

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2278

2001 SENATE FINANCE AND TAXATION

SB 2278

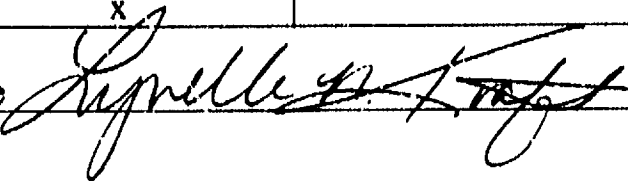
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2278

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 2/5/01

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|-----------|
| 1 | x | | 0-21.3 |
| 2/7/01 - 2 | x | | 12.6-15.8 |
| 2/13/01 - 1 | x | | 31.8-end |
| | | x | 0-31.4 |
| 2 | x | | 33.2-43.6 |
| Committee Clerk Signature  | | | |

Minutes:

Senator Urlacher: Opened the hearing on SB 2278, relating to a credit against financial institutions taxes and corporate, individual, estate, & trust income taxes for employment of recent graduates in targeted jobs.

Senator Deb Mathern: Co-sponsored the bill, testified in support. Industries are struggling to find workers and this bill would help. The bill would provide a credit for employers who hire someone within 9 months of graduation from a higher institution in a targeted job. Addresses several areas of concern: 1. Living wage 2. Keeping young people here 3. Providing jobs in this state.

Senator Tim Mathern: Co-sponsored the bill, testified in support. We need talent to stay in our state & wages to do that.

John Kramer: President of Fargo-Cass County Development Corp., testified in support. Big

companies come into our state and take the graduates. Provides charts and explains them.

Explains the mechanics of the bill.

Senator Kroeplin: If the company pays back the loan for the student, is that a deduction for them or would that be tax free?

John Kramer: I believe the company would have no tax obligation because it's an incentive to hire the person, but the individual would have to claim that as income. They also get a tax deduction for the interest paid off of it as well.

Senator Nichols: What are some examples of what students have been targeted?

John Kramer: Computer Science Technicians, Electrical Engineers, Welders, Machinists, people with financial degrees.

Senator Stenehjem: Is it the intention of this bill to apply to in state students & out of state students that graduated in ND?

John Kramer: Initially we wanted to just grab students in this state. But since a lot of kids go to colleges in the peripheral areas, we wanted the ability to capture those kids as well. As it's written now, I don't believe we can. We'd like to do an amendment.

Senator Stenehjem: I don't see anything in this bill that says the employer has to pass the savings on to the person employed there.

John Kramer: He has to make the payment to the individual. We can work on an amendment to strengthen the language.

Donna Wald: State Tax Dept., testified neutrally. Unsure about how many deductions the employers get-either per employer or per graduate. Wants some clarification on the language.

Will work with John Kramer to draft some amendments.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/7/01. Meter number 12.6-15.8.

Discussion of the bill in relation to other 4021.

Discussion held 2/13/01. Meter number 31.8-end, Side A & 0-31.4, Side B.

John Walstad: Appeared to explain amendment. The amendment is relating to some concerns that the tax department had with the way the bill is laid out. Another significant thing is the financial institutions tax, the credit against the tax is eliminated by these amendments. Goes through each change.

Senator Christmann: What kinds of jobs would this include?

John Kramer: Refers to the handout he gave. We did an employer study with Job Service which forecasted with the employers what their demands for employment would be.

Senator Stenehjem: It's going to help private industry, not government jobs.

Senator Christmann: Is this on the long or short form?

Donnita Wald: Short form.

Senator Kroeplin: Wouldn't offering repayment of loans be more of an incentive?

Senator Stenehjem: There needs to be jobs first.

John Kramer: There are a lot students that don't have that debt. If the kids don't have the debt, they wouldn't get the repayment.

Senator Kroeplin: How many don't have loans?

John Kramer: 70% do have loans.

Senator Stenehjem: What about benefits, social security, etc.?

Donnita Wald: This would apply to gross salary, just what they take home.

