Any other testimony in support of HB1414?

Page 5
House Appropriations Committee
Bill/Resolution Number HB1414
Hearing Date February 19, 2001

Any opposition to HB1414? Hearing none we will close the hearing on HB1414.

End of appropriations committee hearing on HB1414.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1414

House Appropriations Committee

☐ Conference Committee

Hearing Date February 20, 2001

Tape Number	Side A	Side B	Meter #
02-20-01 tape #1		1948 - 3000	
Committee Clerk Signature <i>Kathleen Hall</i>			

Minutes:

The committee was called to order, and opened committee work on HB 1414.

Rep. Skarphol: This amendment 0201 handed out does, puts up a fire wall between APUC (agriculture products utilization commission) and BPUC (business products utilization commission) if it were to be implemented. Moves to adopt the amendment. Rep. Carlisle seconded.

Rep. Skarphol: It creates a firewall between APUC and BPUC so that there would not be any intermingling or commingling of funds of jobs. This is to create an entirely separate program.

Rep. Wald: Can you tell what it means by "establish mutual fund capital pools"?

Rep. Berg: The existing language talks about a pool for APUC. The intention in the amendment is to follow the existing language, and make it clear that there would be two separate pools, and those pools would not flow out of one and into the other.

Rep. Wald: These mutual funds are not bought from a securities broker. Isn't that misleading?

Rep. Berg: If you look at the engrossed bill, in the current Century Code, it refers to the APUC may establish a mutual fund capital pool. This amendment uses the same terminology.

Rep. Glassheim: The pool has no money appropriated to it?

Rep. Skarphol: The bill in section 7 has a funding of 250,000 to get it off the ground, and may be amended lower.

Voice vote adopted amendment. Motion passes.

Rep. Carlisle: Moves to further amend on line 21, page 2, to change the amount to \$125,000. Rep. Delzer seconded.

Rep. Glassheim: Commends Rep. Berg for putting this bill forward, and reminds the committee that he has been trying to put money into development all session. This is a surviving vehicle for this. Support the bill and oppose the amendment, they need something to work with. Voice vote adopted the amendment. Motion passes.

Rep. Aarsvold: Has a concern on how the commission is established, and appointed. Are these persons compensated employees, or are they appointed citizens.

Rep. Berg: The intent is not to create a separate commission and board and all else. It really is to allow ED&F to look at one of their existing boards. The appropriate board may be the development fund board. The board is probably a citizens board, compensated per diem.

Chairman Timm: On page 1 of the engrossed bill, line 21 and 22, does that state that?

Rep. Berg: Yes. And section 6 talks about reimbursement. The administration is probably APUC for now.

Rep. Carlisle: Moves DO PASS AS AMENDED. Seconded by Rep. Thoreson.

Page 3

House Appropriations Committee

Bill/Resolution Number HB 1414

Hearing Date February 20, 2001

Vote on Do Pass as Amended: 20 yes, 1 no (Rep. Byerly). Motion passes.

Rep. Carlisle is assigned to carry the bill to the floor.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1414

Page 1, line 14, overstrike "**pool**" and insert immediately thereafter "**pools**"

Page 1, line 16, remove "and the business products utilization commission" and overstrike "a"
and insert immediately thereafter "an agricultural products utilization commission"

Page 1, line 17, after "and" insert ", in conjunction with the business products utilization
commission, may establish a business products utilization commission mutual fund
capital pool"

Page 1, line 18, after the period insert "If the department establishes mutual fund capital pools
under this section, the agricultural products utilization commission mutual fund capital
pool and the business products utilization commission mutual fund capital pool must be
separate and funds of one pool may not be mingled with the other."

Renumber accordingly

Date: 2-20-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1414

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 10589.0201

Action Taken to adopt amendment

Motion Made By Rep. Skarphol Seconded By Rep. Carlisle

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

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Adopted

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1414

Page 1, line 14, overstrike "**pool**" and insert immediately thereafter "**pools**"

Page 1, line 16, remove "and the business products utilization commission" and overstrike "a"
and insert immediately thereafter "an agricultural products utilization commission"

Page 1, line 17, after "and" insert ", in conjunction with the business products utilization
commission, may establish a business products utilization commission mutual fund
capital pool"

Page 1, line 18, after "projects" insert ". If the department establishes mutual fund capital pools
under this section, the agricultural products utilization commission mutual fund capital
pool and the business products utilization commission mutual fund capital pool must be
separate and funds of one pool may not be mingled with the other"

Page 2, line 21, replace "\$250,000" with "\$125,000"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1414 - Department of Economic Development and Finance - House Action

This amendment provides that the Business Products Utilization Commission mutual fund capital pool be maintained separate from the Agricultural Products Utilization Commission mutual fund capital pool.

