MICROFILM DIVIDER

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

ROLL NUMBER

DESCRIPTION

1019

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2003 HOUSE APPROPRIATIONS

HB 1019

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date January 13, 2003

Tape Number	Side A	Side B	Meter #
1	xx	xx	
2	xx	xx	
3	xx	xx	
Committee Clerk Signature	Kelly L Schmidt		

Minutes:

Chairman Carlisle called the committee to order at 8:30 am. Roll was taken, all committee members were present: Rep. Skarphol, Rep. Thoreson, Rep. Koppelman, Rep. Glassheim, Rep. Kroeber, Rep. Warner, Rep. Timm, and Vice-Chair Carlson.

Lee Peterson, Commissioner of Commerce shared his departments outlook on the next biennium, his written testimony is enclosed..

Chairman Carlisle made reference to a letter which was sent by House Majority Leader Rick Berg and Senate Majority Leader Bob Stenehjem. The letter asked for 1) Purpose of Agency 2) Measure of Achievement 3) What the Legislature can do to help the department achieve there goal. 4) How can these acheivements be clearly communicated to the people of ND.

Lee Peterson responded his department just recently received the letter and will be sending their response by mid-week.

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Linda Butts, Director of Economic Development, Dept. Of Commerce shared the enclosed written testimony. A video was also presented which will be provided by the department.

Mike Hohl, President of DMI Industries in West Fargo, ND provided written testimony in favor of HB 1019 and the support his company has received from the Department of Commerce.

Rep. Koppelman asked what kind of balance can be found to help existing businesses and not just the new businesses coming into the state?

Mike Hohl, responded with reference to the MEP program, he couldn't identify a formula, but agreeded a balance is needed.

Rep. Koppelman asked what roll MEP plays.

Mike Hohl responded the MEP program is partners with the training process.

Rep. Warner asked what the state can do in the advance training of the manufacturing sector.

Mike Hohl responded there has to be a stabilized market. The legislature was helpful 2 years ago to move this market along, however, a business will not relocate until a stable market is established because millions of dollars are necessary to relocate.

Rep. Timm asked if Mr. Hohl would have gotten into this business without the assistance of the state.

Mike Hohl responded we would not have gotten to this level without the assistance of the MEP program. The value of the training and the experience they brought was invaluable.

Rep. Glassheim asked if his company financing was received from the state.

Mike Hohl responded, It did not

Chairman Carlisle asked Mr. Hohl what incentives keep his company in North Dakota?

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Mike Hohl responded the work force is critical. A factory can be built anywhere, but getting the right employees is critical to a business.

Rep. Skarphol asked if his company has looked into relocating out of the state and if so what would be the reason.

Mike Hohl responded his only incentive to relocate would be the high cost of shipping and the proximity to his customer base. Minnesota has approached his company.

Linda Butts continued her written testimony

Gary Saturn, Economic Development Director for Rugby, ND shared his written testimony and a video in support of HB 1019.

Linda Butts continued her testimony see page B-4

Keith Olson, CEO of Bushel 42, Crosby, ND shared his testimony in support of the efforts of the Dept. Of Commerce.

Brian Walters, President of the Fargo-Cass County Economic Dev. Corp. Submitted his written testimony in support of the efforts of the Dept. Of Commerce.

Linda Butts continued her testimony see page B-5

John Philips, Director of the Beulah Jobs Development Authority testified on behalf of HB 1019 and the efforts of the Dept. Of Commerce.

Linda Butts continued her testimony see page B-7

Paul Govig, Director, Division of Community Services shared his written testimony on behave of the efforts of the Dept. Of Commerce.

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Chairman Carlisle announced a public hearing that would be held 1-13-03 on the community services block grant moneys. These grants are anticipated by the Dept. Of Commerce during the period 10-1-03 and ending 9-30-05.

Don Longmuir, Souris Basin Planning Council in Minot, ND shared written testimony on the community block grant program.

Perry Lundon, North Dakota Community Action Association shared written testimony regarding the 7 Community agencies and their roll in delivering the HOME program.

Kim Christianson, Energy Program Manager shared his written testimony regarding the Energy programs in the state. (Pg. C-2/C-3)

Chairman Carlisle asked what amount of the state's ethanol marketing will come from the Dept. Of Commerce budget.

OMB The Smart Growth Initiative will pull $500,000 from special funds a result of the oil overcharge money and the Federal Court settlement of those over charges.

Rep. Carlson asked to see the total amount of what was spent on ethanol including any settlement funds from Oil/Gas

Legislative Council advised the committee that marketing money was not coming from the budget of the Dept. Of Commerce.

Rep. Timm asked if there was any program duplication with the Human Services programs

Paul Govig responded he wasn't aware of a duplication

Perry Lundon responded there has been an increase in the number of working poor seeking services. These individuals do not qualify for the Human Service Programs therefore these programs fill in the gaps.

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Senator Thomas Trenbeath, testified on behalf of HB 1019 and the efforts by the Dept. Of Commerce. In the Cavalier,. ND area and they were challenged to maintain MotorCoach Industries, a bus manufacture. (See Remi-model, written testimony)

Rep. Carlson asked what programs were used for distribution in the Motorcoach project. What was the states exposure and/or security of the 8 - 10 million in accounts receiveable.

Senator Thomas Trenbeath responded that $500,000 was received in Federal training, $500,000 in an EDA/loan and a $600,000 local grant. Additional funds were made available from the Bank of North Dakota.

Rich Gray, Manager Renaissance Zone Program, shared testimony in support of HB 1019, see written testimony page C-5

Rep. Glassheim requested a breakdown of what the renaissance zone program costs the state.

Rich Gray, responded 5.1 million as seen on page C-5 of testimony.

Chairman Carlisle asked if anyone was present for the public hearing on the community service block grant.....there was no response.

Sara Otte Coleman, New Director of the Division of Tourism presented testimony in favor of HB 1019. She highlighted the up coming legendary campaign and the Lewis and Clark activities. See page E-1 of written testimony.

Randy Hatzenbuhler, Exec. Director of the Theodore Roosevelt Medora Foundation shared testimony in support of the Dept of Tourism's efforts.

Diane Oster, owner, Missouri River Lodge, Statnton, ND written testimony was distributed on her behalf in support of HB1019.

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Bryan Schulz, Fargo-Moorhead CVB shared testimony on behalf of HB 1019, see page E-5 of the written testimony.

Kyle Blanchfield, owner, Woodland Resort, Devils Lake, ND shared testimony on behalf of HB 1019, see written testimony.

Rep. Glassheim asked what type of wage his company pays?

Kyle Blanchfield, responded the majority of his employees start above $8.00, the usual start is $9.00 per hour, with his cooks are making $14.00 per hour.

Rep. Carlson asked what percentage of his visitors are resident and non resident.

Kyle Blanchfield, 80% non resident and 20% resident

John Staley, Board President of the Grand Forks, ND CVB shared testimony in support of HB 1019. See written testimony.

Rep. Carlson asked what the emphasis is within the state?

Sara Otte Coleman responded that partnership with other entities and the running of ads target those folks within the state. For example, the Co-op programs: Money is given to partners for marketing expenses.

Rep. Carlson requested cost and processing expenses for advertising information in detail.

Jim Hirsch, Director Workforce Development Division shared written testimony in support of bill HB 1019. See pg. D1-D12 of the written testimony.

Rep. Glassheim asked what professions are offered in the student loan repayment program.

Jim Hirsch responded the health care profession.

Rep. Carlson asked how many places through out state government would I find work development programs in the budget....are these efforts coordinated?

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Jim Hirsch responded 6 agencies have cooperative efforts and leverage funds to maximize programs.

Chairman Carlson commented that an enormous investment is being made in Higher Education and then an added investment is made for additional training. The same areas of shortages seem to be continuing.

Jim Hirsch responded the dialogue and awareness from the state school chancellor and his agency are working to address the areas of concern.

Rep. Glassheim asked if the lack of hiring comes from the lack of income being offered.

Rep. Carlson also asked if the main focus is to move up the under employed.

Jim Hirsch responded the need is to 1) Grow a workforce 2) retain our youth and 3) recruit people from out of state.

Jonathan Gelfman, ND Design Center, also an employee of UND, provided written testimony asking for appropriations of $563,000 to begin an data retrieving system. He was also accompanied by **Darryl Sale of UND** the committee referred them to Linda Butt of the Dept. Of Commerce for funding options.

Tracy Potter, Executive Director, Fort Lincoln Foundation spoke as a partner with the Dept. Of Tourism and the Dept. Of Commerce in support of HB 1019. He shared currently 3 million is in the budget shared through 4 various agencies.

Chairman Carlisle asked Mr. Potter to explain the upcoming signature events?

Tracy Potter shared with the committee events will be taking place 200 years from the date of the actual happenings in the circle of the Lewis & Clark story. The Lewis and Clark interest will be in the National media's attention.

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Chuck Fleming, citizen shared with the committee that a bill was passed in 1991 using University record tabulations similar to the discussion of ND Design. The program no longer exists.

Lee Peterson, Commissioner of the Dept. Of Commerce. Shared a brief conclusion found in his written testimony.

Rep. Wald, shared with the committee he has drafted and pre-filed a bill for $10,000 for the Maah Te Hay Rescue fund. This fund will be used to refund Fire and Emergency volunteers for the expenses they incur while taking part in rescues along the trail.

****Summaries were requested in writing by various committee members and will be provided to the committee.

Rep. Carlson asked what the wish list would be for the Dept. Of Commerce

Lee Peterson responded more money for marketing efforts, in which the department consistently wins, also a change in the corporate tax rate. He will provide the results of a tax study next week.

Rep. Glassheim asked for an accountability breakdown, and a spread sheet for dollars spent and jobs being created.

Lee Peterson responded his department will provide the annual report for loan funding p. 105 of the Strategic Plan which is currently using the Dept. Of Labors numbers.

Hearing no additional questions, **Chairman Carlisle** closed the hearing on HB 1019

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date January 22, 2003

Tape Number	Side A	Side B	Meter #
3		xx	
Committee Clerk Signature	Kelly Schmidt		

Minutes: **COMMITTEE WORK**

Lee Peterson, Commissioner, Dept. Of Commerce supplied written responses to the previously asked questions. Discussion was shared regarding the confidentiality issues to dollars being used within projects and the businesses and financing issues involved.

It was noted Rep. Carlson has introduced HB 1497 regarding Accountability.

Lee Peterson shared the benchmarks in his strategic plans show their accountability. The biggest budget change is this department has not asked for dollars from the ND Development Fund. His department has presented the leanest budget possible. The ND Development Fund has no tie to the Bank of North Dakota. His department distributes the funds by Board of Directors appointed by the Governor. They provide equity positions and lower interest rates. They work in conjunction with all entities, SBA, Banks and all players. This fund is cash growing on its own.

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Seed Capital Fund, will take 1M from the Venture Capital Fund to seed capital. We need the legislature on board with this to help fill the gap. The Development Fund has taken a loss in the 15%-20% range.

Linda Butts, Director of Economic Dev. & Finance. since 1997, this fund has written off 600,000 and issue 700M in loans.

Lee Peterson since inception the Development Fund has had 56 start ups with the department, 55 funded expansions and 8 state recruitment's. 7086 jobs have been created, this fund gets more bang for it's buck because we take the risk. It is a "inside" ND fund. There is 6M in the fund he was unaware of what is committed, the fund receives $150,000 monthly income, generated by 40M in loans. The state of the state addressed 2 new initiatives 1) Seed Capital Fund and 2) 10M Venture Fund.-New Markets. The changes and initiatives for this budget include: 1) Economic Development & Finance are increasing manufacture partnership. 2) No new programs, resources have been shifted to accomplish needs out of the Development Fund. 3) The New Economy Initiative, $200,000 from the Directors Fund. This fund is paid at the discretion of the Director. This is an ongoing appropriation.

Paul Govin, Director of Community Services, changes include a small increase in General Fund money to access federal funds by match., 1 FTE no fiscal impact to the General Fund.

Sara Otte Coleman, Director of Tourism, no changes are planned for the new biennium, research has been received and we will shift additional funds to paid media. The Lewis & Clark initiative will also be receiving funding from the Historical Society budget and the Parks & Recs.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date January 27, 2003

Tape Number	Side A	Side B	Meter #
1	xx	xx	
Committee Clerk Signature	Kelly J Schmidt.		

Minutes **COMMITTEE WORK**

Lee Peterson, Commissioner, Dept. Of Commerce provided written response to questions previously asked in committee, **(see written testimony)**

Linda Butts, Director of Economic Development and Finance, our lined the programs of this Division.

1. Manufacturing Extension and Partnership
2. Center for Women and Technology
3. Small Business Development Centers- this program is under construction, and has recently hired a new director.
4. Research (marketing research)
5. Marketing Partners, local marketing partners customizing their marketing to meet the needs of their community.
6. Marketing Plan - external to the state. This program markets the state of North

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Dakota throughout the nation/world.

7. Business Developers

8. Development Fund

9. APUC, Agricultural Products Utilization Comm.

Sara Otte Coleman, Director of Tourism shared written response to the Odney account. Odney's monthly retainer is $22,000. This includes fees for design work, production Coordination, place advertising and public relations. The billable amount would account to more That $22,000. The blinded hours would be more than $22,000. 8 original bids were received This was narrowed to 3 and those were interviewed by an independent corporation. Discussion was held regarding SB2222, which carries the current Ethanol incentive program This incentive would be 3, 875, 000 in subsidies for a plants built after 7/31/03. The goal is to Bring new plants into the state. Companies are interested in coming to ND, however they are Waiting for the incentive program to be estabilished. Current plants have been receiving incentives for the last 14 years which isn't the norm nationally, they are usually capped.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date February 14, 2003

Tape Number	Side A	Side B	Meter #
1	xx	xx	

Committee Clerk Signature Kelly E Schmidt

Minutes: **Committee Work**

Rep. Carlson reviewed the Dept. Of Commerce budget, and the Executive Budget highlights (see green sheet in written testimony) He reviewed the basic elements of the budget as shown in the Dept. Of Commerce testimony dated, 1/30/03. An overview of amendment 38019.0106 Was presented to the committee.

Workforce Development Division, the amendment puts the coordination of this division under the Dept. Of Commerce, (see written testimony). This program is currently scattered because of all the federal money feeding the programs. Some FTE's will be removed along the way of the process, these may be transferred to Job Service and/or other departments, thus less administration and more into the training programs.

Rep. Kroeber voiced concern of the State Board of Vocational and Technical Ed. Workforce training being moved, he felt this unit is completely different, and will be effected differently.

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Rep. Carlson Moneys will be flowed back to them for continued funding.

Rep. Glassheim Do the Feds have a preference on the flow of these funds.

Rep. Carlson We have done the check and we can do this.

Rep. Glasssheim I get concerned when purposes get melded together, do we lose the purpose of the funds?

Rep. Carlson we are addressing our issues of underemployment as noted in the commerce testimony. Section 9, was originally funded from general funds, this will now be self funding. Section 11, Tex Hall contacted Rep. Berg with a 140M contract available through government program, the reservation had not skills available to qualify for the program. This section would push the Dept. Of Commerce to be partnering with the tribes. An agreement can be sign with a private industry, and the money can become available to the project.

Rep. Carlisle this could be an excellent funding vehicle.

Rep. Warner voiced concern, that there needs to be a tracking system put into place for the Dept. Of Commerce's performance.

Rep. Carlson felt the accountability performance bill submitted will do that. Section 12, new $100,000 will be added to the tourism for the Lewis & Clark Center in Washburn. Section 14, Seed capital investment tax credit. This will increase the gap, so you will receive 45% back in state tax over three years if your investment is lost. This budget has a 2.2M total funding change.

Rep. Carlson moved a do pass on amendment 38019.0106, seconded by Rep. Skarphol

motion carried 6 yeah, 3 nay (Reps. Glassheim, Warner, Kroeber)

Rep. Kroeber asked if the workforce out where would we be.

Allan, Legislative Council 1.8 M reduced general fund impact reduction

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Deanna Kellsch 10/30/03
Operator's Signature Date

$ 1M reduction in workforce 2000; $399,000 reduction in development fund administrative costs; $200,000 reduction in the New Economy Initiative; $200,000 reduction in tourism marketing; and $200,000 ED & F core programs. Section 7 transfers money from the student loan trust fund for the internship program.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date February 17, 2003

Tape Number	Side A	Side B	Meter #
1	xx		
Committee Clerk Signature	Kelly Schmidt		

Minutes: **Committee Work**

Rep. Carlisle called the meeting to order, roll was taken all Rep. Were present. The committee was reminded Amendment .0106 was previously approved on HB 1019.

A motion was made by Rep. Koppelman, second by Rep. Glassheim to approved amendment 38019.0108, the amendment passed by a unanimous vote.

Rep. Warner motioned to a do pass on amendment .0107 to replace .0106. , second by Rep. Kroeber, discussion:

Legislative Council explained amendment .0107 would be the same as .0106 except for the combining of workforce and development, it would also put back the 200,000 in to the tourism budget.

OMB shared the outline of the amendment.

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Rep. Warner was concerned with contracting the program and the facilitating of the programs if moved to the Dept. Of Commerce.

Rep. Carlson Indicated he would like to see more money into the training programs and less into the administrative column. Less than half of the dollars got to the people in training. Job Service and Human Services have been checked regarding authority to transfer.. 13M of these funds were in salaries and wages and 7M was in the program. We are just centralizing, no one is saying the money won't flow through the agencies. We are working on a coordinated effort.

Rep. Glassheim shared concern that the programs are aimed at different people and agencies. Human Services are in control, they aren't just the pass through. I'm not sure your getting what you are needing, we maybe adding another breed of beaurocracy.

OMB Voc Ed money receives a portion. HB 1003 amendments coordinate with HB 1019.

Rep. Warner VoHab money is more educational. Commerce is more business, are we disconnecting?

Rep. Kroeber What duties of TANIF are going to be relieved? I'm not convinced we won't lose federal dollars.

Rep. Carlson we don't know the FTE's effected because we haven't had the Human Services budget.

Rep. Skarphol We aren't changing the delivery of services, we are addressing what's more important. Less administration, more money for training.

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Rep. Kroeber In Commerce going to be aware of the needs? We can't take TANIF money to train computer people.

Rep. Carlson We won't change that, (see written testimony from the Dept of Commerce)

A ROLL CALL VOTE WAS TAKEN ON AMENDMENT .0107, MOTION FAILS WITH 3 YEAHS, (KROEBER, WARNER, GLASSHEIM) 6 YEAHS.

A MOTION WAS MADE BY REP. GLASSHEIM, SECOND BY REP. KROEBER TO PASS ON AMENDMENT, GLASSHEIM #1, (this amendment was not submitted in written LC form, please see typed written note describing the proposed amendments Glassheim 1, 2, 3, 4,)

Rep. Glassheim presented Glassheim #1, it is relative to tourism, a learning vacation, a packaged vacation to tie schools, tourism on the Internet. Profit goes to those involved, government is the Internet road.

Rep. Kroeber shared this would be similar to vacations being sold in Wahalla, ND with the fossil dig idea.

Rep. Glassheim in response to a question from Rep. Carlson, indicated the $150,000 would allow for 1 person for 2 years and the equipment to proceed with the idea.

MOTION CARRIES ON A ROLL CALL VOTE OF 5 YEAH(THORESON, TIMM, GLASSHEIM, KROEBER, WARNER) 4 NAY (CARLISLE, CARLSON, SKARPHOL AND KOPPELMAN)

REP. GLASSHEIM MOTION A DO PASS ON AMENDMENT GLASSHEIM #2,

SECOND BY REP. KROEBER.