Page 4

Senate Finance and Taxation Committee

Bill/Resolution Number 2278

Hearing Date 2/5/01

Motion made by Senator Wardner, Seconded by Senator Nichols, to move amendments. Voice

Vote taken. All present in favor, 1 absent. Amendment adopted.

Senator Wardner: Even without this bill, isn't the supply and demand market forcing wages up?

Senator Christmann: Is this on the long or short form?

John Kramer: Yes.

Discussion on the amendments. Motion was made to add other amendments, but in further discussion it was decided to leave it.

Discussion held later. Meter number 33.2-43.6.

John Walstad: Explained what would happen if they put a cap on it, or put a limit on the number of jobs allowed to get the exemption.

Senator Wardner: Are we creating a monster for the tax department?

Donnita Wald: No, I don't think so.

COMMITTEE ACTION:

Motion made by Senator Christmann for a DO NOT PASS AS AMENDED, Seconded by

Senator Wardner. Vote was 5 yeas, 1 nay, 0 absent and not voting. Bill carrier was Senator

Christmann.

FISCAL NOTE
Requested by Legislative Council
03/19/2001

Bill/Resolution No.:

Amendment to: Engrossed
 SB 2278

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 | | | | | | |
| 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 fiscal impact of Engrossed SB 2278 with House Amendments cannot be determined.

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

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

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

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, 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.*

| | | | |
|---------------|----------------------|----------------|----------------|
| Name: | Kathryn L. Strombeck | Agency: | Tax Department |
| Phone Number: | 328-3402 | Date Prepared: | 03/20/2001 |

FISCAL NOTE
Requested by Legislative Council
01/22/2001

Bill/Resolution No.: SB 2278

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 | | | | | | |
| Expenditures | | | | | | |
| 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.*

SB 2278 creates tax credits for employment of recent graduates in targeted jobs. The fiscal impact cannot be determined.

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

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

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

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, 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.*

| | | | |
|---------------|----------------------|----------------|----------------|
| Name: | Kathryn L. Strombeck | Agency: | Tax Department |
| Phone Number: | 328-3402 | Date Prepared: | 02/02/2001 |

PROPOSED AMENDMENTS TO SENATE BILL NO. 2278

Page 1, line 1, remove "a new subsection to section 57-35.3-05,"

Page 1, line 3, remove "financial institutions taxes and"

Page 1 - Remove lines 7-11

~~Page 1~~, line 15, remove "57-35.3-03," and after "57-38-30.3" insert "for each recent graduate employed by the taxpayer in a targeted job"

Page 1, line 16, after "year" insert ". The credit is available"

Page 1, line 17, replace "employing a" with "the" and replace "graduate" with "graduate's employment"

Page 1, line 20, replace "person who is a" with "resident or"

Page 1, line 21, remove "graduation"

Page 2, line 6, replace "Credits" with "Upon application by an employer, job service North Dakota shall provide the employer with a certificate of the number of targeted jobs of the employer under this section for the taxable year. To claim a credit under this section, a taxpayer shall attach to the taxpayer's return the certificate provided by job service North Dakota under this section. Credits" and remove "chapter"

Page 2, line 7, remove "57-35.3 or"

Renumber accordingly

Date: 7/13/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 8878

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 10503.0101

Action Taken Move proposed amendments (Voice Vote)

Motion Made By Wardner Seconded By Nichols

| Senators | Yes | No | Senators | Yes | No |
|-------------------------------|-----|----|----------|-----|----|
| Senator Urlacher-Chairman | | | | | |
| Senator Wardner-Vice Chairman | | | | | |
| Senator Christmann | | | | | |
| Senator Stenehjem | | | | | |
| Senator Kroeplin | | | | | |
| Senator Nichols | | | | | |
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Total (Yes) 5 No 0