The appropriation provided for the Business Products Utilization Commission is reduced by \$125,000 from \$250,000 to \$125,000 from the general fund.

Date: 2-20-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1414

House APPROPRIATIONS

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 16589-0202

Action Taken to further adopt amendment

Motion Made By Rep. Carlisle Seconded By Rep. Delzer

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

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

pg 2, line 31, change \$250,000 to \$125,000

adopted

Date: 2-20-01
Roll Call Vote #: 3

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1414

House APPROPRIATIONS

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number

10589.0202

Action Taken

DO PASS AS AMENDED.

Motion Made By

Rep Carlisle

Seconded
By

Rep. Thoreson

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

Total (Yes) 20 No 1

Absent 0

Floor Assignment

Rep. Carlisle

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

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1414

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1414

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 06, 2001.

Tape Number	Side A	Side B	Meter #
1	x		0 to 17.2
	x		42.3 to end
(03/12/01) 2	x		51.6 to end
		x	0 to 0.3
Committee Clerk Signature <i>DeLo & Piny</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on HB 1414 relating to the powers of the business products utilization commission.

Representative Dave Weller, District 30, cosponsor. Distributed "stage definitions" sheet and "Funding programs available to businesses according to their development stage" chart. The early stage financing is where we are now. What we are trying to do is to get BPUC going. I ask you to give this bill your favorable consideration.

Representative Rick Berg, District 45, cosponsor. There are two programs that have been effective: APUC and BPUC. The way APUC works is as a granting process: someone has an idea and needs a little seed money for marketing, to set up business from a legal standpoint, to get a prototype manufactured, etc... There is really a broad range of things that someone could come to APUC for. I am using APUC as an example because it parallels BPUC with a couple of exceptions. This is for the initial seed capital. APUC : request for initial seed capital, Board

decides if they are worthy of money. This is a quick easy way to help, this is where we need to go in economic development. The difference between APUC and BPUC will be that this bill will not create a separate board. The Board on page 2, lines 3 and 4: appropriate place would be within the development fund, whose board would be the granting organization. Page 2, lines 8 and 9 say what the grants would be for. The other important thing is that we have set up a fire wall between this and APUC, page 1 lines 22 and 23 sums it up, no intent to remove funds from APUC but to take something that works in agriculture and apply it to business and commerce. Appropriation is small, the intent is, if commerce bill changes our structure, BPUC would receive grants from the foundation to help more start up businesses. There is nothing in our state economic development, finance or commerce that gives this initial small startup seed capital. Intent is not to create additional bureaucracy.

Senator Mutch: Where is the money coming from?

R Berg: It would be general fund appropriation. If the commerce bill passes, the foundation would raise private sector dollars. The process APUC is using can be modified and adapted to BPUC.

Dean Reese, CEO, ND Development Corp. In favor. There is a need for this type of program, it will be workable within the development fund.

Senator Espegard: How much money is there in APUC and how successful has it been?

Lance Gaebe, Executive Director APUC. In grants less than a million dollars per year. This year we have 70 different grants. Last time we did an economic analysis a million dollar investment returned 260 million through jobs and so forth, that was in 95'.

No opposing testimony. Hearing closed.

Tape 1-A- 42.3 to end.

Page 3

Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1414

Hearing Date March 06, 2001.

Discussion held.

Senator Tollefson: This program is redundant, they are trying to duplicate with state money all efforts that can be, and have been, done with private money.

03/12/01 Tape 2-A-51.6 to end; 2-B-0 to 0.3

Committee reconvened. All members present. Discussion held.

Senator Tollefson: Motion: do pass. **Senator Every:** Second.

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

Date: 3/12/01
Roll Call Vote #: /

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1414

Senate Industry, Business and Labor

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do not pass

Motion Made By Sen Tollefson Seconded By (Sen. Every)
Sen Every

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

Total (Yes) 1 No 0

Absent 0

Floor Assignment Sen. Tollefson

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

REPORT OF STANDING COMMITTEE (410)
March 12, 2001 4:20 p.m.