Rep. Glassheim presented Glassheim #2, a vehicle to put money into North Dakota projects.

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Rep. Carlson This would be similar to the Seed Capitol Program as shown in the testimony from the Department of Commerce.

Rep. Timm noted he could support this idea if the dollar amount was removed.

Rep. Carlisle asked if Rep. Glassheim would be willing to remove he money involved.

Legislative Council shared with the"shall" it would no longer he legislative intent, this wouldn't be in stated it would be in the section of laws.

Rep. Carlson This is seed capital,, with nonresidents this gets complicated.

ROLL CALL VOTE TAKEN, MOTION FAILS, 5 NAYS, (CARLISLE, CARLSON, KOPPELMAN, SKARPHOL, THORESON) 4 YEAHS, (TIMM, GLASSHEIM, KROEBER, AND WARNER)

A DO PASS MOTION WAS MADE BY REP. GLASSHEIM ON AMENDMENT, GLASSHEIM #3, SECOND BY REP. KROEBER.

Rep. Glassheim presented Glassheim #3, it would direct to work relating to increase in population in the state, it would re-prioritize money already there. One person to coordinate local efforts to increase population.

UPON ROLL CALL VOTE, MOTION FAILS 6 NAY, 3 YEAH (GLASSHEIM, KROEBER, WARNER)

A MOTION WAS MADE BY REP. KOPPELMAN, SECOND BY REP. THORESON TO REMOVE THE DOLLARS FROM GLASSHEIM #1, MOTION CARRIED 5 YEAH (CARLSON, KOPPELMAN, SKARPHOL, TIMM, WARNER(4 NAYS (CARLISLE, THORESON, GLASSHEIM, KROEBER)

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Date

A MOTION WAS MADE BY REP. CARLSON, SECOND BY REP. KOPPELMAN TO PASS HOUSE BILL 1019, AS AMENDED, MOTION CARRIES 8 YEAH, 1 NAY (KROEBER)

Meeting adjourned

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee

☐ Conference Committee

Hearing Date 02-17-09

Tape Number	Side A	Side B	Meter #
2	X		19.2 - end
		X	0.0 - 8.0
Committee Clerk Signature	Chris S Nyhus		

Minutes:

Chairman Svedjan Opened HB 1019 for discussion

Rep. Carlson Gave overview of the amendment and footnotes.

Rep. Carlson I **move amendment .0109 to 1019. 2nd by Rep. Thoreson.**

Rep. Delzer Human Service hasn't been touched in the senate?

Rep. Carlson No.

Rep. Delzer Its mostly TANF and Job Training dollars.

Rep. Gulleson Reductions of Workforce 2000 cuts concern me. By limiting it to only new businesses we make it hard. I also disagree with the removal of ethanol dollars. These dollars would come back many fold.

Rep. Carlisle We just took out the increase for ethanol.

Motion Carries.

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Deanna Gilbertson 10/30/03
Operator's Signature Date

Rep. Martinson I would like to further **amend that no funds of any source may be used for the New Economy Initiative. 2nd by Rep. Brusegaard.** This firms up that we don't want any money going there even though they have flexibility with their other funds.

Rep. Glassheim Why do we want to stop this? I don't get it.

Rep. Wald Is there a definition of new economy in the code?

Alan Knudson, LC No.

Rep. Skarphol They can't give GNDA $200,000 to cover that debt.

Rep. Gulleson I can't imagine why we'd tie their hands. They are focused on growing ND. It's ridiculous.

Rep. Carlson We spend a lot of money in marketing and spending more isn't right.

Chairman Svedjan We couldn't accept federal funds?

Alan Knudson, LC Correct.

Motion Carries.

Rep. Glassheim I move amendment number .0110 to HB 1019. 2nd by Rep. Gulleson.

Chairman Svedjan Where is the fine line to recruit businesses on what you propose?

Rep. Glassheim You're aiming at different audiences.

Motion Fails

Rep. Carlson I move a Do Pass As Amended. 2nd by Rep. Thoreson. Motion Carries 15-6-2. Rep. Carlson will carry this bill to the floor.

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Operator's Signature 10/30/03 Date

FISCAL NOTE

Requested by Legislative Council
02/19/2003

Amendment to: HB 1019

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.*

Secton 5 of engrossed HB 1019 directs the Tax Commissioner to conduct an audit of the ethanol production incentive program. It is unknown if the audit will result in any additional revenues. The Tax Dept. will incur a small, indeterminable amount of administrative expenses in conducting the audit.

Section 16 of engrossed HB 1019 modifies the provisions of the seed capital investment tax credit program. It increases the amount of credit to 45% of the qualifying investment and increases the maximum annual investment amount for which a taxpayer can claim credit from $50,000 to $100,000; it lowers the amount of the credit which can be used in any taxable year from 50% to 33%. The net effect of these provisions cannot be estimated. However, the total cumulative amount of seed capital investment tax credits cannot exceed $2.5 million.

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 Dept.
Phone Number:	328-3402	**Date Prepared:**	02/19/2003

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Operator's Signature 10/30/03 Date

FISCAL NOTE

Requested by Legislative Council
12/24/2002

Bill/Resolution No.: HB 1019

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.*

Secton 5 of HB 1019 directs the Tax Commissioner to conduct an audit of the ethanol production incentive program. It is unknown of the audit will result in any additional revenues. The Tax Dept. will incur a small, indeterminable amount of administrative expenses in conducting the audit.

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:**	01/10/2003

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Operator's Signature 10/30/03 Date

38019.0111
Title.0200
Fiscal No. 9

Prepared by the Legislative Council staff for
House Appropriations
February 17, 2003

VR
2/18/03
1845

HOUSE AMENDMENTS TO HOUSE BILL NO. 1019 **APP 2-18-03**

Page 1, line 2, replace "and" with "to provide for a transfer to the general fund; to provide for a report to the budget section; to provide statements of legislative intent;" and after "program" insert "; to designate the department of commerce as the state's fiscal agent for workforce development programs; to amend and reenact section 57-38.5-03 of the North Dakota Century Code, relating to the seed capital investment tax credit; and to provide an effective date"

Page 1, line 10, replace "6,791,269" with "6,718,913"

Page 1, line 11, replace "8,842,124" with "8,442,124"

Page 1, line 12, replace "48,032,153" with "73,864,584"

Page 1, line 13, replace "6,770,557" with "5,483,385"

Page 1, line 14, replace "853.147" with "852.014"

Page 1, line 15, replace "71,289,250" with "95,361,020"

Page 1, line 16, replace "55,759,805" with "77,534,217"

Page 1, line 17, replace "15,529,445" with "17,826,803"

Page 1, line 23, replace "$3,785,000" with "$2,500,000"

HOUSE AMENDMENTS TO HB 1019 **APP 2-18-03**

Page 2, after line 11, insert:

"**SECTION 6. WORKFORCE DEVELOPMENT PROGRAMS.** The department of commerce is the fiscal agent and administrator of all workforce development and workforce training funds received by the state.

SECTION 7. GENERAL FUND TRANSFER. The industrial commission shall transfer to the general fund the sum of $1,000,000 from the North Dakota student loan trust. The moneys must be transferred as requested by the director of the office of management and budget during the biennium beginning July 1, 2003, and ending June 30, 2005, and upon certification by the student loan trust trustee that sufficient moneys remain available to pay all debt service on student loan trust bonds, all required rebate payments to the United States treasury, and all program operating expenses.

SECTION 8. LEGISLATIVE INTENT - SEED CAPITAL - EARLY STAGE FINANCING. It is the intent of the legislative assembly that the state's seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 9. USE OF DEVELOPMENT FUND - ADMINISTRATIVE COSTS. Moneys in the development fund may be used for defraying the costs of administering the fund for the biennium beginning July 1, 2003, and ending June 30, 2005.

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Operator's Signature 10/30/03 Date

SECTION 10. ACCOUNTABILITY MEASURES - BUDGET SECTION REPORT. The commissioner of the department of commerce shall monitor and report annually to the budget section of the legislative council during the 2003-04 interim regarding:

1. North Dakota's number of primary sector jobs, average annual income, and gross state product reported as of December thirty-first of each year beginning in 2000.

2. The number of jobs created as a result of each of the department's economic development and finance programs and the state's investment, the average salary of the jobs created, private investment related to the jobs created, and the estimated related economic impact to the state.

3. The number of individuals trained and the number who become employed as a result of each of the department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the amount of additional private investment in the state.

SECTION 11. LEGISLATIVE INTENT - PARTNERSHIPS WITH INDIAN TRIBES. It is the intent of the legislative assembly that the department of commerce assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on Indian reservations and other areas of the state for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. LEGISLATIVE INTENT - TOURISM LEARNING VACATIONS. It is the intent of the legislative assembly that the tourism division of the department of commerce establish, coordinate, and promote learning vacations in North Dakota for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. LEWIS AND CLARK INTERPRETIVE CENTER GRANT. The grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark interpretive center near Washburn for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 14. VISITOR RESCUE GRANTS. The grants line item in section 1 of this Act includes $25,000 from the general fund for the tourism division for the purpose of reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 15. DEPARTMENT OF COMMERCE - NEW ECONOMY INITIATIVE RESTRICTION. The department of commerce may not spend any funds from any source in support of the new economy initiative during the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 16. AMENDMENT. Section 57-38.5-03 of the North Dakota Century Code is amended and reenacted as follows:

57-38.5-03. Seed capital investment tax credit. If a taxpayer makes a qualified investment in a qualified business, the taxpayer is entitled to a credit against state income tax liability under section 57-38-29 or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is ~~thirty~~ forty-five percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is not less than five thousand dollars and not more

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than ~~fifty~~ one hundred thousand dollars. This subsection may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.

2. In any taxable year, a taxpayer may claim no more than ~~fifty percent~~ one-third of the credit under this section which is attributable to investments in a single taxable year.

3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to four taxable years after the taxable year in which the investment was made.

4. A partnership that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a partnership's investment in a qualified business must be determined at the partnership level. The amount of the total credit determined at the partnership level must be allowed to the partners, limited to individuals, estates, and trusts, in proportion to their respective interests in the partnership.

5. The investment must be at risk in the business. An investment for which a credit is received under this section must remain in the business for at least three years.

6. Tax credits for investments in one qualified business may not exceed two hundred fifty thousand dollars.

7. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.

8. A taxpayer who owns a controlling interest in the qualified business or whose full-time professional activity is the operation of the business is not entitled to a credit under this section. A member of the immediate family of a taxpayer disqualified by this subsection is not entitled to the credit under this section. For purposes of this subsection, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.

9. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under section 57-38-45, must be paid by the taxpayer.

SECTION 17. EFFECTIVE DATE. Section 16 of this Act is effective for taxable years beginning after December 31, 2003."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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House Bill No. 1019 - Department of Commerce - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	$6,791,269	($72,356)	$6,718,913
Operating expenses	8,642,124	(400,000)	8,442,124
Grants	48,032,153	25,832,431	73,864,584
Agricultural Products Utilization	6,770,557	(1,267,172)	5,483,385
Lewis and Clark Bicentennial	953,147	(1,133)	952,014
Total all funds	$71,269,250	$24,071,770	$95,361,020
Less estimated income	55,759,805	21,774,412	77,534,217
General fund	$15,529,445	$2,297,358	$17,826,803
FTE	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of House Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	ADDS WORKFORCE DEVELOPMENT PROGRAMS 2	REDUCES FUNDING FOR WORK FORCE 2000 3	ADDS FUNDING FOR INTERNSHIP PROGRAM 4	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS 5	REDUCES DISCRETIONARY GRANTS 6
Salaries and wages	($72,356)					
Operating expenses						
Grants		$26,032,431	($1,000,000)	$1,000,000		($200,000)
Agricultural Products Utilization	(2,172)					
Lewis and Clark Bicentennial	(1,133)					
Total all funds	($75,661)	$26,032,431	($1,000,000)	$1,000,000	$0	($200,000)
Less estimated income	(18,783)	22,679,570			396,625	
General fund	($56,878)	$3,352,861	($1,000,000)	$1,000,000	($396,625)	($200,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REDUCES TOURISM MARKETING 7	REDUCES OPERATING FUNDS 8	REDUCES FUNDING FOR ETHANOL 9	TOTAL HOUSE CHANGES
Salaries and wages				($72,356)
Operating expenses	($200,000)	($200,000)		(400,000)
Grants				25,832,431
Agricultural Products Utilization			($1,285,000)	(1,267,172)
Lewis and Clark Bicentennial				(1,133)
Total all funds	($200,000)	($200,000)	($1,285,000)	$24,071,770
Less estimated income			(1,285,000)	21,774,412
General fund	($200,000)	($200,000)	$0	$2,297,358
FTE	0.00	0.00	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

2 A section is added designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds. As a result, funding for the following programs is transferred to the Department of Commerce:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		$8,225,614		$8,225,614
Department of Human Services - Basic employment skills training (BEST)		391,198	$7,500	398,698
Job Service - Work Force 2000	$2,002,861			2,002,861
Job Service - Senior community service employment		1,070,352		1,070,352
Job Service - Trade adjustment assistance		99,800		99,800
Job Service - Workforce Investment Act		12,735,106		12,735,106
Job Service - New jobs training program			150,000	150,000
Board for Vocational and Technical Education - Workforce training contracts	1,350,000			1,350,000
Total	$3,352,861	$22,522,070	$157,500	$26,032,431

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3 Funding for Work Force 2000 is reduced by $1,000,000, from $2,002,861 to $1,002,861 from the general fund. The funding provided is to be used only in support of new businesses locating in North Dakota.

4 Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries.

5 The funding source for the administrative costs of the development fund is changed from the general fund to the development fund.

6 Funding recommended by the Governor for the New Economy Initiative is removed. A new section is added precluding the department from spending any funds in support of the New Economy Initiative.

7 Funding for marketing in the Tourism Division is reduced by $200,000 from the general fund.

8 Funding for operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance is reduced by $200,000 from the general fund.

9 Funding from the highway tax distribution fund for ethanol incentive payments is reduced by $1,285,000, from $3,785,000 to $2,500,000.

Sections are added:

- Transferring $1 million from the student loan trust fund to the general fund during the 2003-05 biennium.
- Providing legislative intent that the seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing.
- Requiring the department to report annually to the Budget Section regarding select activities and outcomes of the department.
- Providing legislative intent that the department assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on the Indian reservations and other areas in the state.
- Providing legislative intent that the Tourism Division establish, coordinate, and promote North Dakota learning vacations.
- Increasing the maximum seed capital investment that is eligible for an individual income tax credit from $50,000 to $100,000, increasing the percentage of the investment that is allowed as a credit from 30 to 45 percent, and allocating the credit over three years rather than two years.
- Providing that the department use $100,000 of the general fund appropriation provided for the director's discretionary grants to provide a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark Interpretive Center near Washburn.
- Providing that the department use up to $25,000 of the general fund appropriation provided for the director's discretionary grants to reimburse political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.

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Operator's Signature 10/30/03 Date

38019.0106
Title
Fiscal No. 4

Prepared by the Legislative Council staff for
Representative Carlson
February 13, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1019

Page 1, line 2, replace "and" with "to provide for a transfer to the general fund; to provide for a report to the budget section; to provide statements of legislative intent;" and after "program" insert "; to designate the department of commerce as the state's fiscal agent for workforce development programs; to amend and reenact section 57-38.5-03 of the North Dakota Century Code, relating to the seed capital investment tax credit; and to provide an effective date"

Page 1, line 10, replace "6,791,269" with "6,718,913"

Page 1, line 11, replace "8,842,124" with "8,442,124"

Page 1, line 12, replace "48,032,153" with "73,864,584"

Page 1, line 13, replace "6,770,557" with "5,483,385"

Page 1, line 14, replace "853,147" with "852,014"

Page 1, line 15, replace "71,289,250" with "95,361,020"

Page 1, line 16, replace "55,759,805" with "77,534,217"

Page 1, line 17, replace "15,529,445" with "17,826,803"

Page 1, line 23, replace "$3,785,000" with "$2,500,000"

Page 2, after line 11, insert:

"**SECTION 6. WORKFORCE DEVELOPMENT PROGRAMS.** The department of commerce is the fiscal agent and administrator of all workforce development and workforce training funds received by the state.

SECTION 7. GENERAL FUND TRANSFER. The industrial commission shall transfer to the general fund the sum of $1,000,000 from the North Dakota student loan trust. The moneys must be transferred as requested by the director of the office of management and budget during the biennium beginning July 1, 2003, and ending June 30, 2005, and upon certification by the student loan trust trustee that sufficient moneys remain available to pay all debt service on student loan trust bonds, all required rebate payments to the United States treasury, and all program operating expenses.

SECTION 8. LEGISLATIVE INTENT - SEED CAPITAL - EARLY STAGE FINANCING. It is the intent of the legislative assembly that the state's seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 9. USE OF DEVELOPMENT FUND - ADMINISTRATIVE COSTS. Moneys in the development fund may be used for defraying the costs of administering the fund for the biennium beginning July 1, 2003, and ending June 30, 2005.

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SECTION 10. ACCOUNTABILITY MEASURE - BUDG. SECTION REPORT. The commissioner of the department of commerce shall monitor North Dakota's number of primary sector jobs, average annual income, and gross state product and shall report annually to the budget section of the legislative council during the 2003-04 interim regarding these statistics reported as of December thirty-first of each year beginning in 2000.

SECTION 11. LEGISLATIVE INTENT - PARTNERSHIPS WITH INDIAN TRIBES. It is the intent of the legislative assembly that the department of commerce assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on Indian reservations and other areas of the state for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. LEWIS AND CLARK INTERPRETIVE CENTER GRANT. The grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark interpretive center near Washburn for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. VISITOR RESCUE GRANTS. The grants line item in section 1 of this Act includes $25,000 from the general fund for the tourism division for the purpose of reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 14. AMENDMENT. Section 57-38.5-03 of the North Dakota Century Code is amended and reenacted as follows:

57-38.5-03. Seed capital investment tax credit. If a taxpayer makes a qualified investment in a qualified business, the taxpayer is entitled to a credit against state income tax liability under section 57-38-29 or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is ~~thirty~~ forty-five percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is not less than five thousand dollars and not more than ~~fifty~~ one hundred thousand dollars. This subsection may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.

2. In any taxable year, a taxpayer may claim no more than ~~fifty percent~~ one-third of the credit under this section which is attributable to investments in a single taxable year.

3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to four taxable years after the taxable year in which the investment was made.

4. A partnership that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a partnership's investment in a qualified business must be determined at the partnership level. The amount of the total credit determined at the partnership level must be allowed to the partners, limited to individuals, estates, and trusts, in proportion to their respective interests in the partnership.

5. The investment must be at risk in the business. An investment for which a credit is received under this section must remain in the business for at least three years.

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6. Tax credits for investments in one qualified business may not exceed two hundred fifty thousand dollars.

7. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.

8. A taxpayer who owns a controlling interest in the qualified business or whose full-time professional activity is the operation of the business is not entitled to a credit under this section. A member of the immediate family of a taxpayer disqualified by this subsection is not entitled to the credit under this section. For purposes of this subsection, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.

9. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under section 57-38-45, must be paid by the taxpayer.