Absent 1

Floor Assignment _____

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

Date: 2/13/01
Roll Call Vote #: 82

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2278

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO NOT PASS AS AMENDED

Motion Made By Christmann Seconded By Wardner

| Senators | Yes | No | Senators | Yes | No |
|-------------------------------|-----|----|----------|-----|----|
| Senator Urlacher-Chairman | ✓ | | | | |
| Senator Wardner-Vice Chairman | ✓ | | | | |
| Senator Christmann | ✓ | | | | |
| Senator Stenehjem | ✓ | | | | |
| Senator Kroepflin | | ✓ | | | |
| Senator Nichols | ✓ | | | | |
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Total (Yes) 5 No 1

Absent 0

Floor Assignment Christmann

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

REPORT OF STANDING COMMITTEE

SB 2278: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2278 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "a new subsection to section 57-35.3-05,"

Page 1, line 2, remove the first comma

Page 1, line 3, remove "financial institutions taxes and"

Page 1, remove lines 7 through 11

Page 1, line 15, remove "57-35.3-03," and after "57-38-30.3" insert "for each recent graduate employed by the taxpayer in a targeted job"

Page 1, line 16, after "year" insert ". The credit is available"

Page 1, line 17, replace "employing a" with "the" and replace "graduate" with "graduate's employment"

Page 1, line 20, replace "person who is a" with "resident or"

Page 1, line 21, remove "graduation"

Page 2, line 6, replace "Credits" with "Upon application by an employer, job service North Dakota shall provide the employer with a certificate of the number of targeted jobs of the employer under this section for the taxable year. To claim a credit under this section, a taxpayer shall attach to the taxpayer's return the certificate provided by job service North Dakota under this section. Credits" and remove "chapter"

Page 2, line 7, remove "57-35.3 or"

Page 2, line 11, replace "2" with "1"

Renumber accordingly

2001 HOUSE FINANCE AND TAXATION

SB 2278

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2278

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 12, 2001

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|---------|
| 1 | | X | 2,775 |
| | | | |
| | | | |
| Committee Clerk Signature <i>Janice Stein</i> | | | |

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing and read the fiscal note.

SEN. DEB MATHERN, DIST. 45, FARGO Introduced the bill for the Cass County Economic Development Corporation Board. This bill will provide a tax credit if you hire a recent graduate in the state of North Dakota, or actually someone from North Dakota who did go to school out side of the state. It would have to be in a permanent job area, the permanent jobs would be identified by job service. It would have to be a decent living wage of thirty five thousand dollars or more per year. For a four year period, twenty five hundred dollars per year, if they have no tax liabilities, there is no credit then.

JOHN KRAMER, FARGO, Testified in support of the bill. See written testimony together with Fargo/Moorhead Market Area Employer Survey: 1999. See attached copies.

REP. DROYDAL Targeted jobs, that would be a moving description, it would change as conditions change?

Page 2

House Finance and Taxation Committee

Bill/Resolution Number sb 2278

Hearing Date MARCH 12, 2001

JOHN KRAMER Yes

REP. DROYDAL I look at this from my particular area, which is a rural, remote area, wages are not that high, and the reason they are not that high, unfortunately, in order to attract a business, we have to have more wages to make up additional costs, I am afraid that \$35,000 may eliminate businesses that may want to relocate to rural North Dakota?

JOHN KRAMER This is a perk for employees, not the employer. The employer has the incentives now to keep that kid in North Dakota. If I can offer your son or my daughter a five thousand dollar bonus for four years to stay in North Dakota, so it is any employer any place in North Dakota. The reason we collect the \$35,000 is in the jobs we are talking about now, are over \$35,000.

REP. DROYDAL The credit is for the employer, the bill as mandated has to be passed out.

JOHN KRAMER It started as a tuition reimbursement, and what we found in surveying a lot of our people, it would be unfair just to do it through tuition. Gave an example of paying for tuition and how it works. We decided to make this a bonus, you will be paid back for your tuition. The tax credit does go to the employer.

REP. KROEBER Where is the five thousand dollars?

JOHN KRAMER The credit is twenty five hundred dollars per year.