Module No: SR-42-5413
Carrier: Tolletson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1414, as reengrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1414 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1414

Stage Definitions

EARLY STAGE FINANCING

Seed Financing:

This stage is a relatively small amount of capital provided to an inventor or entrepreneur to prove a concept and to qualify for start-up capital. This may involve product development and market research as well as building a management team and developing a business plan, if the initial steps are successful.

Start-Up Financing:

This stage provides financing to companies completing development and initial marketing. Companies may be in the process of organizing or they may already be in business for one year or less, but have not sold their products commercially. Usually such firms will have made market studies, assembled the key management, developed a business plan, and are ready to do business.

First-Stage Financing

This stage provides financing to companies that have expended their initial capital, often in developing and market testing a prototype, and require funds to initiate full-scale manufacturing and sales.

EXPANSION FINANCING

Second-Stage Financing

This stage is working capital for the initial expansion of a company that is producing and shipping, and has growing accounts receivables and inventories. Although the company has made progress, it may not yet be showing a profit.

Third-Stage Financing

This stage provides major expansion of a company whose sales volume is increasing and that is breaking even or profitable. These funds are used for further plant expansion, marketing, working capital, or development of an improved product.

LATER STAGE FINANCING

Bridge Financing

This stage is needed at times when a company plans to go public within six months to a year. Often bridge financing is structured so that it can be repaid from the proceeds of a public underwriting. It can also involve restructuring of major stockholder positions through secondary transactions. Restructuring is undertaken if there are early investors who want to reduce or liquidate their positions, or if management has changed and the stockholdings of the former management, their relatives and associates are being bought out to relieve a potential oversupply when public.

Open Market

This stage involves acquiring securities of companies whose common shares trade publicly.

ACQUISITION/BUYOUT

Acquisition Financing

This stage provides funds to finance the acquiring of another company. Venture Economics tracks these deals when calculating venture capital disbursements in situations where the funding is by a venture capital firm, but not when it is by a buyout firm.

Management/Leveraged Buyout

These funds enable an operating management group to acquire a product line or business, at any stage of development, from either a public or private company. Often these companies are closely held or family owned. Management/leveraged buyouts usually involve revitalizing an operation, with entrepreneurial management acquiring a significant equity interest. Venture Economics tracks these deals when calculating venture capital disbursements in situations where the funding is by a venture capital firm, but not when it is by a buyout firm.

Funding Programs Available to Businesses According to Their Development Stage* (Also Proposed ND Legislation Creating New Funding Programs – Bill # Listed) January 26, 2001								
Seed Financing	Start-up Financing	First Stage Financing	Second Stage Financing	Third Stage Financing	Bridge Financing	Open Market Financing	Acquisition Financing	MBO/LBO Financing
Angel Investors	CDC 504 Program	ND Dev. Fund (Debt & Equity)	ND Dev. Fund (Debt & Equity)	SBIC-Small Business Investment Center	SBIC	Public Funding	Venture Capital Firm	Venture Capital Firm
APUC(Agriculture Products Utilization Commission)	Micro Loan Program	Regional Councils	Regional Councils	Financial Institutions (BND)	Renaissance Fund		Buyout Firm	Buyout Firm
ND Entrepreneurial Seed Fund (HB1040)	USDA IRP Loan Program	Renaissance Fund	Renaissance Fund	ND Dev. Fund (Debt & Equity)	ND Dev. Fund (Debt & Equity)		ND Dev. Fund (Debt & Equity)	SBIC
BPUC (Bus. Products Util. Comm. HB1414)	Local Dev. Corp. Grant/Loan/Equity (ex: Star Fund, Magic Fund, Growth Fund)	BND-Small Business Loan Program	CDC 504 Program	Regional Councils	Regional Councils		SBIC	
	BND Start-up Entrepreneur Program	BND – Business Dev. Loan Program	USDA IRP Program	Investment Bankers			Regional Councils	
	ND Dev. Fund (Debt & Equity)	Local Development Corporation	Micro Loan Program	Local Dev. Corp.			Renaissance Fund	
	Regional Councils	Micro Loan Program	Local Dev. Corp.	CDC 504 Program			Financial Institutions	