SECTION 15. EFFECTIVE DATE. Section 14 of this Act is effective for taxable years beginning after December 31, 2003."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	$6,791,269	($72,356)	$6,718,913
Operating expenses	8,842,124	(400,000)	8,442,124
Grants	48,032,153	25,832,431	73,864,584
Agricultural Products Utilization	6,770,557	(1,287,172)	5,483,385
Lewis and Clark Bicentennial	853,147	(1,133)	852,014
Total all funds	$71,289,250	$24,071,770	$95,361,020
Less estimated income	55,759,805	21,774,412	77,534,217
General fund	$15,529,445	$2,297,358	$17,826,803
FTE	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of House Changes

	REMOVES RECOMMENDED SALARY INCREASE [1]	ADDS WORKFORCE DEVELOPMENT PROGRAMS [2]	REDUCES FUNDING FOR WORK FORCE 2000 [3]	ADDS FUNDING FOR INTERNSHIP PROGRAM [4]	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS [5]	REDUCES DISCRETIONARY GRANTS [6]
Salaries and wages	($72,356)					
Operating expenses						
Grants		$26,032,431	($1,000,000)	$1,000,000		($200,000)
Agricultural Products Utilization	(2,172)					
Lewis and Clark Bicentennial	(1,133)					
Total all funds	($75,661)	$26,032,431	($1,000,000)	$1,000,000	$0	($200,000)
Less estimated income	(18,783)	22,679,570			398,626	
General fund	($56,878)	$3,352,861	($1,000,000)	$1,000,000	($398,626)	($200,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

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Operator's Signature 10/30/03 Date

	REDUCES TOURISM MARKETING [7]	REDUCES OPERATING FUNDS [8]	REDUCES FUNDING FOR ETHANOL [9]	TOTAL HOUSE CHANGES
Salaries and wages				($72,358)
Operating expenses	($200,000)	($200,000)		(400,000)
Grants				25,832,431
Agricultural Products Utilization			($1,285,000)	(1,287,172)
Lewis and Clark Bicentennial				(1,133)
Total all funds	($200,000)	($200,000)	($1,285,000)	$24,071,770
Less estimated income			(1,285,000)	21,774,412
General fund	($200,000)	($200,000)	$0	$2,297,358
FTE	0.00	0.00	0.00	0.00

[1] This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

[2] A section is added designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds. As a result, funding for the following programs is transferred to the Department of Commerce:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		$8,225,614		$8,225,614
Department of Human Services - Basic employment skills training (BEST)		391,196	$7,500	398,696
Job Service - Work Force 2000	$2,002,861			2,002,861
Job Service - Senior community service employment		1,070,352		1,070,352
Job Service - Trade adjustment assistance		99,800		99,800
Job Service - Workforce Investment Act		12,735,106		12,735,106
Job Service - New jobs training program			150,000	150,000
Board for Vocational and Technical Education - Workforce training contracts	1,350,000			1,350,000
Total	$3,352,861	$22,522,070	$157,500	$26,032,431

[3] Funding for Work Force 2000 is reduced by $1,000,000, from $2,002,861 to $1,002,861 from the general fund. The funding provided is to be used only in support of new businesses locating in North Dakota.

[4] Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries.

[5] The funding source for the administrative costs of the development fund is changed from the general fund to the development fund.

[6] Funding recommended by the Governor for the New Economy Initiative is removed.

[7] Funding for marketing in the Tourism Division is reduced by $200,000 from the general fund.

[8] Funding for operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance is reduced by $200,000 from the general fund.

[9] Funding from the highway tax distribution fund for ethanol incentive payments is reduced by $1,285,000, from $3,785,000 to $2,500,000.

Sections are added:

- Transferring $1 million from the student loan trust fund to the general fund during the 2003-05 biennium.
- Providing legislative intent that the seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing.
- Requiring the department to develop accountability measures and to report to the Budget Section.
- Providing legislative intent that the department assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on the Indian reservations and other areas in the state.
- Increasing the maximum seed capital investment that is eligible for an individual income tax credit from $50,000 to $100,000, increasing the percentage of the investment that is allowed as a credit from 30 to 45 percent, and allocating the credit over three years rather than two years.

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Deanna Gilbertson 10/30/03
Operator's Signature Date

- Providing that the department use $100,000 of the general fund appropriation provided for the director's discretionary grants to provide a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark Interpretive Center near Washburn.

- Providing that the department use up to $25,000 of the general fund appropriation provided for the director's discretionary grants to reimburse political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.

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Operator's Signature 10/30/03 Date

Date:02-14-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1019

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38019.0106

Action Taken Do Pass on Amendment

Motion Made By Rep. Carlson Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep Koppelman	x				
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim		x			
Rep. Kroeber		x			
Rep. Warner		x			

Total (Yes) 6 No 3

Absent

Floor Assignment Rep. Carlson

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

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Operator's Signature 10/30/03 Date

Date:02-14-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1019

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38019.0106

Action Taken Do Pass, as amended

Motion Made By Rep. Carlson Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	X				
Vice Chairman Carlson	X				
Rep. Koppelman		X			
Rep. Skarphol	X				
Rep. Thoreson		X			
Rep. Timm	X				
Rep. Glassheim		X			
Rep. Kroeber		X			
Rep. Warner		X			

Total (Yes) 4 No 5

Absent

Floor Assignment Rep. Carlson

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

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Operator's Signature 10/30/03 Date

38019.0108
Title.

Prepared by the Legislative Council staff for
Representatives Glassheim and Koppelman
February 17, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1019

Page 1, line 2, after "commerce" insert "; to provide for a report to the budget section"

Page 2, after line 11, insert:

"**SECTION 6. ACCOUNTABILITY MEASURES - BUDGET SECTION REPORT.** The commissioner of the department of commerce shall monitor and report annually to the budget section of the legislative council during the 2003-04 interim regarding:

1. North Dakota's number of primary sector jobs, average annual income, and gross state product reported as of December thirty-first of each year beginning in 2000.

2. The number ~~and quality~~ of jobs created as a result of each of the ~~and~~ department's economic development and finance programs, ~~including~~ the state's investment, the average salary of the jobs created, private investment related to the jobs created, and the estimated related economic impact to the state.

3. The number of individuals trained and the number who become employed as a result of each of the department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the amount of additional private investment in the state."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 601 - Department of Commerce

A section is added providing that the department report annually to the Budget Section regarding select activities and outcomes of the department.

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Operator's Signature 10/30/03 Date

Date:02-17-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1022

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38019.0108

Action Taken Do Pass on Amendment

Motion Made By Rep. Koppelman Seconded By Rep. Glassheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	X				
Vice Chairman Carlson	X				
Rep. Koppelman	X				
Rep. Skarphol	X				
Rep. Thoreson	X				
Rep. Timm	X				
Rep. Glassheim	X				
Rep. Kroeber	X				
Rep. Warner	X				

Total (Yes) 9 No

Absent

Floor Assignment

If the vote is on an amendment, briefly indicate intent:
See attached amendment
** motion was amended to change "section 6, paragraph 2 remove "and quality" after programs
Remove comma, replace with "and"

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Operator's Signature 10/30/03 Date

38019.0107
Title.
Fiscal No. 5

Prepared by the Legislative Council staff for
Representative Warner
February 17, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1019

Page 1, line 2, replace "and" with "to provide for a transfer to the general fund; to provide for a report to the budget section; to provide statements of legislative intent;" and after "program" insert "; to amend and reenact section 57-38.5-03 of the North Dakota Century Code, relating to the seed capital investment tax credit; and to provide an effective date"

Page 1, line 10, replace "6,791,269" with "6,718,913"

Page 1, line 11, replace "8,842,124" with "8,642,124"

Page 1, line 12, replace "48,032,153" with "48,832,153"

Page 1, line 13, replace "6,770,557" with "5,483,385"

Page 1, line 14, replace "853,147" with "852,014"

Page 1, line 15, replace "71,289,250" with "70,528,589"

Page 1, line 16, replace "55,759,805" with "54,854,647"

Page 1, line 17, replace "15,529,445" with "15,673,942"

Page 1, line 23, replace "$3,785,000" with "$2,500,000"

Page 2, after line 11, insert:

"**SECTION 6. GENERAL FUND TRANSFER.** The industrial commission shall transfer to the general fund the sum of $1,000,000 from the North Dakota student loan trust. The moneys must be transferred as requested by the director of the office of management and budget during the biennium beginning July 1, 2003, and ending June 30, 2005, and upon certification by the student loan trust trustee that sufficient moneys remain available to pay all debt service on student loan trust bonds, all required rebate payments to the United States treasury, and all program operating expenses.

SECTION 7. LEGISLATIVE INTENT - SEED CAPITAL - EARLY STAGE FINANCING. It is the intent of the legislative assembly that the state's seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 8. USE OF DEVELOPMENT FUND - ADMINISTRATIVE COSTS. Moneys in the development fund may be used for defraying the costs of administering the fund for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 9. ACCOUNTABILITY MEASURE - BUDGET SECTION REPORT. The commissioner of the department of commerce shall monitor North Dakota's number of primary sector jobs, average annual income, and gross state product and shall report annually to the budget section of the legislative council during the 2003-04 interim regarding these statistics reported as of December thirty-first of each year beginning in 2000.

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Operator's Signature 10/30/03 Date

SECTION 10. LEGISLATIVE INTENT - PARTNERSHIPS WITH INDIAN TRIBES. It is the intent of the legislative assembly that the department of commerce assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on Indian reservations and other areas of the state for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 11. LEWIS AND CLARK INTERPRETIVE CENTER GRANT. The grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark interpretive center near Washburn for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. VISITOR RESCUE GRANTS. The grants line item in section 1 of this Act includes $25,000 from the general fund for the tourism division for the purpose of reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. AMENDMENT. Section 57-38.5-03 of the North Dakota Century Code is amended and reenacted as follows:

57-38.5-03. Seed capital investment tax credit. If a taxpayer makes a qualified investment in a qualified business, the taxpayer is entitled to a credit against state income tax liability under section 57-38-29 or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is ~~thirty~~ forty-five percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is not less than five thousand dollars and not more than ~~fifty~~ one hundred thousand dollars. This subsection may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.

2. In any taxable year, a taxpayer may claim no more than ~~fifty percent~~ one-third of the credit under this section which is attributable to investments in a single taxable year.

3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to four taxable years after the taxable year in which the investment was made.

4. A partnership that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a partnership's investment in a qualified business must be determined at the partnership level. The amount of the total credit determined at the partnership level must be allowed to the partners, limited to individuals, estates, and trusts, in proportion to their respective interests in the partnership.

5. The investment must be at risk in the business. An investment for which a credit is received under this section must remain in the business for at least three years.

6. Tax credits for investments in one qualified business may not exceed two hundred fifty thousand dollars.

7. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment,

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Operator's Signature 10/30/03 Date

research and development, marketing and sales activity, or working capital for the qualified business.

8. A taxpayer who owns a controlling interest in the qualified business or whose full-time professional activity is the operation of the business is not entitled to a credit under this section. A member of the immediate family of a taxpayer disqualified by this subsection is not entitled to the credit under this section. For purposes of this subsection, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.

9. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under section 57-38-45, must be paid by the taxpayer.

SECTION 14. EFFECTIVE DATE. Section 13 of this Act is effective for taxable years beginning after December 31, 2003."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	$6,791,269	($72,356)	$6,718,913
Operating expenses	6,642,124	(200,000)	6,642,124
Grants	46,032,153	800,000	46,832,153
Agricultural Products Utilization	6,770,557	(1,287,172)	5,483,385
Lewis and Clark Bicentennial	853,147	(1,133)	852,014
Total all funds	$71,269,250	($760,661)	$70,528,589
Less estimated income	55,759,805	(905,158)	54,854,647
General fund	$15,529,445	$144,497	$15,673,942
FTE	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of House Changes

	REMOVES RECOMMENDED SALARY INCREASE [1]	ADDS FUNDING FOR INTERNSHIP PROGRAM [2]	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS [3]	REDUCES DISCRETIONARY GRANTS [4]
Salaries and wages	($72,356)			
Operating expenses				
Grants		$1,000,000		($200,000)
Agricultural Products Utilization	(2,172)			
Lewis and Clark Bicentennial	(1,133)			
Total all funds	($75,661)	$1,000,000	$0	($200,000)
Less estimated income	(18,783)		398,625	
General fund	($56,878)	$1,000,000	($398,625)	($200,000)
FTE	0.00	0.00	0.00	0.00

	REDUCES OPERATING FUNDS [5]	REDUCES FUNDING FOR ETHANOL [6]	TOTAL HOUSE CHANGES
Salaries and wages			($72,356)
Operating expenses	($200,000)		(200,000)
Grants			800,000
Agricultural Products Utilization		($1,285,000)	(1,287,172)

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Operator's Signature 10/30/03 Date

Lewis and Clark Bicentennial	----------	----------	(1,133)
Total all funds	($200,000)	($1,285,000)	($760,661)
Less estimated income	----------	(1,285,000)	(905,158)
General fund	($200,000)	$0	$144,497
FTE	0.00	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

2 Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries.

3 The funding source for the administrative costs of the development fund is changed from the general fund to the development fund.

4 Funding recommended by the Governor for the New Economy initiative is removed.

5 Funding for operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance is reduced by $200,000 from the general fund.

6 Funding from the highway tax distribution fund for ethanol incentive payments is reduced by $1,285,000, from $3,785,000 to $2,500,000.

Sections are added:

- Transferring $1 million from the student loan trust fund to the general fund during the 2003-05 biennium.
- Providing legislative intent that the seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing.
- Requiring the department to develop accountability measures and to report to the Budget Section.
- Providing legislative intent that the department assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on the Indian reservations and other areas in the state.
- Increasing the maximum seed capital investment that is eligible for an individual income tax credit from $50,000 to $100,000, increasing the percentage of the investment that is allowed as a credit from 30 to 45 percent, and allocating the credit over three years rather than two years.
- Providing that the department use $100,000 of the general fund appropriation provided for the director's discretionary grants to provide a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark Interpretive Center near Washburn.
- Providing that the department use up to $25,000 of the general fund appropriation provided for the director's discretionary grants to reimburse political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.

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Operator's Signature 10/30/03 Date

Date:02-17-03
Roll Call Vote #: 2

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1022

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38019.0107

Action Taken Do Pass on Amendment as substitute to .0106

Motion Made By Rep. Warner Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		x			
Vice Chairman Carlson		x			
Rep. Koppelman		x			
Rep. Skarphol		x			
Rep. Thoreson		x			
Rep. Timm		x			
Rep. Glassheim	x				
Rep. Kroeber	x				
Rep. Warner	x				

Total (Yes) 3 No 6

Absent

Floor Assignment

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

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Operator's Signature 10/30/03 Date

Department of Commerce
HB 1019
Amendments

1. Tourism Legislative Intent - Funds are to be used to establish, coordinate and promote learning vacations in North Dakota

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Operator's Signature 10/30/03 Date

Date:02-17-03
Roll Call Vote #: 3

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1022

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Glassheim #1

Action Taken Do Pass on Amendment

Motion Made By Rep. Glassheim Seconded By Rep Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		x			
Vice Chairman Carlson		x			
Rep. Koppelman		x			
Rep. Skarphol		x			
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim	x				
Rep. Kroeber	x				
Rep. Warner	x				

Total (Yes) 5 No 4

Absent

Floor Assignment

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

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Operator's Signature 10/30/03 Date

Glassheim proposal 2-17-03

Department of Commerce
HB 1019
Amendments

1. Tourism Legislative Intent - $150,000 of ~~new~~ These funds are to be used to establish, coordinate and promote learning vacations in North Dakota

2. Commerce Legislative Intent - ~~Up to $100,000 of new funds shall be used to~~ Dept. The dept. shall research the legal and fiscal feasibility of establishing a fund which both residents and nonresidents can invest patient capital to assist in financing business start up and expansions in ND

3. Community Development Legislative Intent, with federal approval, $150,000 shall be used to coordinate local efforts to increase North Dakota's rural population.

4. Tourism - Legislative Intent - $150,000 of these funds shall be used in salaries and operating to increase in-migration by marketing ND's strengths in recreation, education, business opportunities and raising children.

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Operator's Signature 10/30/03 Date

Date:02-17-03
Roll Call Vote #: 4

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1022

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Glassheim #2

Action Taken Do Pass on Amendment

Motion Made By Rep. Glassheim Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		X			
Vice Chairman Carlson		X			
Rep. Koppelman		X			
Rep. Skarphol		X			
Rep. Thoreson		X			
Rep. Timm	X				
Rep. Glassheim	X				
Rep. Kroeber	X				
Rep. Warner	X				

Total (Yes) 4 No 5

Absent

Floor Assignment

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

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Operator's Signature 10/30/03 Date

Department of Commerce
HB 1019
Amendments

1. Tourism Legislative Intent - $150,000 of new funds are to be used to establish, coordinate and promote learning vacations in North Dakota

2. Commerce Legislative Intent - Up to $100,000 of new funds shall be used to research the legal and fiscal feasibility of establishing a fund which both residents and nonresidents can invest patient capital to assist in financing business start up and expansions in ND

3. Community Development Legislative Intent, with federal approval, $150,000 shall be used to coordinate local efforts to increase North Dakota's rural population.

4. Tourism - Legislative Intent - $150,000 of these funds shall be used in salaries and operating to increase in-migration by marketing ND's strengths in recreation, education, business opportunities and raising children.

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Operator's Signature

10/30/03
Date

Date:02-17-03
Roll Call Vote #: 5

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1022

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Glassheim #3

Action Taken Do Pass on Amendment

Motion Made By Rep. Glassheim Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		X			
Vice Chairman Carlson		X			
Rep. Koppelman		X			
Rep. Skarphol		X			
Rep. Thoreson		X			
Rep. Timm		X			
Rep. Glassheim	X				
Rep. Kroeber	X				
Rep. Warner	X				

Total (Yes) 3 No 6

Absent

Floor Assignment

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

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Deanna Kellsaller 10/30/03
Operator's Signature Date

Date:02-17-03
Roll Call Vote #: 6

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1022

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Glassheim #4

Action Taken Do Pass on Amendment

Motion Made By Rep. Glassheim Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		x			
Vice Chairman Carlson		x			
Rep. Koppelman		x			
Rep. Skarphol		x			
Rep. Thoreson		x			
Rep. Timm		x			
Rep. Glassheim	x				
Rep. Kroeber	x				
Rep. Warner	x				

Total (Yes) 3 No 6

Absent

Floor Assignment

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

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Operator's Signature 10/30/03 Date

Date:02-17-03
Roll Call Vote #: 7

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1022

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Glassheim #1

Action Taken To amend Glassheim #1 to remove money amount, and include legislative intent.

Motion Made By Rep. Koppelman Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		X			
Vice Chairman Carlson	X				
Rep. Koppelman	X				
Rep. Skarphol	X				
Rep. Thoreson		X			
Rep. Timm	X				
Rep. Glassheim		X			
Rep. Kroeber		X			
Rep. Warner	X				

Total (Yes) 5 No 4

Absent

Floor Assignment

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

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Operator's Signature 10/30/03 Date

38019.0109
Title.
Fiscal No. 4

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations
February 17, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1019

Page 1, line 2, replace "and" with "to provide for a transfer to the general fund; to provide for a report to the budget section; to provide statements of legislative intent;" and after "program" insert "; to designate the department of commerce as the state's fiscal agent for workforce development programs; to amend and reenact section 57-38.5-03 of the North Dakota Century Code, relating to the seed capital investment tax credit; and to provide an effective date"

Page 1, line 10, replace "6,791,269" with "6,718,913"

Page 1, line 11, replace "8,842,124" with "8,442,124"

Page 1, line 12, replace "48,032,153" with "73,864,584"

Page 1, line 13, replace "6,770,557" with "5,483,385"

Page 1, line 14, replace "853,147" with "852,014"

Page 1, line 15, replace "71,289,250" with "95,361,020"

Page 1, line 16, replace "55,759,805" with "77,534,217"

Page 1, line 17, replace "15,529,445" with "17,826,803"

Page 1, line 23, replace "$3,785,000" with "$2,500,000"

Page 2, after line 11, insert:

"**SECTION 6. WORKFORCE DEVELOPMENT PROGRAMS.** The department of commerce is the fiscal agent and administrator of all workforce development and workforce training funds received by the state.