DONNITA WALD, ATTORNEY FOR THE STATE TAX DEPARTMENT. Appeared to explain exactly how the bill works. This is a tax credit of twenty five hundred dollars per year for each year that you employ a recent graduate in a targeted job. You may take that credit for, up to four taxable years, for a maximum of ten thousand dollars over the four years. There is no requirement that this twenty five hundred dollars is passed through. There is no carry forward

and no carry back. If you employ five recent graduates in four years, that would be fifty thousand dollars, that is all this bill does.

REP. HERBEL They don't have to give that credit to the employee, they can keep it for themselves?

DONNITA WALD Yes

REP. WINRICH About a month ago, most of us attended a dinner sponsored by the Greater North Dakota Association, and one of the things that the speaker at that dinner emphasized, I think it was one of the top priority things North Dakota should do for economic development, was to diversify our workforce. If we concentrate on recruiting residents and former residents to stay in the state, we are not going to diversify our workforce very much, why is this limited to people who are already here?

JOHN KRAMER answered, this bill would allow you to hire anyone.

REP. DROVDAL Related to Lines 14 and 15 which referred to a non resident

REP. WINRICH I think there is a difference between the diversification of the economy and industry and a diversification of the workforce. The speaker at GNDA was specifically, talking about diversification of the workforce as well as the economy.

JOHN KRAMER I did not hear that speaker, but in the business I have been in, a stable economy is a diversified economy. North Dakota's economy was the worst economy in the nation prior to 1995, because they had all of their eggs in one basket. Since then, with what the legislature has given us, we have diversified the economy away from the ag related economy, there is nothing wrong with ag, but there aren't jobs. We are abnormal in some ways, because eighty percent of our kids go on to college, only twenty percent of the kids in Arkansas go on to

college. If we can diversify our economy, most of our kids are college graduates, that is what you have invested in. Economic development is labor. If we can't keep them now, and train them, we are out of the business.

REP. WINRICH I certainly agree, I think in recent years in particular, our problems have shifted from being one in a lack of diversified industry, to a lack of labor. With that thought in mind, why not give the tax credit to the individual that comes here?

JOHN KRAMER I thought we had solved that with the incentive of a five thousand dollar bonus and a tax credit to the employer.

REP. CARLSON to **DONNITA WALD** This credit comes right off of their tax liability?

DONNITA WALD Yes

REP. CARLSON We have no clawback provision if they stop this after one year, do you think those are essential items to have in the bill?

DONNITA WALD As far as the requirement that the employer somehow passes through to the employee, it is a decision you will have to make. I know that is what Mr. Kramer would like to see. As far as the clawback, it depends on the circumstances, if the employer moves out of North Dakota and takes the employees with him, maybe in that instance. If the employee quits work, the answer is, No.

REP. CARLSON The credit of twenty five hundred is pretty significant, how are we going to get a handle from the fiscal side of it.

DONNITA WALD Maybe through Job Service, they are the ones providing certificates, if you look at page 2, lines 1 through 5, the employer does have to qualify by providing certificates

which have to be attached to the taxpayer's return. Maybe there are some other qualifiers that need to be put in this bill.

REP. CARLSON How do you know how broad this program could be. They could classify two thirds of the jobs in this state, since we are running out of workforce?

DONNITA WALD That is correct.

REP. CARLSON Asked that Rep. Clark and Rep. Kelsh work with John Kramer and Donnita Wald to clarify some of the items such as clawback and passing credit through to the employee. With no further testimony, the hearing was closed.

COMMITTEE ACTION, 3-14-01, TAPE #3, SIDE A, METER #225

REP. CARLSON Reviewed the bill with committee members.

REP. CLARK Explained the amendments prepared by the Tax Department. The amendments allowed a credit of \$2,500. The credit is allowed each year, if the employee is no longer there, it is no longer allowed.

DONNITA WALD, ATTORNEY FOR THE STATE TAX DEPARTMENT, Appeared before the committee to answer any questions they had regarding the amendments.

REP. CLARK Made a motion to adopt the amendments as presented.

REP. KELSH Second the motion. **MOTION CARRIED BY VOICE VOTE.**

REP. RENNERFELDT Made a motion for a **DO NOT PASS AS AMENDED.**

REP. BRANDENBURG Second the motion. **MOTION CARRIED**

10 YES

3 NO

2 ABSENT

REP. LLOYD Was given the floor assignment.

Date: 3-14-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2278

House FINANCE & TAXATION

Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number 10503.0201

Action Taken

Do Not Pass as amended

Motion Made By

Rep. Rennerfeldt

Seconded By

Rep. Brandenburg

| Representatives | Yes | No | Representatives | Yes | No |
|-------------------------|-----|----|-------------------|-----|----|
| CARLSON, AL, CHAIRMAN | ✓ | | NICHOLAS, EUGENE | ✓ | |
| DROVDAL, DAVID, V-CHAIR | ✓ | | RENNER, DENNIS | ✓ | |
| BRANDENBURG, MICHAEL | ✓ | | RENNERFELDT, EARL | ✓ | |
| CLARK, BYRON | | ✓ | SCHMIDT, ARLO | ✓ | |
| GROSZ, MICHAEL | ✓ | | WIKENHEISER, RAY | ✓ | |
| HERBEL, GIL | ✓ | | WINRICH, LONNY | ✓ | |
| KELSH, SCOT | | ✓ | | | |
| KROEBER, JOE | | ✓ | | | |
| LLOYD, EDWARD | ✓ | | | | |
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Total (Yes)

10

No

3

Absent

2

Floor Assignment

Rep. Lloyd

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

REPORT OF STANDING COMMITTEE

SB 2278, as engrossed: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (10 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2278 was placed on the Sixth order on the calendar.

Page 1, line 3, replace "employment of" with "the payment of a retention bonus to"

Page 1, line 9, after "for" insert "the payment of a retention bonus during the taxable year to"

Page 1, line 10, replace "in the amount of" with ". The credit is equal to fifty percent of the retention bonus paid to each recent graduate during the taxable year and may not exceed"

Page 1, after line 16, insert:

- "2. "Retention bonus" means an amount paid by the taxpayer for the purpose of keeping and retaining the employee in the targeted job for a minimum of twelve months from the date of payment, and is not to be considered part of the salary to be paid to the employee under subsection 3."

Page 1, line 17, replace "2" with "3"

Page 1, after line 24, insert:

- "4. A partnership, limited partnership, subchapter S corporation, limited liability company or any other passthrough entity that employs a recent graduate in a targeted job must be considered to be the taxpayer for purposes of the credit limitations in this section. The amount of the credit allowed with respect to the entity's payment of a retention bonus must be determined at the passthrough entity level. The amount of the total credit determined at the passthrough entity level must be allowed to the partners or shareholders in proportion to their respective interests in the passthrough entity.
5. If a recent graduate is not employed for the full twelve months following the date the retention bonus was paid, the credit is disallowed for the taxable year in which the credit was claimed by the taxpayer. If this subsection applies, the taxpayer must file an amended return within ninety days after the date the recent graduate's employment ends to report the disallowed credit and pay the resulting tax due. Notwithstanding the time periods for assessment in section 57-38-38, if a taxpayer fails to file the amended return and pay the tax due, the tax commissioner may assess the tax due resulting from the credit disallowance."

Renumber accordingly

2001 TESTIMONY

SB 2278

SENATE BILL 2278 (with February 12, 2001 proposed amendments)

A BILL for an Act to create and enact a new subsection to section 57-35.3-05, a new section to chapter 57-38, and a new subsection to section 57-38-30.3 of the North Dakota Century Code, relating to a credit against ~~financial institutions taxes and~~ corporate, individual, estate, and trust income taxes for employment of recent graduates in targeted jobs.

...

SECTION 1. Should be removed.

SECTION 2.