SECTION 7. GENERAL FUND TRANSFER. The industrial commission shall transfer to the general fund the sum of $1,000,000 from the North Dakota student loan trust. The moneys must be transferred as requested by the director of the office of management and budget during the biennium beginning July 1, 2003, and ending June 30, 2005, and upon certification by the student loan trust trustee that sufficient moneys remain available to pay all debt service on student loan trust bonds, all required rebate payments to the United States treasury, and all program operating expenses.

SECTION 8. LEGISLATIVE INTENT - SEED CAPITAL - EARLY STAGE FINANCING. It is the intent of the legislative assembly that the state's seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 9. USE OF DEVELOPMENT FUND - ADMINISTRATIVE COSTS. Moneys in the development fund may be used for defraying the costs of administering the fund for the biennium beginning July 1, 2003, and ending June 30, 2005.

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Operator's Signature 10/30/03 Date

SECTION 10. ACCOUNTABILITY MEASURES - BUDGET SECTION REPORT. The commissioner of the department of commerce shall monitor and report annually to the budget section of the legislative council during the 2003-04 interim regarding:

1. North Dakota's number of primary sector jobs, average annual income, and gross state product reported as of December thirty-first of each year beginning in 2000.

2. The number of jobs created as a result of each of the department's economic development and finance programs and the state's investment, the average salary of the jobs created, private investment related to the jobs created, and the estimated related economic impact to the state.

3. The number of individuals trained and the number who become employed as a result of each of the department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the amount of additional private investment in the state.

SECTION 11. LEGISLATIVE INTENT - PARTNERSHIPS WITH INDIAN TRIBES. It is the intent of the legislative assembly that the department of commerce assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on Indian reservations and other areas of the state for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. LEGISLATIVE INTENT - TOURISM LEARNING VACATIONS. It is the intent of the legislative assembly that the tourism division of the department of commerce establish, coordinate, and promote learning vacations in North Dakota for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. LEWIS AND CLARK INTERPRETIVE CENTER GRANT. The grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark interpretive center near Washburn for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 14. VISITOR RESCUE GRANTS. The grants line item in section 1 of this Act includes $25,000 from the general fund for the tourism division for the purpose of reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 15. AMENDMENT. Section 57-38.5-03 of the North Dakota Century Code is amended and reenacted as follows:

57-38.5-03. Seed capital investment tax credit. If a taxpayer makes a qualified investment in a qualified business, the taxpayer is entitled to a credit against state income tax liability under section 57-38-29 or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is ~~thirty~~ forty-five percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is not less than five thousand dollars and not more than ~~fifty~~ one hundred thousand dollars. This subsection may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.

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Operator's Signature

10/30/03
Date

2. In any taxable year, a taxpayer may claim no more than ~~fifty percent~~ one-third of the credit under this section which is attributable to investments in a single taxable year.

3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to four taxable years after the taxable year in which the investment was made.

4. A partnership that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a partnership's investment in a qualified business must be determined at the partnership level. The amount of the total credit determined at the partnership level must be allowed to the partners, limited to individuals, estates, and trusts, in proportion to their respective interests in the partnership.

5. The investment must be at risk in the business. An investment for which a credit is received under this section must remain in the business for at least three years.

6. Tax credits for investments in one qualified business may not exceed two hundred fifty thousand dollars.

7. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.

8. A taxpayer who owns a controlling interest in the qualified business or whose full-time professional activity is the operation of the business is not entitled to a credit under this section. A member of the immediate family of a taxpayer disqualified by this subsection is not entitled to the credit under this section. For purposes of this subsection, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.

9. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under section 57-38-45, must be paid by the taxpayer.

SECTION 16. EFFECTIVE DATE. Section 15 of this Act is effective for taxable years beginning after December 31, 2003."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	$6,791,269	($72,356)	$6,718,913
Operating expenses	6,842,124	(400,000)	6,442,124
Grants	48,032,153	25,832,431	73,864,584
Agricultural Products Utilization	6,770,557	(1,287,172)	5,483,385
Lewis and Clark Bicentennial	853,147	(1,133)	852,014

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Total all funds	$71,289,250	$24,071,770	$95,361,020
Less estimated income	55,759,805	21,774,412	77,534,217
General fund	$15,529,445	$2,297,358	$17,826,803
FTE	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of House Changes

	REMOVES RECOMMENDED SALARY INCREASE [1]	ADDS WORKFORCE DEVELOPMENT PROGRAMS [2]	REDUCES FUNDING FOR WORK FORCE 2000 [3]	ADDS FUNDING FOR INTERNSHIP PROGRAM [4]	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS [5]	REDUCES DISCRETIONARY GRANTS [6]
Salaries and wages	($72,356)					
Operating expenses						
Grants		$26,032,431	($1,000,000)	$1,000,000		($200,000)
Agricultural Products Utilization	(2,172)					
Lewis and Clark Bicentennial	(1,133)					
Total all funds	($75,661)	$26,032,431	($1,000,000)	$1,000,000	$0	($200,000)
Less estimated income	(18,783)	22,678,570			396,625	
General fund	($56,878)	$3,352,861	($1,000,000)	$1,000,000	($396,625)	($200,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REDUCES TOURISM MARKETING [7]	REDUCES OPERATING FUNDS [8]	REDUCES FUNDING FOR ETHANOL [9]	TOTAL HOUSE CHANGES
Salaries and wages				($72,356)
Operating expenses	($200,000)	($200,000)		(400,000)
Grants				25,832,431
Agricultural Products Utilization			($1,285,000)	(1,287,172)
Lewis and Clark Bicentennial				(1,133)
Total all funds	($200,000)	($200,000)	($1,285,000)	$24,071,770
Less estimated income			(1,285,000)	21,774,412
General fund	($200,000)	($200,000)	$0	$2,297,358
FTE	0.00	0.00	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

2 A section is added designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds. As a result, funding for the following programs is transferred to the Department of Commerce:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		$8,225,614		$8,225,614
Department of Human Services - Basic employment skills training (BEST)		391,198	$7,500	398,698
Job Service - Work Force 2000	$2,002,861			2,002,861
Job Service - Senior community service employment		1,070,352		1,070,352
Job Service - Trade adjustment assistance		99,800		99,800
Job Service - Workforce Investment Act		12,735,106		12,735,106
Job Service - New jobs training program			150,000	150,000
Board for Vocational and Technical Education - Workforce training contracts	1,350,000			1,350,000
Total	$3,352,861	$22,522,070	$157,500	$26,032,431

3 Funding for Work Force 2000 is reduced by $1,000,000, from $2,002,861 to $1,002,861 from the general fund. The funding provided is to be used only in support of new businesses locating in North Dakota.

4 Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries.

5 The funding source for the administrative costs of the development fund is changed from the general fund to the development fund.

6 Funding recommended by the Governor for the New Economy Initiative is removed.

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Operator's Signature 10/30/03 Date

7 Funding for marketing in the Tourism Division is reduced by $200,000 from the general fund.

8 Funding for operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance is reduced by $200,000 from the general fund.

9 Funding from the highway tax distribution fund for ethanol incentive payments is reduced by $1,265,000, from $3,765,000 to $2,500,000.

Sections are added:

- Transferring $1 million from the student loan trust fund to the general fund during the 2003-05 biennium.
- Providing legislative intent that the seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing.
- Requiring the department to report annually to the Budget Section regarding select activities and outcomes of the department.
- Providing legislative intent that the department assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on the Indian reservations and other areas in the state.
- Providing legislative intent that the Tourism Division establish, coordinate, and promote North Dakota learning vacations.
- Increasing the maximum seed capital investment that is eligible for an individual income tax credit from $50,000 to $100,000, increasing the percentage of the investment that is allowed as a credit from 30 to 45 percent, and allocating the credit over three years rather than two years.
- Providing that the department use $100,000 of the general fund appropriation provided for the director's discretionary grants to provide a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark Interpretive Center near Washburn.
- Providing that the department use up to $25,000 of the general fund appropriation provided for the director's discretionary grants to reimburse political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.

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Operator's Signature 10/30/03 Date

Date:02-17-03
Roll Call Vote #: 8

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1019

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38019.0106, 38019.0108, Glassheim #1 w/o money (combined to 38019.0109)

Action Taken Do Pass as Amended

Motion Made By Rep. Carlson Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman	x				
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim	x				
Rep. Kroeber		x			
Rep. Warner	x				

Total (Yes) 8 No 1

Absent

Floor Assignment Rep. Carlson

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

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Operator's Signature 10/30/03 Date

REPORT OF STANDING COMMITTEE

HB 1019: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 6 NAYS, 2 ABSENT AND NOT VOTING). HB 1019 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "and" with "to provide for a transfer to the general fund; to provide for a report to the budget section; to provide statements of legislative intent;" and after "program" insert "; to designate the department of commerce as the state's fiscal agent for workforce development programs; to amend and reenact section 57-38.5-03 of the North Dakota Century Code, relating to the seed capital investment tax credit; and to provide an effective date"

Page 1, line 10, replace "6,791,269" with "6,718,913"

Page 1, line 11, replace "8,842,124" with "8,442,124"

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Page 1, line 17, replace "15,529,445" with "17,826,803"

Page 1, line 23, replace "$3,785,000" with "$2,500,000"

Page 2, after line 11, insert:

"**SECTION 6. WORKFORCE DEVELOPMENT PROGRAMS.** The department of commerce is the fiscal agent and administrator of all workforce development and workforce training funds received by the state.

SECTION 7. GENERAL FUND TRANSFER. The industrial commission shall transfer to the general fund the sum of $1,000,000 from the North Dakota student loan trust. The moneys must be transferred as requested by the director of the office of management and budget during the biennium beginning July 1, 2003, and ending June 30, 2005, and upon certification by the student loan trust trustee that sufficient moneys remain available to pay all debt service on student loan trust bonds, all required rebate payments to the United States treasury, and all program operating expenses.

SECTION 8. LEGISLATIVE INTENT - SEED CAPITAL - EARLY STAGE FINANCING. It is the intent of the legislative assembly that the state's seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 9. USE OF DEVELOPMENT FUND - ADMINISTRATIVE COSTS. Moneys in the development fund may be used for defraying the costs of administering the fund for the biennium beginning July 1, 2003, and ending June 30, 2005.

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Operator's Signature 10/30/03 Date

SECTION 10. ACCOUNTABILITY MEASURES - BUDGET SECTION REPORT. The commissioner of the department of commerce shall monitor and report annually to the budget section of the legislative council during the 2003-04 interim regarding:

1. North Dakota's number of primary sector jobs, average annual income, and gross state product reported as of December thirty-first of each year beginning in 2000.

2. The number of jobs created as a result of each of the department's economic development and finance programs and the state's investment, the average salary of the jobs created, private investment related to the jobs created, and the estimated related economic impact to the state.

3. The number of individuals trained and the number who become employed as a result of each of the department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the amount of additional private investment in the state.

SECTION 11. LEGISLATIVE INTENT - PARTNERSHIPS WITH INDIAN TRIBES. It is the intent of the legislative assembly that the department of commerce assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on Indian reservations and other areas of the state for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. LEGISLATIVE INTENT - TOURISM LEARNING VACATIONS. It is the intent of the legislative assembly that the tourism division of the department of commerce establish, coordinate, and promote learning vacations in North Dakota for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. LEWIS AND CLARK INTERPRETIVE CENTER GRANT. The grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark interpretive center near Washburn for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 14. VISITOR RESCUE GRANTS. The grants line item in section 1 of this Act includes $25,000 from the general fund for the tourism division for the purpose of reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 15. DEPARTMENT OF COMMERCE - NEW ECONOMY INITIATIVE RESTRICTION. The department of commerce may not spend any funds from any source in support of the new economy initiative during the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 16. AMENDMENT. Section 57-38.5-03 of the North Dakota Century Code is amended and reenacted as follows:

57-38.5-03. Seed capital investment tax credit. If a taxpayer makes a qualified investment in a qualified business, the taxpayer is entitled to a credit against state income tax liability under section 57-38-29 or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is ~~thirty~~forty-five percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

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Operator's Signature 10/30/03 Date

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is not less than five thousand dollars and not more than ~~fifty~~ one hundred thousand dollars. This subsection may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.

2. In any taxable year, a taxpayer may claim no more than~~fifty percent~~ one-third of the credit under this section which is attributable to investments in a single taxable year.

3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to four taxable years after the taxable year in which the investment was made.

4. A partnership that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a partnership's investment in a qualified business must be determined at the partnership level. The amount of the total credit determined at the partnership level must be allowed to the partners, limited to individuals, estates, and trusts, in proportion to their respective interests in the partnership.

5. The investment must be at risk in the business. An investment for which a credit is received under this section must remain in the business for at least three years.

6. Tax credits for investments in one qualified business may not exceed two hundred fifty thousand dollars.

7. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.

8. A taxpayer who owns a controlling interest in the qualified business or whose full-time professional activity is the operation of the business is not entitled to a credit under this section. A member of the immediate family of a taxpayer disqualified by this subsection is not entitled to the credit under this section. For purposes of this subsection, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.

9. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under section 57-38-45, must be paid by the taxpayer.

SECTION 17. EFFECTIVE DATE. Section 16 of this Act is effective for taxable years beginning after December 31, 2003."

Renumber accordingly

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STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	$6,791,269	($72,356)	$6,718,913
Operating expenses	8,842,124	(400,000)	8,442,124
Grants	48,032,153	25,832,431	73,864,584
Agricultural Products Utilization	6,770,557	(1,287,172)	5,483,385
Lewis and Clark Bicentennial	853,147	(1,133)	852,014
Total all funds	$71,289,250	$24,071,770	$95,361,020
Less estimated income	55,759,805	21,774,412	77,534,217
General fund	$15,529,445	$2,297,358	$17,826,803
FTE	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of House Changes

	REMOVES RECOMMENDED SALARY INCREASE [1]	ADDS WORKFORCE DEVELOPMENT PROGRAMS [2]	REDUCES FUNDING FOR WORK FORCE 2000 [3]	ADDS FUNDING FOR INTERNSHIP PROGRAM [4]	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS [5]	REDUCES DISCRETIONARY GRANTS [6]
Salaries and wages	($72,356)					
Operating expenses						
Grants		$26,032,431	($1,000,000)	$1,000,000		($200,000)
Agricultural Products Utilization	(2,172)					
Lewis and Clark Bicentennial	(1,133)					
Total all funds	($75,661)	$26,032,431	($1,000,000)	$1,000,000	$0	($200,000)
Less estimated income	(18,783)	22,679,570			398,625	
General fund	($56,878)	$3,352,861	($1,000,000)	$1,000,000	($398,625)	($200,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REDUCES TOURISM MARKETING [7]	REDUCES OPERATING FUNDS [8]	REDUCES FUNDING FOR ETHANOL [9]	TOTAL HOUSE CHANGES
Salaries and wages				($72,356)
Operating expenses	($200,000)	($200,000)		(400,000)
Grants				25,832,431
Agricultural Products Utilization			($1,285,000)	(1,287,172)
Lewis and Clark Bicentennial				(1,133)
Total all funds	($200,000)	($200,000)	($1,285,000)	$24,071,770
Less estimated income			(1,285,000)	21,774,412
General fund	($200,000)	($200,000)	$0	$2,297,358
FTE	0.00	0.00	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

2 A section is added designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds. As a result, funding for the following programs is transferred to the Department of Commerce:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		$8,225,614		$8,225,614
Department of Human Services - Basic employment skills		391,198	$7,500	398,698

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training (BEST)				
Job Service - Work Force 2000	$2,002,861			2,002,861
Job Service - Senior community service employment		1,070,352		1,070,352
Job Service - Trade adjustment assistance		99,800		99,800
Job Service - Workforce Investment Act		12,735,106		12,735,106
Job Service - New jobs training program			150,000	150,000
Board for Vocational and Technical Education - Workforce training contracts	1,350,000			1,350,000
Total	$3,352,861	$22,522,070	$157,500	$26,032,431

3 Funding for Work Force 2000 is reduced by $1,000,000, from $2,002,861 to $1,002,861 from the general fund. The funding provided is to be used only in support of new businesses locating in North Dakota.

4 Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries.

5 The funding source for the administrative costs of the development fund is changed from the general fund to the development fund.

6 Funding recommended by the Governor for the New Economy initiative is removed. A new section is added precluding the department from spending any funds in support of the New Economy initiative.

7 Funding for marketing in the Tourism Division is reduced by $200,000 from the general fund.

8 Funding for operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance is reduced by $200,000 from the general fund.

9 Funding from the highway tax distribution fund for ethanol incentive payments is reduced by $1,285,000, from $3,785,000 to $2,500,000.

Sections are added:

- Transferring $1 million from the student loan trust fund to the general fund during the 2003-05 biennium.
- Providing legislative intent that the seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing.
- Requiring the department to report annually to the Budget Section regarding select activities and outcomes of the department.
- Providing legislative intent that the department assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on the Indian reservations and other areas in the state.
- Providing legislative intent that the Tourism Division establish, coordinate, and promote North Dakota learning vacations.
- Increasing the maximum seed capital investment that is eligible for an individual income tax credit from $50,000 to $100,000, increasing the percentage of the investment that is allowed as a credit from 30 to 45 percent, and allocating the credit over three years rather than two years.
- Providing that the department use $100,000 of the general fund appropriation provided for the director's discretionary grants to provide a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark Interpretive Center near Washburn.

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- Providing that the department use up to $25,000 of the general fund appropriation provided for the director's discretionary grants to reimburse political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.

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2003 SENATE APPROPRIATIONS

HB 1019

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

Senate Appropriations Committee

❑ Conference Committee

Hearing Date 3-11-03

Tape Number	Side A	Side B	Meter #
1	X		3411-end
		X	-end
2	X		0-end
		X	0-1550
Committee Clerk Signature	Sandra Davison		

Minutes: CHAIRMAN HOLMBERG announced the subcommittee to HB 1019 as SENATOR GRINDBERG, HOLMBERG, & ROBINSON. CHAIRMAN HOLMBERG turned the meeting over to VICE CHAIRMAN GRINDBERG to open the hearing to HB 1019. A bill relating to provide for defraying the expenses of the department of commerce and to direct the state tax commissioner to audit the ethanol incentive program.

(Meter 3411) LEE PETERSON, Commissioner of the ND Department of Commerce testified in support of the bill. He gave an overview of the department and divisions. See written testimony Exhibit 1 (A1-A2). He introduced the people involved in the departments success.

(Meter 3946) PAUL GOVIG, Director of the Division of Community Services testified in support. See written testimony Exhibit 2 (A3-A7). (Meter 4954) SENATOR ANDRIST asked if he was right in assuming the allocation to these four program areas are part of federal statue. Do you have some flexibility of moving moneys between programs. (Meter 5016) PAUL GOVIG

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stated that they do not have much flexibility moving moneys between programs so once they received those funds within those program area, they have to abide by those rules and regulations.