Employers of recent graduates tax credit. A taxpayer is entitled to a credit against tax liability as determined under sections ~~57-35.3-03~~, 57-38-29, 57-38-30, or 57-38-30.3 for each recent graduate employed by the taxpayer in a targeted job in the amount of two thousand five hundred dollars per year. The credit is available for each of the first four full taxable years of ~~employing the recent graduate~~ graduate's employment in a targeted job. For purposes of this section:

1. "Recent graduate" means a person initially employed in a targeted job by the taxpayer within nine months of the person's graduation from an institution of higher education in this state or, for a ~~person who is a~~ resident or former resident of this state, graduation from an institution of higher education outside this state.

Delete 2. "Targeted job" means a job with a wage paid by the employer of thirty-five thousand dollars or more per year which is in an occupation designated by job service North Dakota as a labor shortage occupation for the taxable year the person is employed. Job service North Dakota shall conduct studies on an annual basis incorporating information gathered from employers, local development corporations and economic development organizations, and other resources to determine current and projected labor shortages in the primary sector for occupations that could qualify for the credit under this section.

Credits Upon application by an employer, job service North Dakota shall provide the employer with a certificate of the number of targeted jobs of the employer under this

section for the taxable year. To claim a credit under this section, a taxpayer shall attach to the taxpayer's return the certificate provided by job service North Dakota under this section. Credits allowed under this section may not exceed the taxpayers tax liability under ~~chapter 57-35.3~~ this chapter.

SECTION 3. Short form provisions.

Fargo-Moorhead Market Area Employer Survey: 1999

North Dakota State Data Center
Department of Agriculture Economics
North Dakota State University
IACC 424
Fargo, North Dakota 58105-5636

Executive Summary

Introduction

- ☐ The purpose of this project was to provide information regarding employers' attitudes and perceptions of labor issues concerning the growth and development of the Fargo-Moorhead metropolitan area.

Survey Results

- ☐ Nearly 29 percent of respondents indicated their organization has more than 75 full-time employees on their work force.
- ☐ More than one-fourth of respondents said their employees commute more than 30 miles to work.
- ☐ Respondents rated the overall quality of their organizations' employees above average.
- ☐ Respondents rated professional staff highest in creative thinking, problem solving, and decision making skills. Entry level staff were ranked highest in computing, problem solving and creative thinking.
- ☐ Respondents indicated integrity/honesty was the highest value among both the professional and entry level staff.
- ☐ Respondents rated professional staff lowest in relationship building and entry level employees lowest in self-management.
- ☐ Approximately 37 percent of organizations experienced more than a 10 percent employee turnover in the past year. Nearly 14 percent experienced no employee turnover.
- ☐ The majority of respondents indicated the most important reasons for high employee turnover were the changing skills of workers and wage/salary.
- ☐ More than 51 percent of respondents said there are few qualified candidates with the appropriate amount of experience to fill a job opening.
- ☐ The most important reason why employers are experiencing trouble finding qualified employees is because of the technical skills of the applicants.
- ☐ Respondents indicated that work experience in the technical/professional and information technology fields was more essential than in the clerical and production fields.
- ☐ More than one-third of respondents said their organizations' labor demands were changing.
- ☐ More than 43 percent of respondents indicated that more than half of their staff received some form of formal skills training that was either recommended or required by their

organization.

- ☐ Nearly 81 percent of respondents said their organization does not have a cooperative training arrangement with local colleges and universities.
- ☐ Of those employers whose organization does not have a cooperative arrangement, 55.4 percent indicated some interest in exploring such an arrangement.

Employer Survey – Briefing Points

1. Commuting:

- more than 1/2 of employees come from 20 miles out
- more than 1/4 of employees come from 30 miles out

2. Turnover:

- more than 1/3 of companies have more than 10% turnover
- Why: major reason is changing skill level of workers followed by wages

3. New Hires:

- 51% of employers felt there were few qualified applicants with appropriate experience
 - another 18% said there were very few applicants overall
- Why: technical skills of applicants 55% followed wages 33%

4. Future Labor Needs:

- to maintain current growth..need to grow labor force by 11,000 to 13,000 in next five years and 12,000 – 15,000 in next 10 years
- expected hires based on employers survey...nearly 10,000 in next 3 years and 13,000 in next 5 years

5. Educational Requirements:

- 30% of new hires minimum requirement will be certification
- 25% of new hires minimum requirement will be technical degree

Training:

- 82% of employers see training as important in next 5 years
- 19% of companies have cooperative training arrangements with colleges
- of those without cooperative arrangement, 55% want to...

Note: Data based on 38 percent of businesses from initial list of major companies. Thus, we can estimate the total new hires by applying the rates noted below to the total base of companies.

Sample for 0 to 3 years

Statistics

| | | Managerial in 0-3 years | Technical in 0-3 years | Operators/ assembly in 0-3 years | Clerical in 0-3 years | Service in 0-3 years | Information Technology in 0-3 years | Profession al in 0-3 years | Other in 0- 3 years |
|----------------------------|---------|-------------------------------|------------------------------|---|--------------------------|-------------------------|--|----------------------------------|------------------------|
| N | Valid | 79 | 76 | 63 | 78 | 57 | 58 | 63 | 20 |
| | Missing | 44 | 47 | 60 | 45 | 66 | 65 | 60 | 103 |
| Mean | | 1.91 | 4.36 | 17.92 | 4.67 | 19.47 | 3.72 | 3.22 | 14.60 |
| Sum | | 161 | 333 | 1129 | 364 | 1110 | 216 | 203 | 292 |
| estimate for all companies | | 397 | 876 | 2971 | 959 | 2921 | 568 | 534 | 768 |

Total for sample companies: N= 3,798

Total for total base of companies N=9,993

Sample for 4 to 5 years

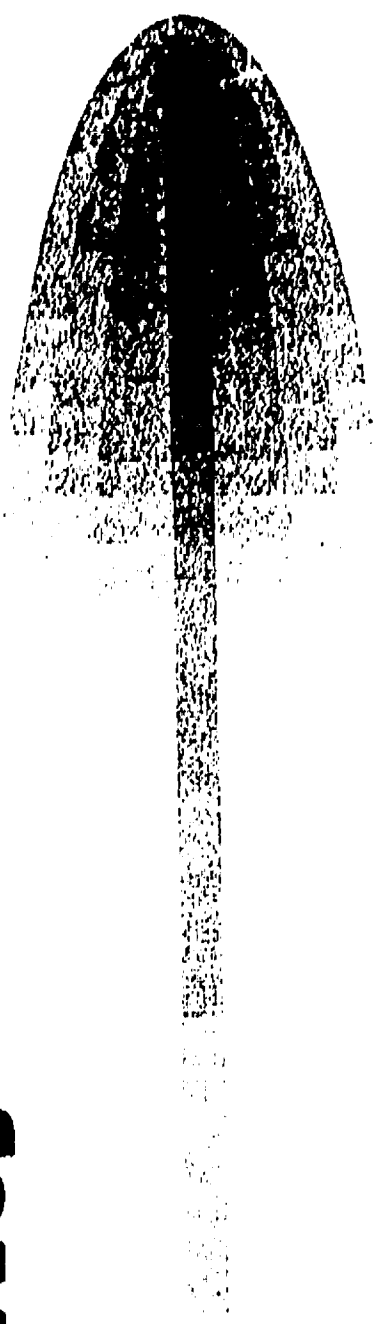
Statistics

| | | Managerial in 4-5 years | Technical in 4-5 years | Operators/ assembly in 4-5 years | Clerical in 4-5 years | Service in 4-5 years | Information Technology in 4-5 years | Profession al in 4-5 years | Other in 4- 5 years |
|----------------------------|---------|-------------------------------|------------------------------|---|--------------------------|-------------------------|--|----------------------------------|------------------------|
| N | Valid | 65 | 62 | 40 | 60 | 48 | 52 | 53 | 16 |
| | Missing | 58 | 61 | 74 | 63 | 77 | 71 | 70 | 107 |
| Mean | | 2.78 | 7.82 | 33.67 | 8.27 | 28.04 | 4.77 | 6.11 | 17.81 |
| Sum | | 181 | 485 | 1650 | 496 | 1290 | 248 | 324 | 285 |
| estimate for all companies | | 476 | 1276 | 4342 | 1305 | 3395 | 653 | 853 | 750 |