(Meter 5038) JIM HIRSCH, Director of the Division of Workforce Development testified in support of the bill. See written testimony Exhibit 3 (A8-A29). (Meter 6023) SENATOR GRINDBERG asked for a listing of the members of the workforce council and JIM HIRSCH stated he will provide that listing to him.

(Meter 6108) LINDA BUTTS, Director of the Division of Economic Development & Finance testified in favor of HB 1019. See written testimony Exhibit 4 (A30-A37).

TAPE 1 SIDE B

Continued with Linda Butts testimony. (Meter 614) SENATOR SCHOBINGER stated that much of the testimony approached in the programs and the grants. What is the Department of Economic, Development and Finance doing in support of the foundational types of things. That makes ND a friendlier place to do business. (Meter 715) LINDA BUTTS replied the ND Department of commerce with the help of a research team has spent the last 18 months studying the competitive advantages. They completed a tax study to be knowledgeable from a marketing stand point where the state stands. They looked at 10-11 different communities and asked questions of how we compare in state tax, income tax, workers' comp, unemployment and property tax. They hired Eide Bailey to represent them as a business and was reported that ND is very competitive in those areas. She stated this data will help market the state and she mentioned some of the low cost factors that make ND a competitive state. (Meter 826) SENATOR SCHOBINGER stated all factors taken into account, are we to assume over the next two years,

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that ND ranking will change given what ED & F is doing. (Meter 877) LINDA BUTTS referred to Corey Finneman from her department to comment. (Meter 908) COREY FINNEMAN, VP of Research responded two or three of the metropolitan cities rank very well in the small business index growth. A study of ND got drawn down on a couple of factors, one was unemployment tax, in which we share that with Job Service. Those indexes are useful for policy decisions are not necessarily reflected on business location.

(Meter 1055) SENATOR KRAUTER asked when talking about competitive advantages, upon identifying them, those competitive advantages have existed for many years, correct? (Meter 1075) LINDA BUTTS replied in regards to the tax, that was just identified but the others such as far as the low cost of doing business would be common knowledge inside our state but the rest of the world does not know this. (Meter 1090) SENATOR KRAUTER asked what tax things have changed recently that has made it competitive? (Meter 1098) LINDA BUTTS replied she doesn't believe anything has changed necessarily but with the work done by Eide Bailey, they identified the competitive advantages of ND and found out that we are very competitive and studied three industries and we are very competitive in each of the industries. Referred to Corey Finneman again. (Meter 1151) COREY FINNEMAN stated the tax study that was completed, they looked at three different industries, food processing, advanced manufacturing, and technology based businesses. In two of those, ND ranked number one and what it looked at was the 10 year tax cost to a new facility in each of those industry areas. It has a lot to do with tax exemptions that are available to those business in the first five to ten years that ND can offer. It is a matter of taking a study such as this and then marketing to businesses that are looking at expansion or to lower their costs, in the area of utilities, construction costs, etc. (Meter 1232) SENATOR

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KRAUTER stated his point was that these incentive has been since 1991 and a lot of them have been there for 12 years. Now all of a sudden you are going to start marketing? (Meter 1250)

COREY FINNEMAN stated we have become stronger and stronger in our marketing activities because of the 1.2 million dollars that was put in the previous biennium. We can now create CD roms, in-house publications, release of a geographic information system on web site. There are a number of new marketing tools that we have been able to create with the dollars that were given to them. It is a matter of getting that message out to the businesses is what this is starting to do. (Meter 1286) SENATOR MATHERN asked a follow up question. Is there a measurement to follow the data they have created, the advantages they have clarified, and the marketing that has been done? (Meter 1327) COREY FINNEMAN stated there is no specific measurement, there is not an index that measures taxes as they did in the study. (Meter 1338) SENATOR MATHERN clarified his question to an outcome related to the rational that has moved this. Do we want young people to stay here, do we want more businesses, do we want more jobs. Does your activities in an outcome measure indicates that we have accomplished those goals? (Meter 1370) COREY FINNEMAN stated he believes the numbers SENATOR MATHERN is looking for are in the testimony LINDA BUTTS gave, (Meter 1427) COREY FINNEMAN explained to SENATOR MATHERN he believed he would have to look at a number of factors and he gave several examples. He also stated there are a number of reports available.

(Meter 1518) LEE PETERSON stated that he will address some of this later. If the committee has read his strategic plan and the benchmarks, it is exactly what SENATOR MATHERN is talking about.

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(Meter 1525) SARA OTTE COLEMAN, Director of the Division of Tourism testified in favor of HB 1019. See written testimony Exhibit 5 (A37-A40) and presented written testimony of the 2003 Advertising and Media Plan Exhibit 6 (B1-B7). (Meter 2570) SENATOR TALLACKSON asked MS COLEMAN about looking at the list of cooperating with other agencies but he doesn't see any farm organizations or department of agriculture, etc. Do you cooperate with any of these organizations and try to get some trade with them too? (Meter 2629) SARA OTTE COLEMAN stated they have not done a lot marketing with other countries but there is interest in Ag tourism and some of the similarities with other countries. It is definitely an area that needs to be looked at.

(Meter 2665) LINDA BUTTS continued with testimony. See written testimony Exhibit 7 (B-8 -B10).

(Meter 3244) LEE PETERSON gave additional testimony. See written testimony Exhibit 8 (C1).

(Meter 3488) ELAINE FREMLING, Vice Chair of the Economic Development Founation-Fargo testified in favor of HB 1019. See written testimony Exhibit 9 (C2).

(Meter 4146) SENATOR DUAINE ESPEGARD, Foundation Fundraising Committee - Grand Forks spoke in favor of HB 1019. See written testimony Exhibit 10 (C3).

(Meter 4528) GUY MOOS, Foundation Strategic Plan Committee - Dickinson testified in favor of HB 1019. See written testimony Exhibit 11 (C4). (Meter 5096) SENATOR MATHERN asked in the process of putting this together and finding consultants, did they looked at the other times this has been done? He feels it just looks like the same process as has been done in the past?

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(Meter 5171) GUY MOOS replied they started with a blank slate. They wanted to make sure to take a fresh look.

(Meter 5288) LEE PETERSON gave an abbreviated additional testimony. See written testimony Exhibit 12 (D1-D6). (Meter 6048) SENATOR MATHERN stated in his opening comment, you will tell you how we are making ND a better place to live, work and play and be in business and the things that are going to be accomplished. Then are given benchmarks, are these translated into practical, real measurable things? Like the average wage is this this year and will be that in that year? The number of welfare persons will be reduced by this number or that?

(Meter 6233) LEE PETERSON stated there are a variety of benchmarks; net job growth is specifically a number. If you look at the back of the benchmarks of the strategic plan, it not only has current numbers, but numbers for 10 years. Some of the benchmarks are actual numbers you can pinpoint - net job growth, average annual wage, net migration growth numbers, and etc.

TAPE 2 SIDE A

LEE PETERSON continued his testimony. SENATOR MATHERN stated he felt this all sounded the same, we still had young people leaving the state, still have low minimum wage, we still has a slow stagmented population, our welfare roll is numbers are going up. He stated he is just leery of all of this - what are we actually going to be able to say in two years or four, that this is actually different? (Meter 100) LEE PETERSON replied back with a comment that everyone wants a magic wand and a silver bullet to wave over this state and make everything well. It will not happen, it is a process of long focused direction and real hard work. They have in the last two years, a road map for what they are doing, they now have measurements for everything they are doing, He cannot speak for the people who are not here, all he knows is that he has a strategic

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plan put together by the one of the best economic development consultants teams in the nation. That promise if we work hard, provide funding over the next 10 years, we can reverse a 50 to 80 year trend. They are focused and going in that direction and all of the things that the committee heard must be done in order for it to happen.

(Meter 189) SENATOR KRAUTER stated that these benchmark should be a problem putting them in statue in appropriations so there is an accountability process so when it comes back to the legislature in two years, we can tell the voters out there - the tax payers - from the appropriations point of view, we are getting the best value for the tax dollars. LEE PETERSON stated that all the benchmarks are going to reflect on the national economy. They believe that occasionally the legislature, the foundation needs to revisit those benchmarks to make certain that we are moving down the road in a proper manner. He would be pleased to see these benchmarks as our accountability.

(Meter 350) JIM MELLAND, EDND Chairman- Grand Forks testified in favor of HB 1019. See written testimony Exhibit 13 (E1-E2).

(Meter 900) Jonathan Gelfman ND Design Center testified in favor of HB 1019 and spoke on a project called the ND Design Center. See written testimony Exhibit 14.

(Meter 1874) SARA OTTE COLEMAN wanted to touch base on the accountability charts included in the testimony under D5-D6.

(Meter 2100) SENATOR ROBINSON asked if in their studies, aren't they better off investing in the regional market place given our limited budget? It seems as though we had great results in doing that verses the investing in Europe? It seems with limited dollars, if we really focus on the region our impact could be better. Do our studies and results prove that to be true or not? (Meter

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2183) SARA OTTE COLEMAN responded that the she has always been a strong believer in differentiating the product as much as they can. But she agreed with SENATOR ROBINSON that with limited dollars those dollars need to focused as much as they can. She believes that when people hear international marketing, it sounds extravagant. Her working in this field, her preference would be talking to people in Scandinavia rather than downtown Chicago. They are interested in our cultural, our wide open spaces, rural America. She gave some statistics on ND verses SD.

(Meter 2300) CHAIRMAN HOLMBERG commented that he noticed that SD had an information kiosk at the Mall of America in Minneapolis. Is that a year round thing and would it be cost effective? (Meter 2328) SARA OTTE COLEMAN stated she was not familiar with that.

(Meter 2340) LEE PETERSON passed out the Department's annual report and continued testifying on the new office space issue and the changes to HB 1019 from the House. Also testified regarding the workforce dollar additions to HB 1019. See written testimony Exhibit 15 (F1-F2). Annual report booklet Exhibit 16, and Exhibit 17.

(Meter 3133) CHAIRMAN HOLMBERG asked if they added funding for the Cowboy Hall of Fame? LEE PETERSON stated they required the Dept of Commerce to take a $100,00 of their current money, they did not add any money. They simply required us to use the economic development director's discretionary fund to provide for the Lewis and Clark project in Washburn not the Cowboy Hall. the funding for the Lewis and Clark.

(Meter 3252) SENATOR ANDRIST asked if the threshold of significant expansion of direct exporting of commodities. He addressed that in the interim commerce committee and had asked his department to get together with the Ag department and the ND export council just to see if

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you can develop any focus. Did that meeting ever take place? (Meter 3320) LEE PETERSON answered that they have worked a variety of issues with exports. They have cooperated with the Dept of Ag and various other agencies and projects He spoke of several export shows and exploring these efforts.

(Meter 3480) SENATOR GRINDBERG asked about the ethanol plants LEE had mentioned earlier. He asked if LEE could comment on these six new plants and more insight on the 2 million dollars for the internship piece? The plan? (Meter 3556) LEE PETERSON stated there are a variety of groups that are looking at the possibility of ethanol production in ND. There is a lot of interest in the new ethanol products from the West coast to the East coast.

(Meter 3670) SENATOR TALLACKSON stated the mentioning helping inside companies verses outside companies and he would like to see some language to be sure to keep helping the companies here to continue to operate. LEE agreed that is true.

(Meter 3766) SENATOR BOWMAN asked isn't it also true that if we build a new plant, there are laws that allow them to be built without taxes? Isn't there some incentive for that? There would be no sales tax collect from that investment from an agricultural value added business. That amounts to a huge amount of money to enhance those people to come into here. And then to subsidize them for 10 years, that is quite a business. (Meter 3908) LEE stated that his department is understanding about all those things and try to do some low cost financial assistance.

(Meter 3937) SENATOR THANE asked about the access to natural gas is almost a must if you are going to have an ethanol plant? The access has to be close enough to be affordable because it costs about a $100,000 a mile to build pipeline from an existing pipeline to a facility. He stated he feels that the best thing the Department of Commerce can do is to put pressure on "Alliance

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pipeline" to make it possible to tap into their lines because it is his understand that right now they frown on it. (Meter 4035) LEE PETERSON stated that the department has been in consolation with gas companies all over the state of ND talking about that issue. He agreed with SENATOR THANE that gas companies do frown on tapping into a line for special services. What the generally are willing to do is if the ethanol company itself wants to own the line, they will supply the gas for that line, but it is a very expensive process. There are a lot of places in ND that have both gas and water that are prepared for ethanol. It may make more sense for those ethanol plants to be in those types of locations. SENATOR THANE and LEE PETERSON agreed that at a $100,00 a mile, 10 miles away is a million dollars. A million dollars makes it very difficult to make it happen.

(Meter 4378) SENATOR KRAUTER stated the under the movement of the new department of commerce and was wondering of what is plan for stamping and the whole process? LEE PETERSON replied that according to the people building the new building, some time the second to third week of June? There are no plans for staffing changes, office space for the people who are currently working, the building will be Century Center with the Parks and Rec will be on the ground level floor, hopefully the second or third week of June. SENATOR KRAUTER inquired about the rental rate for that space and LEE answered that the current rental rate at Wells Fargo is $12 a square foot, the new rental space will be $13 a square foot. The square footage will be 1,893 more with some conference rooms. The new rental rate was figured into the budget originally keeping the budget under the 95% requested by the Governor. (Meter 4411)

SENATOR KRAUTER inquired about relating to the development fund, and asked LEE PETERSON to provide the committee with balance sheets for development fund and the

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discretionary grants. (Meter 4468) LEE PETERSON stated that everyone in the legislature has gotten a copy of Development funds annual report which lists all that information and he would be happy to get him another one and a copy of the discretionary grant fund, there is no money income it is all out go that one.

(Meter 4527) SENATOR KRAUTER wanted to have an example explained to him how a service industry such as the Waterslide in Mandan can receive up to $500,000. (Meter 4553) LEE PETERSON explained that two sessions ago it was approved the ability for the development fund to fund end zone tourism projects. They now have the capability to fund bed and breakfast hunting lodges, water parks, and a variety of other things. The development board consisting of 7 business community and is weighs to development programs. (Meter 4660) SENATOR KRAUTER continued on asking about the Internship program? (Meter 4666) LEE PETERSON outlined what was in plan currently, the House of Representatives added a million dollars in grants funding for internships to the Department of Commerce budget. Funding is provided in grants for direct support for internships for students entering growth industries that have critical shortages of available employees. The department may request matching funds to be provided by targeted industries. If the internship funding is provided, there would seek input from the workforce development council and the private sector membership of the council to help develop guidelines and criteria for the internship.

(Meter 4955) SENATOR TALLACKSON spoke on the issue of several years ago when natural gas shot up, the Grafton plant lost over a million dollars because of that rise. The gas plants have now been put in coal industry to use ND coal. LEE PETERSON referred to MILO JOHNSON from Jamestown.

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(Meter 5064) SENATOR SCHOBINGER asked what is the Department's policy on financial incentives, grants and such as to competing entities. (Meter 5100) LEE PETERSON wanted SENATOR SCHOBINGER to explain competing entities. (Meter 5114) SENATOR SCHOBINGER explained such as the case of the Water Park or any other water type park in town, the question is asked because when it gets down to the level of services, is it a concern that it is creating government sponsored monopolies? It makes it very difficult for someone who may want to compete or enter into the same type of business but do so without the grants and such to compete. Is that a concern or any controls on how that is handled? (Meter 5230) LEE PETERSON stated that funding end zone tourism is new to the department. That department considers that type of competition on a continuous basis and he explained about the Water Park funding. And explained how the board of directors looks at all issues even competition. One of the concerns is funding a primary sector companies that may in fact be in the same business. That competition is not seen because primary sector, at least 75% of their business must be done outside of the state of ND. They are competing at a national or international market. Just because they are both located in ND does not mean they are competing. SENATOR SCHOBINGER agreed with him.

(Meter 5515) SENATOR KRAUTER asked how the name end zone tourism cam about? LEE PETERSON stated it is a legislative term. A facility that people are coming here specifically for. (Meter 5604) SENATOR GRINDBERG asked about the voc edu budget? He talked about the internship program and was wondering if there was any discussions with the Governor? (Meter 5739) JIM HIRSCH, Director of the Division of Workforce Development, stated in his previous

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testimony he mentioned Partners working together to develop career awareness products and that is one of the initiatives created with Wayne Kutzner from Vocational Technology Education and had discussions with him and many other groups on bringing in many initiatives, energy industry, nursing industry, all business associations experiencing difficulty hiring workers. Getting information to our youths is important for them to make career decisions to stay in North Dakota. NorthDakotahasjobs.com is a web site that is a key piece. To get them into a good career development/ career counseling program is an important element.

(Meter 5952) SENATOR KRAUTER had another question for LEE. He asked for an update about during the last session in Section 12, there was a grant line item as far as appropriating money to abandoned public school buildings as pilot project. LEE PETERSON responded that no one has requested any of that money at this point. The department through the development fund has the ability to assist any small community with a building and that is usually the interest of their clients. Not of the school buildings have made that criteria yet.

(Meter 6178) WAYNE KUTZNER, Director of the State Board for Vocational and Technical Education testified in support of HB 1019. See written testimony Exhibit 18.

Tape 2 Side B

CHAIRMAN HOLMBERG announced the subcommittee of SENATOR GRINDBERG, HOLMBERG, AN ROBINSON. CHAIRMAN HOLMBERG stated the SENATOR GRINDBERG will be chairing this subcommittee along with the Job Service subcommittee and the Vocational subcommittee to allow a cross references with subcommittees.

(Meter 86) DONNA THIGPEN, President of Bismarck State College testified in support of HB 1019. See written testimony Exhibit 19 & 19A.

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(Meter 389) Harold Newman, President and Owner of Alchem, Grafton testified. He gave a background on his company that makes about 11 million gallons of ethanol. He has concerns about cut backs of funding and find it disheartening that there was a 10 year commitment made to operate the plant and a substantial amount of money invested in the Grafton plant. The plant has been running basically well. He believes there will be roughly 80 new ethanol plants built in the next 8-10 years. The plants have to be built in the corn belt otherwise it doesn't work to make ethanol in CA and ship the corn there, it is not economical. The state has gone from using 9% ethanol to 27% in the last three years. There is interest in growing corn and about 75% of the corn is grown in the southeastern part of the state. He talked about other businesses that depend on gas in their operations. He also spoke about a new coal fired plant at Grafton that should be "firing up" on April 20th. He asked the Appropriations committee to help keep the promise of the commitment that was previous presented.

(Meter 988) SENATOR BOWMAN asked about the price of the gasoline that makes a break even point is with ethanol production. He feels there has to be a certain point in which ethanol plants should be self sufficient.

(Meter 1055) HAROLD NEWMAN stated that is a difficult question to answer because of the variables. Generally speaking the corn at $2.35 you have to get about $1.25 for the ethanol and about $90 for the DDG, to make an reasonable return on the investment and that is a Minnesota comparison..

(Meter 1136) SENATOR BOWMAN questioned with the shortfall Minnesota is experiencing how are they going to adjust to this new climate of new money? (Meter 1142) HAROLD NEWMAN stated he didn't know if they were at that point yet. It was his understanding that the

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last he had heard, it was going to be cut in half. The issue in Minnesota is those plants are 13 years old or more. And there are 14 plants over there and should not have debt anymore in their cooperatives.