Total for sample companies: N= 4,959

Total for total base of companies N=13,050

Employer Survey



Estimated total new hires for all companies in 4-5 years

| Managerial | Technical | Operators/ Assembly | Clerical | Service | Information Technology | Professional | Other |
|------------|-----------|------------------------|----------|---------|---------------------------|--------------|-------|
| 476 | 1276 | 4342 | 1305 | 3395 | 653 | 853 | 750 |

Total for sample companies: N=4,959

Total for total base of companies N=13,050

February 2, 2001

Mr. John Kramer, President
Fargo-Cass County Economic Development Corporation
51 Broadway, Suite 500
Fargo, ND 58102

Dear John:

This letter is a follow-up to our recent conversations. Attached is a table summarizing analyses I've done of the economic impact of new employees at different salary levels. The interpretation of the table is that 100 new employees with an annual wage/salary level of \$35,000 would generate annual retail sales of \$2.6 million, additional personal income of \$5.4 million, 102 secondary jobs, and \$120,700 in sales and use tax revenue plus \$70,600 in state income tax revenue. Alternatively stated, one employee at a salary level of \$35,000 generates 1.02 secondary jobs, \$1,207 in annual sales tax revenue and \$706 in state income tax revenue. If our employee were paid \$50,000, their impact (including multiplier effects) would generate about 1.5 (1.48) secondary jobs, \$1,724 in sales tax revenue, and \$1,009 in state income tax revenue.

I hope these estimates are useful to you. Should you have any questions, please don't hesitate to call me.

Sincerely,



F. Larry Leistritz
Professor

Tuition Reimbursement Analysis

Economic Impact of Adding/Retaining 100 Employees with various levels of Annual Income (\$25,000 to \$50,000)

| Salary (\$ 000) | 25 | 30 | 35 | 40 | 45 | 50 |
|--------------------------------------|-------|-------|--------|--------|--------|--------|
| Retail Sales (\$ 000) | 1,862 | 2,234 | 2,606 | 2,979 | 3,351 | 3,724 |
| Personal Income (\$ 000) | 3,881 | 4,657 | 5,433 | 6,210 | 6,986 | 7,762 |
| Total Gross Business Volume (\$ 000) | 7,696 | 9,235 | 10,774 | 12,313 | 13,852 | 15,392 |
| Secondary Employment (jobs) | 71 | 85 | 102 | 117 | 132 | 148 |
| State Tax Revenues: (\$000) | | | | | | |
| Sales & Use | 86.2 | 103.4 | 120.7 | 137.9 | 155.2 | 172.4 |
| Personal Income | 50.5 | 60.5 | 70.6 | 80.7 | 90.8 | 100.9 |

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John Kiser

FACT SHEET

Senate Bill 2278 (Tuition Reimbursement)

Explanation: This bill would give small and mid-sized companies the advantages of larger sized companies. It provides tax credits to primary sector companies in their attempt to recruit college graduates from North Dakota. It is an incentive tool to compete with major national and international companies. This tool would give our companies the ability to offer the incentive of tuition reimbursement to graduates.

- This program is focused on Job Service developing a labor shortage survey of college graduates based on skill levels that are required by the primary sector employers.
- For every primary sector person we keep, somewhere in the region, two other jobs are created. The income taxes and sales taxes received from the initial college graduate plus two others would come close to offsetting the tax credit and keep our most valuable resources in the state. The state has already invested \$20,000 per student, why lose that investment.
- Large national companies who come into North Dakota are currently using tuition reimbursement payments as the incentive to recruit our students. We would simply be giving our small and medium sized companies the ability to compete.
- This is a focused, fiscally responsible necessary bill for the future growth of our primary sector in North Dakota. We have to keep certain college students who are in high demand here in the state.
- If primary sector companies are unable to grow because they do not have enough of our quality people, they will look elsewhere to meet their needs.