(Meter 1200) SENATOR ANDRIST wanted MR. NEWMAN to tell the committee something about coal fired broiler, what kind of a pay out does that have? What kind of coal do you use? (Meter 1230) HAROLD NEWMAN told them the way it looks now, it will be using about 85% Wyoming coal, 15% wood from Grand Forks, collected from the wind storm and have a favorable return within 60 months. (Meter 1382) SENATOR ANDRIST asked if using only 15% wood in this plant would be air quality issue? HAROLD NEWMAN stated yes and explained how the system uses air.

(Meter 1356) SENATOR ROBINSON stated MR. NEWMAN made reference to using Wyoming coal and 15 % wood, would there be any potential down the road that mix would change? Any potential chance of using ND lignite? What happens once you run out of wood? (METER 1461) HAROLD NEWMAN stated there is a lot of wood available because of Dutch elm disease. There is a possibility that there could be a mix of ND coal with the Wyoming coal. It is a trial and error deal.

(Meter 1550) Roger Reierson, President of Flint Communications and Chairman of New Economy Initiative gave written testimony only. See Exhibit 20.

CHAIRMAN HOLMBERG closed the hearing to HB 1019.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019 Vote

Senate Appropriations Committee

❑ Conference Committee

Hearing Date 4-8-03

Tape Number	Side A	Side B	Meter #
1	X		5181-end
1		X	1-4345
Committee Clerk Signature			

Minutes:

Senator Holmberg opened the discussion on HB1019. A bill providing for defraying the expenses of the Department of Commerce and to direct the State Tax Commissioner to audit the ethanol incentive program. All committee members are present. Amendments are here.

Senator Grindberg (mtr #5193) - Presented the amendments for HB1019 Department of Commerce, page four. Will begin by going through footnotes and then go back to the various sections. Started with clarifying each footnote and the funding included in each.

Tape 1, Side B

Senator Grindberg (mtr #1) - Continued explanation of the different sections of the proposed amendment.

Senator Grindberg (mtr #281) - Concluded covering the amendment. Started with his clarification of the language added to establish the criteria for the Centers of Excellence

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eligibility for state grant funds. Read from his sheet which he had submitted to Legislative Council. Wording has been captured with the technical version of the amendments.

Senator Grindberg moves to accept the amendment as proposed. Second by Senator Bowman.

Senator Schobinger (mtr #570) - Asked for more information on the funding for the World Hockey Tournment. A world tournament won't pay for itself?

Senator Holmberg (mtr #613) - Is an initiative that is put in the higher education budget. Has to do with pre marketing in Canada. Continued with detailed explanation of why the funding is in this budget.

Senator Schobinger (mtr #727) - Questioned the need for marketing funding. Doesn't the Tournament pay for itself?

Senator Holmberg (mtr #765) - Gave further explanation on why the House felt marketing funds were needed.

Senator Krauter (mtr #830) - Referenced pages 5 and 6 regarding the Centers of Excellence. What was in the Governor's proposal and the totals.

Senator Grindberg (mtr #864) - Went over the dollar amount that the Governor recommended and the amount that the House passed to the Senate. Also gave detailed amounts that are designated for each department.

Senator Krauter (mtr #1100) - Question regarding the location of the Centers of Excellence. Randomly selected?

Senator Grindberg (mtr #1112) - Recommended the funding with no plan on the location of the centers.

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Senator Krauter (mtr #1152) - Referenced page 5, why the removal discussed in fourth paragraph from the bottom.

Senator Grindberg (mtr #1179) - In anticipation of that question, passed out a handout, ND Economic Development Foundation. Not a lot of time spent on this section, anticipate a Conference Committee.

Senator Krauter (mtr #1305) - Looking at first page of the amendment. Proposed removing some lines.

Senator Grindberg (mtr #1348) - Yes, know it will be a Conference Committee issue.

Senator Krauter (mtr #1428) - Trying to meet in the middle, may mean less accountability.

Senator Grindberg (mtr #1455) - Does not agree with that assessment.

Senator Mathern (mtr #1483) - In terms of the Centers of Excellence in the University system budget, is the money that we are putting into the Centers, will that money permit development with University help? Are we taking this money from University budget or from other resources.

Senator Grindberg (mtr #1557) - A good point. The funding is being taken from several places.

Senator Holmberg (mtr #1641) - Is not a reduction from Higher Education or colleges. This money was already in the budget designated for something like this or it was some development funds money. Higher Ed budget was not reduced.

Senator Christmann (mtr #1686) - Referenced page four, the marketing of the hockey in the Red River Valley. Has seen successes in his area. Will it continue.

Senator Grindberg (mtr #1780) - Is in the departments operating line.

Voice vote for motion on the floor to amend. Motion carried.

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Senator Grindberg moves Do Pass as Amended.

Senator Robinson (mtr #1870) - Further amendment would formalize accountability with this. Offered for consideration another amendment. Explained the effect of this second amendment.

Senator Robinson moved to amend with LC #38019.0200/.0208. Second by Senator Krauter.

Senator Grindberg - Discussion followed regarding the amendments and the language. Talked extensively about the accountability issue. Does not support this last amendment.

Senator Andrist (mtr #2316) - Reason he resists these amendments, suggests that lower paying jobs aren't worth working for, feel is discriminatory to some degree to create higher paying jobs only. Market place will determine the wage. Wages will increase if more competition.

Senator Mathern (mtr #2460) - Another view on the words regarding the jobs. Seems it is the Department of Commerce not having control and not having finance programs. The bank had those. Jobs coming to ND, Dept of Commerce usually speaks not the Bank of ND. Maybe Bank of North Dakota should get more credit. Feels these amendments would be helpful to the Conference Committee process. Supports the amendments.

Senator Schobinger (mtr #2612) - Question on the previous amendments. Will add section 10 and expand on it? Asks for support of the amendment. Comes from a community that has difficulty with these issues. Questions who gets credit for jobs created in the state.

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Senator Robinson (mtr #2833) - In no way, by amending, trying to point a finger at the Dept of Commerce. Feels we need more ownership.

Senator Bowman (mtr #2926) - Are you afraid of setting a standard, if directly relating job creation to wage and benefits. Feels we expect business failure if we put a standard in place.

Senator Robinson (mtr #3068) - We want more information. What do we do to create better jobs. Not all jobs are created equal. Need as much information in this area as possible. Wants to have a positive impact. Accountability is important.

Senator Krauter (mtr #3211) - One issue, page 105 of strategic plan, previously had questioned Mr. Peterson if it would be OK to print in statute. He agreed. Did that because on page 103 of the strategic plan, indicators selected are largely measures of accomplishments not measures of activity. We need to get serious about the data we have and continue to move the state forward.

Senator Grindberg (mtr #3429) - Asks to resist the amendments. Will want to address in Conference Committee. We can not legislate management.

Senator Krauter (mtr #3613) - Not a management issue, is a reporting issue. Data need to be collected and presented.

Senator Schobinger (mtr #3672) - Referenced the Minot area, finding now that the things that were resisted are now being welcomed. Were in such a rush to bring in any job that we forgot about accountability. Need to ability to say "no" if it does not fit the communities needs. Whenever taxpayer dollars are used, there should always be a higher standard of accountability.

Senator Andrist (mtr #3877) - This is a policy for the State of North Dakota. Feels Dept of Commerce will be evaluated on the level of wage that they are creating jobs for. Feels the jobs should be created and let the market determine the wage.

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Senator Robinson (mtr #3956) - Disagree with Senator Andrist, these amendments are about information, about having data in front of us to make good decisions going forward. Additional comment, there will be changes in Conference Committee, feels it is important for the amendments to be on the bill before it gets to Conference Committee.

Roll call vote on amend presented by Senator Robinson #.0206. 6 yea, 8 nay, 0 absent. The amendment failed.

Senator Grindberg moved a Do Pass as Amended. Second by Senator Christmann.

Roll call vote 14 yea, 0 nay, 0 absent. Carrier is Senator Grindberg.

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10/30/03
Date

38019.0206
Title.

Prepared by the Legislative Council staff for
Senator Robinson
March 26, 2003

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

Page 3, line 7, after "income" insert ", net population migration"

Page 3, replace lines 9 through 12 with:

"2. The median annual wage paid to employees in jobs created with assistance from each of the department's economic development and finance programs, shown by the number of full-time, part-time, and temporary employees in jobs created under each program reported by annual wage, with and without health-related benefits, and by the federal poverty level for a household of four of up to one hundred percent, over one hundred percent and up to one hundred fifty percent, over one hundred fifty percent and up to two hundred percent, and over two hundred percent.

3. The state's fiscal investment and the net cost to the state of jobs created by each of the department's economic development and finance programs; private investment related to the jobs created; the number of jobs retained that were created in each of the four prior reporting years; and the estimated related economic impact to the state."

Page 3, line 13, replace "3." with "4."

Page 3, line 15, after "including" insert "the number of businesses hiring individuals trained under these programs," and after "state's" insert "fiscal"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 601 - Department of Commerce - Senate Changes

Section 10 of the engrossed bill is changed to expand the department's reporting of accountability measures during the 2003-04 interim.

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38019.0208
Title.0300
Fiscal No. 1

Prepared by the Legislative Council staff for
Senator Grindberg
April 8, 2003

4-9-03
1016

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

Page 1, line 2, replace "for a report to the budget" with "an exemption"

Page 1, line 3, remove "section"

Page 1, line 4, replace "to designate the department of commerce as the state's fiscal" with "to create and enact two new sections to chapter 54-60 of the North Dakota Century Code, relating to a continuing appropriation and centers of excellence"

Page 1, line 5, remove "agent for workforce development programs"

Page 1, line 15, replace "6,718,913" with "6,713,340"

Page 1, line 16, replace "8,442,124" with "8,442,223"

Page 1, line 17, replace "73,864,584" with "46,585,026"

Page 1, after line 17, insert:

"Discretionary grants	1,697,127
North Dakota development fund	2,000,000"

Page 1, line 18, replace "5,483,385" with "2,983,179"

Page 1, line 19, replace "852.014" with "851.911"

Page 1, line 20, replace "95,361,020" with "69,272,806"

Page 1, line 21, replace "77,534,217" with "51,954,482"

Page 1, line 22, replace "17,826,803" with "17,318,324"

Page 2, replace lines 3 through 6 with:

"**SECTION 3. EXEMPTION.** The funds appropriated in the discretionary grants line item in section 1 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 2, remove lines 16 through 18

Page 3, remove lines 1 through 17

Page 3, line 27, after "The" insert "discretionary"

Page 4, replace lines 1 through 8 with:

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"SECTION 11. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING. The discretionary grants line item in section 1 of this Act includes $200,000 from the general fund for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the red river valley research corridor during the second year of the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. FORT ABRAHAM LINCOLN GRANT. The discretionary grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the Fort Abraham Lincoln foundation for costs associated with the national guard reconstruction of the seventh cavalry stable, interpretation of the stable, and maintenance and repairs of other fort buildings, for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. DEVELOPMENT FUND - CENTERS OF EXCELLENCE GRANTS. Notwithstanding chapter 10-30.5, the department of commerce shall provide a grant from the development fund of $1,500,000 to the North Dakota state university center for technology enterprise and of $1,000,000 to the university of North Dakota center for innovation. The department shall provide the grant on October 1, 2003.

SECTION 14. LEGISLATIVE INTENT - INTERNSHIP PROGRAM. It is the intent of the legislative assembly that the department of commerce workforce development division develop an internship program involving its internet web site and in conjunction with North Dakota university system programs.

SECTION 15. Two new sections to chapter 54-60 of the North Dakota Century Code are created and enacted as follows:

Internet web site fee collections - Continuing appropriation.
Notwithstanding any other section of law, any moneys received by the department of commerce as subscriptions, commissions, fees, or other revenue from its career guidance and job opportunity services internet web site and deposited in its operating fund are hereby appropriated to the department on a continuing basis for payment of expenses related to administration of the web site.

Centers of excellence.

1. The department shall establish and administer a centers of excellence program. The centers of excellence include the North Dakota state university center for beef systems, the North Dakota state university center for nanoscale science and engineering, the North Dakota state university center for technology enterprise, the North Dakota state university center for high performance computing, the university of North Dakota center for innovation, and the university of North Dakota center for aerospace sciences. Before January 1, 2004, the foundation, in consultation with the state board of higher education, shall establish and shall provide the department with centers of excellence eligibility criteria. The department may designate additional centers of excellence based on the established eligibility criteria.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage

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partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.

3. An application for funds under the centers for excellence program must be received by the department before July first of the biennium during which the funds are awarded. A recipient of funds under this section shall use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section may not be used for operations or for academic instruction. The department may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall provide the department with documentation of availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; shall provide the department with annual reports for the four years following receipt of the funds; and may not use funds awarded under this section for indirect cost recovery."

Page 4, line 17, after the second "than" insert "two hundred", remove the overstrike over "~~fifty~~", and remove "one"

Page 4, line 18, remove "hundred"

Page 5, overstrike lines 5 and 6

Page 5, line 7, overstrike "7." and insert immediately thereafter "6."

Page 5, line 11, overstrike "8." and insert immediately thereafter "7."

Page 5, line 17, overstrike "9." and insert immediately thereafter "8."

Page 5, line 26, replace "2003" with "2002"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	$6,791,269	$6,718,913	($5,573)	$6,713,340
Operating expenses	8,842,124	8,442,124	99	8,442,223
Grants	48,032,153	73,864,584	(27,279,558)	46,585,026
Agricultural products utilization	6,770,657	5,483,385	(2,500,206)	2,983,179
Lewis and Clark bicentennial	853,147	852,014	(103)	851,911
Discretionary grants			1,697,127	1,697,127
North Dakota development fund			2,000,000	2,000,000
Total all funds	$71,289,250	$95,361,020	($26,088,214)	$69,272,806

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Less estimated income	55,759,805	77,534,217	(25,579,735)	51,954,482
General fund	$15,629,445	$17,826,803	($508,479)	$17,318,324
FTE	57.00	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of Senate Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE [1]	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS [2]	RESTORES OPERATING FUNDS [3]	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS [4]	REMOVES CONSOLIDATION OF WORKFORCE PROGRAMS [5]	REMOVES FUNDING FOR INTERNSHIP PROGRAMS [6]
Salaries and wages	($5,573)					
Operating expenses		($19,901)	$20,000			
Grants					($25,032,431)	($1,000,000)
Agricultural products utilization	(206)					
Lewis and Clark bicentennial	(103)					
Discretionary grants						
North Dakota development fund						
Total all funds	($5,882)	($19,901)	$20,000	$0	($25,032,431)	($1,000,000)
Less estimated income	(1,540)			(398,625)	(22,679,570)	
General fund	($4,342)	($19,901)	$20,000	$398,625	($2,352,861)	($1,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REMOVES FUNDING FOR ETHANOL INCENTIVES [7]	CREATES A SEPARATE LINE ITEM FOR DISCRETIONARY GRANTS [8]	ADDS FUNDING FOR DISCRETIONARY GRANTS [9]	ADDS FUNDING FOR FEASIBILITY STUDY [10]	ADDS FUNDING FOR MARKETING [11]	ADDS FUNDING FOR HOCKEY MARKETING INITIATIVE [12]
Salaries and wages						
Operating expenses						
Grants		($1,247,127)				
Agricultural products utilization	($2,500,000)					
Lewis and Clark bicentennial						
Discretionary grants		1,247,127	$150,000	$50,000	$200,000	$50,000
North Dakota development fund						
Total all funds	($2,500,000)	$0	$150,000	$50,000	$200,000	$50,000
Less estimated income	(2,500,000)					
General fund	$0	$0	$150,000	$50,000	$200,000	$50,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	ADDS FUNDING FOR DEVELOPMENT FUND [13]	TOTAL SENATE CHANGES
Salaries and wages		($5,573)
Operating expenses		99
Grants		(27,279,558)
Agricultural products utilization		(2,500,206)
Lewis and Clark bicentennial		(103)
Discretionary grants		1,697,127
North Dakota development fund	$2,000,000	2,000,000
Total all funds	$2,000,000	($26,088,214)
Less estimated income		(25,579,735)
General fund	$2,000,000	($508,479)
FTE	0.00	0.00

1 Funding for state employee health insurance premiums is reduced from $493 to $488.70 per month.

2 This amendment reduces funding for information technology by $19,901 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 4 percent.

3 The operating expenses line item is increased to restore $20,000 of the $200,000 general fund reduction made by the House for operating costs of the research, business development, and marketing programs of the Division of Economic Development and Finance.

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4 The funding source for the administrative costs of the development fund is changed to the general fund, the same as the executive budget. The House provided that development fund administrative costs be paid from the development fund.

5 The section added by the House designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds is removed. As a result, funding added by the House for the following programs is removed:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		($8,225,614)		($8,225,614)
Department of Human Services - Basic employment skills training (BEST)		(391,198)	($7,500)	(398,698)
Job Service - Workforce 2000	($1,002,861)			(1,002,861)
Job Service - Senior community service employment		(1,070,352)		(1,070,352)
Job Service - Trade adjustment assistance		(99,800)		(99,800)
Job Service - Workforce Investment Act		(12,735,106)		(12,735,106)
Job Service - New jobs training program			(150,000)	(150,000)
Board for Vocational and Technical Education - Workforce training contracts	(1,350,000)			(1,350,000)
Total	($2,352,861)	($22,522,070)	($157,500)	($25,032,431)

6 Removes funding added by the House for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. A section of legislative intent is added providing that the workforce development division develop a streamlined internship program involving its web site and in conjunction with university system efforts.

7 Funding of $2.5 million from the highway tax distribution fund for ethanol incentive payments is removed in accordance with provisions of Senate Bill No. 2222 which includes a continuing appropriation for the Agricultural Products Utilization Commission to make ethanol incentive payments.

8 Funding for the director's discretionary grants is removed from the grants line item and established as a separate line item in the bill. A section is added allowing the department to continue the appropriation authority included in this line item beyond the 2003-05 biennium.

9 The discretionary grants line item is increased by $150,000 from the general fund. The department is expected to have unspent general fund appropriation authority of at least $200,000 for the 2001-03 biennium, $150,000 of which has not been included in the March revised general fund turnback estimate for the 2001-03 biennium.

10 Adds funding for preparing a North Dakota proposal to attract a high-tech manufacturing facility to the state.

11 The discretionary grants line item is increased by $200,000 from the general fund. A section of legislative intent is added providing that this funding be used for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium.

12 The discretionary grants line item is increased by $50,000 from the general fund for a Canadian marketing initiative relating to the 2005 World Junior Hockey Tournament in Grand Forks.

13 Funding is added for the development fund.

The section added by the House designating $25,000 of the director's discretionary grants for use in rescues of visitors to North Dakota tourist attractions is removed.

A section is added providing that the department use $100,000 of the discretionary grants line item to provide a grant to the Fort Abraham Lincoln Foundation for reconstruction and interpretation of the Seventh Cavalry stable at the fort and for maintenance and repairs of other fort buildings.

The section added by the House precluding the department from spending funding to support the New Economy Initiative is removed.

The section added by the House providing for annual reports to the Budget Section on select activities and outcomes of the department is removed.

A section is added providing a continuing appropriation for moneys collected from the NDhasjobs.com Internet web site.

The maximum seed capital investment that is eligible for an individual income tax credit is increased from the House version of $100,000 to $250,000, provisions limiting investments in one qualified business to no more than $250,000 is removed, and the effective date is changed from taxable years beginning after December 31, 2003, to taxable years beginning after December 31, 2002.

Sections are added creating a Centers of Excellence program and identifying the following entities as Centers of Excellence for the 2003-05 biennium:

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6.44

- NDSU Center for Nanoscale Science and Engineering
- UND Center for Innovation
- NDSU Center for Technology Enterprise
- UND Center for Aerospace Sciences
- NDSU Center for High Performance Computing

A section is added providing that as of October 1, 2003, the development fund provide $1.5 million to the NDSU Technology Enterprise and $1 million to the UND Center for Innovation.

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Voice vote on add. amend - Robinson - 2nd Krauter(?)

Date: 4/8
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1019

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38019.0200/.0208

Action Taken Accept Technical Amendment by Robinson.

Motion Made By Robinson Seconded By Krauter

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓	✓			
Senator Bowman, Vice Chair		✓			
Senator Grindberg, Vice Chair		✓			
Senator Andrist		✓			
Senator Christmann		✓			
Senator Kilzer		✓			
Senator Krauter	✓				
Senator Kringstad		✓			
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson	✓				
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane		✓			

Total (Yes) 6 No 8

Absent

Floor Assignment

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

motion failed

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Operator's Signature 10/30/03 Date

Voice vote on amendments - Motion carried

Date: 4/8/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1019

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 79019.0200 / .0208 / .0300 (LC# / Amend # / Title #)

Action Taken Do Pass as amend. by Grindberg

Motion Made By Grindberg Seconded By Christman

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grindberg, Vice Chair	✓				
Senator Andrist	✓				
Senator Christmann	✓				
Senator Kilzer	✓				
Senator Krauter	✓				
Senator Kringstad	✓				
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson	✓				
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Grindberg -

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

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Operator's Signature 10/30/03 Date

REPORT OF STANDING COMMITTEE (410)
April 9, 2003 9:46 a.m.

Module No: SR-64-7162
Carrier: Grindberg
Insert LC: 38019.0208 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1019, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1019 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "for a report to the budget" with "an exemption"

Page 1, line 3, remove "section"

Page 1, line 4, replace "to designate the department of commerce as the state's fiscal" with "to create and enact two new sections to chapter 54-60 of the North Dakota Century Code, relating to a continuing appropriation and centers of excellence"

Page 1, line 5, remove "agent for workforce development programs"

Page 1, line 15, replace "6,718,913" with "6,713,340"

Page 1, line 16, replace "8,442,124" with "8,442,223"

Page 1, line 17, replace "73,864,584" with "46,585,026"

Page 1, after line 17, insert:

"Discretionary grants	1,697,127
North Dakota development fund	2,000,000"

Page 1, line 18, replace "5,483,385" with "2,983,179"

Page 1, line 19, replace "852,014" with "851,911"

Page 1, line 20, replace "95,361,020" with "69,272,806"

Page 1, line 21, replace "77,534,217" with "51,954,482"

Page 1, line 22, replace "17,826,803" with "17,318,324"

Page 2, replace lines 3 through 6 with:

"**SECTION 3. EXEMPTION.** The funds appropriated in the discretionary grants line item in section 1 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 2, remove lines 16 through 18

Page 3, remove lines 1 through 17

Page 3, line 27, after "The" insert "discretionary"

Page 4, replace lines 1 through 8 with:

"**SECTION 11. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING.** The discretionary grants line item in section 1 of this Act includes $200,000 from the general fund for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the red river valley research corridor during the second year of the biennium beginning July 1, 2003, and ending June 30, 2005.

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SECTION 12. FORT ABRAHAM LINCOLN GRANT. The discretionary grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the Fort Abraham Lincoln foundation for costs associated with the national guard reconstruction of the seventh cavalry stable, interpretation of the stable, and maintenance and repairs of other fort buildings, for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. DEVELOPMENT FUND - CENTERS OF EXCELLENCE GRANTS. Notwithstanding chapter 10-30.5, the department of commerce shall provide a grant from the development fund of $1,500,000 to the North Dakota state university center for technology enterprise and of $1,000,000 to the university of North Dakota center for innovation. The department shall provide the grant on October 1, 2003.

SECTION 14. LEGISLATIVE INTENT - INTERNSHIP PROGRAM. It is the intent of the legislative assembly that the department of commerce workforce development division develop an internship program involving its internet web site and in conjunction with North Dakota university system programs.

SECTION 15. Two new sections to chapter 54-60 of the North Dakota Century Code are created and enacted as follows:

Internet web site fee collections - Continuing appropriation. Notwithstanding any other section of law, any moneys received by the department of commerce as subscriptions, commissions, fees, or other revenue from its career guidance and job opportunity services internet web site and deposited in its operating fund are hereby appropriated to the department on a continuing basis for payment of expenses related to administration of the web site.

Centers of excellence.

1. The department shall establish and administer a centers of excellence program. The centers of excellence include the North Dakota state university center for beef systems, the North Dakota state university center for nanoscale science and engineering, the North Dakota state university center for technology enterprise, the North Dakota state university center for high performance computing, the university of North Dakota center for innovation, and the university of North Dakota center for aerospace sciences. Before January 1, 2004, the foundation, in consultation with the state board of higher education, shall establish and shall provide the department with centers of excellence eligibility criteria. The department may designate additional centers of excellence based on the established eligibility criteria.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in

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science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.

3. An application for funds under the centers for excellence program must be received by the department before July first of the biennium during which the funds are awarded. A recipient of funds under this section shall use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section may not be used for operations or for academic instruction. The department may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall provide the department with documentation of availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; shall provide the department with annual reports for the four years following receipt of the funds; and may not use funds awarded under this section for indirect cost recovery."

Page 4, line 17, after the second "than" insert "two hundred", remove the overstrike over "~~fifty~~", and remove "one"

Page 4, line 18, remove "hundred"

Page 5, overstrike lines 5 and 6

Page 5, line 7, overstrike "7." and insert immediately thereafter "6."

Page 5, line 11, overstrike "8." and insert immediately thereafter "7."

Page 5, line 17, overstrike "9." and insert immediately thereafter "8."

Page 5, line 26, replace "2003" with "2002"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	$6,791,269	$6,718,913	($5,573)	$6,713,340
Operating expenses	8,842,124	8,442,124	99	8,442,223
Grants	48,032,153	73,664,564	(27,279,558)	46,585,026
Agricultural products utilization	8,770,557	5,483,385	(2,500,206)	2,983,179
Lewis and Clark bicentennial	853,147	852,014	(103)	851,911
Discretionary grants			1,697,127	1,697,127
North Dakota development fund			2,000,000	2,000,000
Total all funds	$71,289,250	$95,361,020	($26,088,214)	$69,272,806

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Less estimated income	55,759,805	77,534,217	(25,579,735)	51,954,482
General fund	$15,529,445	$17,826,803	($508,479)	$17,318,324
FTE	57.00	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of Senate Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE [1]	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS [2]	RESTORES OPERATING FUNDS [3]	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS [4]	REMOVES CONSOLIDATION OF WORKFORCE PROGRAMS [5]	REMOVES FUNDING FOR INTERNSHIP PROGRAMS [6]
Salaries and wages	($5,573)					
Operating expenses		($19,901)	$20,000		($25,032,431)	($1,000,000)
Grants						
Agricultural products utilization	(206)					
Lewis and Clark bicentennial	(103)					
Discretionary grants						
North Dakota development fund						
Total all funds	($5,682)	($19,901)	$20,000	$0	($25,032,431)	($1,000,000)
Less estimated income	(1,540)			(398,625)	(22,679,570)	
General fund	($4,342)	($19,901)	$20,000	$398,625	($2,352,861)	($1,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REMOVES FUNDING FOR ETHANOL INCENTIVES [7]	CREATES A SEPARATE LINE ITEM FOR DISCRETIONARY GRANTS [8]	ADDS FUNDING FOR DISCRETIONARY GRANTS [9]	ADDS FUNDING FOR FEASIBILITY STUDY [10]	ADDS FUNDING FOR MARKETING [11]	ADDS FUNDING FOR HOCKEY MARKETING INITIATIVE [12]
Salaries and wages						
Operating expenses						
Grants		($1,247,127)				
Agricultural products utilization	($2,500,000)					
Lewis and Clark bicentennial						
Discretionary grants		1,247,127	$150,000	$50,000	$200,000	$50,000
North Dakota development fund						
Total all funds	($2,500,000)	$0	$150,000	$50,000	$200,000	$50,000
Less estimated income	(2,500,000)					
General fund	$0	$0	$150,000	$50,000	$200,000	$50,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	ADDS FUNDING FOR DEVELOPMENT FUND [13]	TOTAL SENATE CHANGES
Salaries and wages		($5,573)
Operating expenses		99
Grants		(27,279,558)
Agricultural products utilization		(2,500,206)
Lewis and Clark bicentennial		(103)
Discretionary grants		1,697,127
North Dakota development fund	$2,000,000	2,000,000
Total all funds	$2,000,000	($26,088,214)
Less estimated income		(25,579,735)
General fund	$2,000,000	($508,479)
FTE	0.00	0.00

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Job Service - Trade adjustment assistance		(99,800)		(99,800)
Job Service - Workforce Investment Act		(12,735,106)		(12,735,106)
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13 Funding is added for the development fund.

The section added by the House designating $25,000 of the director's discretionary grants for use in rescues of visitors to North Dakota tourist attractions is removed.

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- NDSU Center for Beef Systems
- NDSU Center for Nanoscale Science and Engineering
- UND Center for Innovation
- NDSU Center for Technology Enterprise
- UND Center for Aerospace Sciences
- NDSU Center for High Performance Computing

A section is added providing that as of October 1, 2003, the development fund provide $1.5 million to the NDSU Technology Enterprise and $1 million to the UND Center for Innovation.

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2003 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1019

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☒ Conference Committee

Hearing Date April 11, 2003

Tape Number	Side A	Side B	Meter #
1	xx		

Committee Clerk Signature: Kelly Schmidt.

Minutes: **Conference Committee**

Chairman Carlson called the meeting to order, Roll was taken with Rep. Carlson, Rep. Carlisle, Rep. Glasssheim, Senator Robinson, Senator Grindberg, and Senator Holmberg in attendance.

Legislative Council distributed a Statement of Purpose of Amendment for HB 1019 (see file)

Rep. Carlson asked that the committee identify the changes made by the Senate, The House had made considerable changes in Workforce Development, Seed Capitol, the use of the Development Fund and some accountability measures and some Interpretive Center grants. He asked Sentator Grindberg to address the changes.

Senator Grindberg shared the Senate Amendment Changes as identified in the Legislative Council hand out "Statement of Purpose of Amendment" dated 4-11-03.

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Senator Holmberg In reference to the River Rescue fund, he commented he has spoken with Stan Leason, they have received a surplus craft if needed for rescues.

Rep. Carlisle noted that fund had never been used, the rescue fund developed on the House side was for the Maa Dey Haa trail.

Senator Grindberg commented on a Twin Cities firm doing a study with the Bank of ND, and the Dept. Of Commerce for the Hi-Tech Manufacturing plant in Fargo. This is unique opportunity and we felt it needed to be addressed. $50,000 was removed on the floor of the Senate for the 2005 Hockey Tournament in Fargo. Language on outcomes and accountably was Removed, our rational the apples and apples comparison on Workforce with our decision to move those back, so we removed the entire language in hopes their strategic plan will be used. (See handout) Sections are added creating a Centers of Excellence program (see handout)

Rep. Carlson asked how these this is being funded through the development fund

Sen. Grindberg We are moving 1M from the House version into internships, and 1M of new money, 500,000 out of their asset base. Sandy, OMB will itemize this and prepare a written response. The Odegard Center 1.4M and the Centers of Technology were both addressed in the Gov. Budget.

Sen. Holmberg part of that money goes to the expanded Air Service Study, they are looking at Some grant money, which will need a match. They don't receive the state money until they raise The match.

Sen. Grindberg We used 4M existing funds, 1M in new money and $500,000 in assets. (See Handout.)

Rep. Carlisle a lot of this money came from the Higher Ed.

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Operator's Signature 10/30/03 Date

Rep. Carlson We didn't handle the Education and Centers of Excellent budget. Did the money Come over.

Sen. Holmberg The Higher Ed budget as it passed over from the House had 2M in Centers of Excellence, there wasn't much description in addition the Governor had recommended 4M for Epscore. The House added 1M, what we did in the Senate with Higher Ed, we funded 3 Centers Out of that 3M, 2M from Higher Ed, 1M of Epscore when to the Beef Center, the other went to The Extension Center. The money was in the budget you passed on. The new 1M is in the Commerce Dept., we just defined the use.

Chancellor of Higher Education HB 1003 at this point has 2M for Centers for Excellence 1.5M which is defined for specific purpose the other half for a pool that the Commerce Board Would have the authority. They there is moneys in 1019 and 1021, these 3 bills have Centers Of Excellence money.

Rep. Carlisle Commerce has the authority

Chancellor According to 1019, the Commerce Board would establish the criteria for the Centers And would have the authority.

Rep. Carlson I believe we are in agreement the Board would be responsible for the Centers of Excellence criteria.

Chancellor noted the Board of Higher Education will be meeting this afternoon and will address This issue. The President had recommended the authority remain with Higher Education so that We can be consistent.

Rep. Glassheim How much is left in Epscore

Sen Holmberg 4M

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Rep. Carlson I think it is important that we define the means for these funds with the Centers Of Excellence.

Sen Homberg Commented, a lot of the language being used is modeled from West Virginia We wrestled with language, there is a huge role for Higher Education and it came down to a Philosophies. The Dept. Of Commerce should be the one that knows Economic Dev. And Growth, therefore we put the language in Commerce.

Rep. Carlson Our concern is how do you turn the research into actual jobs. There are lots of Good ideas instead of exporting our jobs and ideas. You moved Ethanol into SB 2222,

Sen. Holmberg noted South Dakota uses a kiosk at the Mall of America to sell tourism. The Department is checking into that.

Rep. Carlisle commented we've tried a couple Beef processing plants and nothing has worked, Has something come up to think it's going to work now?

Sen. Grindberg. Sen. Bowman is the expert in that area, I didn't. There has been a lot of work Put in with the NDSU forks and new members that have moved into the state.

Rep. Carlson Some of our members had concerns with that portion of the Centers of Excellence We will want to take a little more about the money for marketing. Meeting adjourned.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☒ Conference Committee

Hearing Date April 15, 2003

Tape Number	Side A	Side B	Meter #
1	xx		
Committee Clerk Signature	Kelly D Schmidt		

Minutes: **Conference Committee**

Chairman Carlson called the meeting to order, all committee members were in attendance **Rep. Carlson, Rep. Carlisle, Rep. Glassheim, Sen. Grindberg, Sen. Holmberg, Sen. Robinson.**

Sen. Grindberg reviewed Senate amendment 38019.0213, Section 11, This section described the Senate intent to create an image and tell the world what the State of ND is doing. This $200,000 is new money which we restored, as noted in Footnote 11.

Rep. Carlson Section 11 is agreed upon, Section 12

Sen. Grindberg identified the $150,000 of unused river rescue money and moved 100,000 to the Ft. Abraham Lincoln Foundation.

Rep. Carlisle noted a handout from the Foundation dated 4-14-03, (see written document)

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Deanna Dillabaugh 10/30/03
Operator's Signature Date

Rep. Carlson noted this is additional money on our side, we had used the funds for the rescue grant for the Maa Daah Hey Trail.

Legislative Council The House added the Maa Daah Hey Trail, the Senate added $150,000 and a forecasted turn back of $150,000, they removed the trail rescue and to date 200,000 turn back is expected.

Rep. Carlson So, there is an increase of $150,000 in general funds. We are refunding our turn back. I have trouble with that concept. We assume we removed $125,000.

Sen. Grindberg The money wasn't picked up in the Revenue Forecast and was considered in the turn back.

Rep. Carlson So, we didn't use is last time. It was returned and reappropriated, Consensus on Section 12.

Rep. Carlisle address the Maa Daa Hey Trail issue explaining the information given during the hearing process, he noted a potential for increased activity in the area and the volunteers experience the expense of rescue. This fund would address that.

Rep. Carlson we would like to restore this.

Sen. Holmberg we thought this was for a failed project.

Rep. Carlisle noted he would draft an amendment to restore the trail grant.

Rep. Carlson noted the restoration of the $20,000 as note in footnote #3

Lee Peterson, Commissioner, Dept. Of Commerce. This goes to administration, we needed to replace $32,000 for a federal match on a grant for the Division of Community Services, we asked for restoration of those funds.

Rep. Carlson We removed $200,000 from the Economic Development and Finance.

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Lee Peterson $20,000 will be used for administration and physical staff.

Rep. Glassheim noted the House removed $180,000, it remains out. (Legislative Council will address the language as requested by Glassheim/Carlson)

Rep. Carlson addressed footnote #4 and the change of the funding directive

Sen. Grindberg we restored the money, tied it into the Centers of Excellence funding. We felt this was the right thing to do. 1M was identified, we funded the agency and dedicated 2.5M

Rep. Glassheim is the Development Fund a grant program?

Sen. Grindberg it has a history of providing grants and loans to 2 centers. It has a fit with the mission statement and start ups. Public Venture Capital would be part, if we want it to be private then we pull it.

Rep. Glassheim Administration funds are being pulled from the program, this reduces programming. Ie: Water Commission, Highway Patrol.

Rep. Carlson I have no opinion on that until the Development Fund is put together. Let's address the Centers of Excellence. Do the definitions coincide with code? Was this the directive or are we duplicating.

Sen. Grindberg There are no further definitions. (See handout entitled Centers of Excellence) The criteria in committee was to work language for Commerce and Higher Education to work together to eligible for the $500,000 pool.

Rep. Carlson Why here instead of Higher Education?

Sen. Grindberg This is an Economic Development issue and thought is best fit by a Economic Development entity.

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Sen. Holmberg noted the Governor budget rolled this into one concept. We are still 1.5M below the governors recommendation.

Meeting adjourned.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☑ Conference Committee

Hearing Date 4--16--03

Tape Number	Side A	Side B	Meter #
1	XX		7.5 TO END
1		XX	0.0--3.9
Committee Clerk Signature			

Minutes:

Rep. Carlson: We will bring the conference hearing on HB 1019 together. The clerk will take the roll. All six Conference Committee Members are present.

Rep. Carlson: As we left the other day basically we were just trying to sort out the things we agreed on and just to follow the changes that had happened. I think the good news is that the internship program still is in existence, the center of excellence is still in existence. Just a matter of deciding if we like the mechanism to deliver those services.

Senator Grinberg had a sheet. Did everybody get a copy. I think this is kind of what we are going to do today. Try to make sure we all follow the money. Senator, they all have a copy. You can go thorough with us if you want to.

Sen. Grindberg: Please read the amendment which was read by Senator Grinberg.

Rep.Carlson: Any questions on what Senator Grinberg just read to you?

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Rep. Glassheim: How much is left in the development fund?

Rep. Carlson: Allen, do you have that information. Something updated. Kind of a synopsis.

Allan: This shows going back to 1991 on the first part of the schedule through Jan. 2003.(**SEE ATTACHED).** Does not show legislative action.

Rep. Carlson: There is $2.5 M right here for the development fund for the Centers of Excellence. $2 M going in from general fund and $2.5 M going out. The deduction is $500,000 to the bottom line. From when this left the house, there is $1.9 M less for the total budget, when the senate saw it. When it left the house, where were we at in terms of general fund obligations?

Alan: $1 M less as it left the house. (Dev. Fund = $400,000, Dis. Grants = $200,000, Tourism = $200,000, Operating Ed/F = $200,000). Senate was $1.8 M over the house version.

Rep. Carlson: We are $800,000 difference between the two versions.

Rep. Glassheim: The house took $1 M off Executive budget. The senate netted -$500,000. To the development fund, the senate netted -$500,000.

Alan: There is $2 M of new money going into the development fund in the senate version. You are taking out $2.5 M.

Rep. Carlson: Alan, are you aware of any other money moved from the development fund in any other budget other then what we are dealing with here? Dean? No. When we reconcile the development fund, there will be about $7.3 M left if we had legislative action today just the way it is. It's $7.8 M now. Take out the $.5 M then we have $7.3 M left. In the house, we made an effort to combine all the workforce training dollars into one place. It was under the Dept. Of Commerce in their workforce training division. We had moved money from Human Services, Job Services, and Voc. Ed. You have moved all of that back to where it was. The senate did that.

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Sen. Grindberg: We had lots of testimony and they were concerned about transferring FTE and administrative oversight. We thought it was too big of a change in the front end. We decided to move them back to the various entities. Moving 30 employees to Commerce was a problem. They were not set up for that, we and they felt.

Rep. Carlson: We did some homework and found that you can designate agencies. There was some concern of endangering federal money. In Human Services and Job Service, you can designate an agency. Our concerns was what is the goal of workforce training whether it be welfare to work or unemployed to work. Where is the tracking and coordination so that you are not just recycling and where is the result. If you are spending $30 M you should have lots of people back to work. Accountability factor.

Sen. Robinson: We had extensive testimony. Mr. Hirsch convinced us the coordination is there. The University System convinced us that they system right now works. The interim committee recommended no change in what we are doing. We did not get any testimony in support of what the house was doing.

Rep. Glassheim: I don't think we had testimony in the house from private sector people. We had no testimony that it was broken nor that private sector people wanted this. In concept, you would get something better by consolidation. Often you don't. The people on the ground doing things have some knowledge of what's going on. Some point you have to trust them to work with the system that works.

Sen. Grindberg: We analyzed the actions of the house. The programs we have are good. Workforce was developed in 1999 session and had strong private sector involvement and was a great model. Private sector tends to wean away once implemented and take the back seat. We

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have two strong general fund programs: Workforce 2000 and Workforce Training. Workforce training has increased to millions in increased in salaries.

Rep. Carlson: I am handicapped because I am an employer. I get phone calls all winter long. I get calls because one of the rules for them to be on unemployment, they have to call and most don't want to work. The system allows them not to go to work. We thought some coordination and accountability were good. I am not convinced that accountability is there. If you look at the administrative costs of the program, more went into that then training or to the people. I have a problem with that. That was part of the house reason for changing. This is a big issue.

Sen. Robinson: We did have private sector testimony and support. No testimony indicating that it was not working.

Rep. Carlisle: We tried to calculate the administrative cost. It was very high.

Rep. Carlson: I need to get a handle on the internship program.

Sen. Grindberg: We left the intent language in section 14 of your yellow sheet. As job web site grows, if linked to internship program, this would make sense. If we had $1 M it would go to the development fund-Centers of Excellence.

Rep. Glassheim: I am in favor of restoring the money to the internship program. The whole notion is good for keeping young people in the state.

Sen. Grindberg: On HB 1020, the Dept. Of Voc. Ed. Added $1 M for programming and internships for 2-4 year programs with high costs.

Rep. Carlson: We were not comfortable with the $2 M original proposed. We lowered to $1 M in Commerce. We took it out of High Ed.

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Rep. Glassheim: I am passing around something.**(SEE ATTACHED)** I have some trouble with Centers of Excellence. I believe it should be for commercialization for university research. I feel this is where the payback is to the state. I would like the money to be used for commercialization of research. A board with higher ed and commerce involved in choosing research. To help researcher who have no notion of finance, management, and production. Help them make the link between private industry. The two bid appropriations are for buildings, which I don't agree with. Making profit out of research instead of buildings.

Sen. Grindberg: I don't disagree with what you are saying. You need infrastructure and facilities to move forward an agenda. Investment has to be made to leverage resource.

(End side A, begin side B) Discussion on New Economy

Sen. Grindberg: We did not restore the New Economy .

Rep. Glassheim: In section 10 - the accountability measures- I'm strongly in favor of restoring that or something close to that. We should have something that shows accountability. Numbers of results and we can publish. We need to track how things are doing.

Sen. Grindberg: During the interim on Commerce Committee, we wanted continuity and stability and a plan longer than 2 years. We all need to be satisfied with our states investment and I don't feel we are there yet.

Rep. Carlson: I agree with Rep. Glassheim. I think we need some statement of accountability.

We are making a big investment. I prefer we put it into research instead of infrastructure.

However, I don't have an issue with it.

Rep. Carlisle: It needs to be understood by the public, too. There is the accountability issue.too.

Adjourn.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1019

House Appropriations Committee
Government Operations Division

X Conference Committee

Hearing Date 4-17-03

Tape Number	Side A	Side B	Meter #
2	XX		38.5--end
2		XX	0.0--20.7

Committee Clerk Signature Pam Dever

Minutes: **Rep. Carlson:** I call this conference to order on HB1019 the Commerce budget. We have not talked about the tourism part of the budget yet. In the house we had put the Dept. Of Commerce as a fiscal agent administrative workforce development. The senate removed that. We will take this off the table and accede to the senate. The footnote on page 5 would be gone. Section 15 we remove "Internet web site fee collections". Sections 11 and 12 are O.K. I have concerns about the internship program. I like the internship program.

Rep. Glassheim: What was the original intent of intern language?

Rep. Carlson: Do we allow outside explanations? O.K. Lt. Gov. has the floor.

Lt.Gov.Dalrymple: I participated in the original discussion about internship funding. Perhaps the governors office hasn't done as good a job at explaining it. You created last session, several kinds of internships. The main focus was on the college student interested in entering a technology career in business. While in college, they can work part time and work. They have a

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Date

job waiting for them when they graduate and stay in ND. They get part of their student loan paid off, and they agree to stay at that job for a particular amount of time. This works very well. We want to expand this. It is a good tool. The senate has a different view of the second million dollars. I understand that 2-year colleges were feeling left out.

Rep. Carlson: Sen. Grindberg, did you see this is where the 2 year schools got their money?

Sen. Grindberg: No, I thought it was from student loan trust money.

Rep. Carlson: We need to clarify where all the money is going and give to the right place. We are wondering what happens to the Center of Excellence dollars that is tied to this. We want to understand the purpose of these dollars. Should be cooperative effort.

Sen. Grindberg: I think we are moving in that direction.**(Tape 2, side B)** Concerning the money for workforce, if voc. ed. has money, then let's move workforce to higher ed and keep it all under one umbrella.

Rep. Carlson: It has to all be in agreement or we will have the same battle next session..

Sen. Robinson: Is there more student loan trust fund in the budget?

Allan,L.C. Representative: As far as this budget, there is $1 M is from higher ed for internships. Senate moved that over to development fund and used that money in Centers of Excellence.

Rep. Carlson: I want to hear from the senate, since they removed the money. We wanted a $1 M into it. What are your thoughts on internship program?

Sen. Robinson: If we had a million dollars, we would support it. Where does the money come from?

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Rep. Carlson: From the higher ed budget. There was $2 M in the higher ed budget for internships. We took out $2 M and restored $1 M in Commerce budget. We left nothing in higher ed for internships. Is that the best place for it? Have we done this in the past?

Chan. Isaak, University System: Not from general fund. It has been on campus it was funded by business. This will continue. This is a state investment.

Sen. Grindberg : I think we all understand the rational of why we want more internships. Where will we find the money and how is it used. Can you explain how you would have run the program if you got the $2 M, Chan. Isaak?

Chan. Isaak: Option 1. Money goes directly into a business. Business pays $5 and this fund matches $5. Option 2. Internship is for related work for field choice. An engineer should not be opening mail. Totally unrelated. Option 3. Funnel the money into the campus to supplement what they are already doing. Option 4. You could target certain industries for state growth.

Sen. Holmberg: As we look at the house suggestion, moving the funding that went to 4 tech schools out of voc tech to higher ed. Can we combine our resources like two birds with one stone concept? Have you thought about that?

Rep. Carlson: There is merit in what you say. This is a work in progress. Two year schools are near and dear to my heart. Leave the internships and work with language.

Chan. Isaak: I need to set the record clear that myself and other presidents are very supportive of Centers of Excellence.

Rep. Carlson: We will have to reinstate the language we had in the house. Alan, are you keeping track of these? I still have a problem moving the money back to general fund obligation for the administration development fund. We had moved that out of the development fund

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($400,00). We took workforce off the table today. We moved $2 M of general fund dollars to Job Service.

Alan: The senate put $1.5 M in for Workforce 2000. House had $1 M.

Rep. Carlson: In the house, our discussion was that the same business using workforce training over and over and over again to the benefit of their company. We targeted and reduced it to $1 M so it would be for new business to receive the workforce training. That is why we moved the money and now the senate removed the language as well. We had put in some language that removed the funding for the new economy initiative and we added a section saying that the department could not spend any funds for the new economy initiative. Rep. Martinson was concerned about that and added that amendment.

Sen. Grindberg: I have been adding up changes we made. We only had four or five changes to the bill. We did not restore the funding to new economy. We just removed the language that restricted the department from becoming involved with any type of partnership activities with private sector funds or discretionary grants. We felt linkage to help each other was O.K.

Rep. Carlson: Our concern was there was some debt in new economy initiative and we did not want to be using our dollars. That came from the full committee, that concern. Biggest thing out there yet is Centers of Excellence.

Adjourned

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☒ Conference Committee

Hearing Date April 21, 2003

Tape Number	Side A	Side B	Meter #
1	xx		33.4

Committee Clerk Signature Kelly S Schmidt

Minutes: **Conference Committee**

Chairman Carlson called the conference committee to order. Those member in attendance

Rep. Carlson, Rep. Carlisle, Rep. Glassheim, Sen. Grindberg, Sen. Holmberg, and Sen. Robinson

Rep. Carlson addressed the Centers of Excellence draft language which was distributed (see handout)

Sen. Grindberg noted the Senate looked at the partnership approach to the Centers of Excellence. That idea was discussed during a conference call with the committee, Chancellor of Higher Education, along with the Presidents of UND and NDSU.

Rep. Carlson noted the partnership idea with Higher Ed. And the Dept. Of Commerce research brings the results we are looking for, this does that, it leaves the door open to make it workable.

Sen. Robinson agreed with the idea

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Rep. Glassheim noted this was very workable...."It's marvelous"

Rep. Carlson we are in agreement with the University Presidents

Sen. Holmberg my impression was this is the way to go, all Round Table players will be included.

Rep. Carlson what's your intention regarding buildings, more research or buildings. I'd like to see more revenue enhancement with matching funds instead of building something, we need to maximize dollars.

Sen. Grindberg Legislation works on the issue, after the interim there may be a move to another directive. If the goal is enhanced, they would have to go through the budget process next session. I would like to express my appreciation to the Chancellor and his staff for their effort and patience.

Sen. Grindberg made a motion to direct the Development Fund be payable as $1,250,000 to NDSU and $800,000 to UND, second By Sen. Holmberg.

Sen. Holmberg noted he spoke with the project director in Grand Forks, and they can work with the $800,000.

Rep. Carlson advised the committee he would like the amendments drafted and reviewed before the vote. He also noted concerns with the funding of administration from the Development Fund.

Sen. Holmberg relative to the Internship program and this budget, other committees need some resolve on internships, should it be addressed here or in Higher Education?

Rep. Carlson outlined the additional areas of the budget yet to be addressed.

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1. Centers of Excellence 2. Workforce Training, is gone 3. Internship, funding 4. Function of the Development Fund, the guidelines and what's left. 5. Tourism 6. Accountability measures.

Sen. Grindberg distributed proposed language on benchmarks and accountability, he recommended they be attached as part of the bill.

Meeting adjourned.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☑ Conference Committee

Hearing Date April 22, 2003

Tape Number	Side A	Side B	Meter #
1		xx	0-12.6

Committee Clerk Signature Kelly S Schmidt

Minutes: **Conference Committee**

Chairman Carlson called the conference committee to order, Those in attendance include **Rep. Carlson, Rep. Carlisle, Rep. Glassheim, Sen. Grindberg, Sen. Robinson, absent was Sen. Holmberg.**

Allan, Legislative Council reviewed House amendment 38019.0215 with the committee (see attached)

Rep. Glassheim noted the language in Section 9 was directed from the Foundation benchmarks plus 4 to 5 from Job Service.

Rep. Carlson requested the Commissioner to look at Section 9 and prepare written comment as to exclusions or additions.

Lee Peterson, Dept. Of Commerce, noted the strategic plan and the parties are responsible not only for the Department of Commerce, but the State of ND as a whole.

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Sen. Grindberg noted the ending fund balance, a reduction of $400,000 was made to the Higher Education budget for the Centers of Excellence.

Rep. Carlson are we in agreement so far? In the accountability portion of the bill, I have concern with the legislative intent in the internship program. We need to target internships and create jobs.

Sen. Grindberg there is directive in the HB 1003, a pool is being established to set up something for the internship program. Also noted, was a bill relating to ITD and the research issue. HB 1022 restricts ITD business with private industry. There is concern regarding the incubator research project.

Rep. Carlson I drafted those private IT amendments and realize there may need to be discussion regarding certain entities. We will address tourism tomorrow and ask for directive regarding the Development Fund.

Lee Peterson, Department of Commerce The development fund loses $700,000 with all legislative action.

Sen. Grindberg requested an update re: SB 2335 there is additional capital needed for investment, we need clarification.

Rep. Carlson I want to know total impact and how it sits with your department,

Legislative Council from the Senate there is a reduction $654,288

Rep. Carlisle addressed the New Economy Initiative, can you fund this with the discretionary fund?

Lee Peterson money and language are gone.

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Sen. Grindberg the vast majority is still at the Commissioners discretion, we have not designated the major portion of those funds.

Meeting adjourned.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee
Government Operations Division

☑ Conference Committee

Hearing Date April 23, 2003

Tape Number	Side A	Side B	Meter #
one		xx	12.4 – end -124

Committee Clerk Signature Kelly L Schmidt

Minutes: **Conference Committee**

Chairman Carson called the conference committee to order, all members were present, including **Rep. Carson, Rep. Carlisle, Rep. Glassheim, Sen. Grindberg, Sen. Holmberg and Sen. Robinson.**

Legislative Council reviewed amendment 38019.0220 there is an addition on the House version of $600,000 and a reduction in general funds of $1,153,601 (see amendment)

Rep. Carlson noted the New Economy Initiative funding is gone, the language remains.

Rep. Glassheim, in reference to Section 9, the accountability measures have been taken from the foundation benchmarks.

Sen. Grindberg what's here matches the strategic plan of the department, so we measure apples to apples.

Rep. Carlson this also eliminates multiple reporting

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Deanna Kilbreath 10/30/03
Operator's Signature Date

REP. CARLISLE MOVED A DO PASS ON AMENDMENT 38019.0220, SECOND BY

REP. GRINDBERG

Rep. Glassheim I question the accountability measures gathered from Job Service. We don't know where we are unless we have a benchmark to the national levels. We need to address the favorable points as well as the unfavorable.

Sen. Grindberg we are taking a step in the right direction, it's imperative to pattern with the strategic plan. With 2 years into a new agency we shouldn't start adding things at this point, I don't disagree altogether with Rep. Glassheim, but let's follow the plan we set up and not add more. We can come back and make adjustments after the growing period.

Rep. Carlson the accountability measures have been addressed, we can't cover everything.

Rep. Glassheim If it's useful, we would initiate it. It's good, it could be better

Sen. Holmberg there is accountability in Higher Education, the house added measures, but we resisted because we didn't want them added in the middle of the process.

Sara Otte-Coleman, Tourism noted Section 10 doesn't change the departments approach, we want to market the whole state. Section 11, we can do bids, it's not going to change our resources.

Rep. Carlson not everything has to be the same, other agencies can bring fresh ideas.

TEMPORARY RECESS

Rep. Carlson Discussion regarding the Lewis & Clark money, running through the grant line of Commerce and then back out of there to Ft. Lincoln/ Washburn.

OMB It will come under the special line item for Lewis and Clark, all Lewis & Clark money is in the same place.

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Sen. Grindberg I want a matter of record, on tape, Al described it earlier today on the Centers of Excellence language and I want to stress, the centers that we have funded received those funds and Subsection 3 of that bill shows that any new center defined in partnership and funded out of the pool of the Higher Education budget. I want to make that clear, there is no other processes, that centers that we have funded direct have to go through to receive their funding. 2. Discussion with Council this morning, it gets back to the spreadsheet on the Development Fund and it's assets. We decided on to put intent language, SB 2335 should that pass, that 5M, the intent would be to have the funds managed by the Development Fund and not the Bank of ND.

Rep. Carlisle Mr. Peterson talked to the chair on both sides, he had to leave the city for business, Linda and Sara are here.

Rep. Glassheim I would like to thank the majority for their cooperation on this, it is a fair better bill than it was 10 days ago,

Rep. Glassheim made a motion to add $250,000 from the general fund to add to the Internship program, that would be attached to Higher Education, second by Sen. Robinson.

Rep. Glassheim I appreciate that we have a Internship program of some sort, I do think it needs something to back it up.

Sen. Holmberg Mr. Chairman, The Governors budget originally had the internship in Higher Education and the Higher Education amendments, this talks that Commerce work in concert with the ND University system program. In 1003, the language states that the state board should study in the interim the use of internships to attract student to state and implement an internship program by July 1, 2004. The Board is encouraged to seek internship from the Dept. Of

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Commerce, Job Service, and Higher Ed. Roundtable, ND Student Association and the board may accept any public or private money to implement the program. A report will be introduced at the first meeting of the budget section. Discussion was lets take it out of their pool, we have already gone to that pool a number of times, so we felt in concert with all these and the Governor office is strong on internships and the Board likes internships but needs more information in our mind. That's why language was put there, we want them to work together. We could put 2M into it but where not sure what would be done with it, this gets it into effect.

Rep. Glassheim I agree with language and what you are doing and agree with the fact that it is not well defined now, it will be and at that point money will be necessary to do something with it. It come down to it being a priority in this budget. To make sure something happens.

Roll call vote..... 4 nay 2 yeah (Glassheim/Robinson) MOTION FAILS

Rep. Glassheim I still view the tourism activities as, not a disagreement with the Senate and the House, but a method of moving $300,000 out of the general fund. And out of the 2.9M raise out of the external tax. I appreciate it is related to Lewis and Clark, but it still seems to me had the 2.9M not passed, this is really moving the hotel tax to the general fund, so I will oppose it.

ROLL CALL VOTE, DO PASS ON AMENDMENT .0220 AND THE SENATE RECEDES FROM IT'S AMENDMENTS..... 4 YEAH 2 NAY (glassheim/robinson) MOTION CARRIES.

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38019.0213
Title.0500
Fiscal No. 1

Prepared by the Legislative Council staff for
Senator J. Lee
April 10, 2003

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

In lieu of the amendments adopted by the Senate as printed on pages 1265-1269 and pages _____ of the Senate Journal, Engrossed House Bill No. 1019 is amended as follows:

Page 1, line 2, replace "for a report to the budget" with "an exemption"

Page 1, line 3, remove "section"

Page 1, line 4, replace "to designate the department of commerce as the state's fiscal" with "to create and enact two new sections to chapter 54-60 of the North Dakota Century Code, relating to a continuing appropriation and centers of excellence"

Page 1, line 5, remove "agent for workforce development programs"

Page 1, line 15, replace "6,718,913" with "6,713,340"

Page 1, line 16, replace "8,442,124" with "8,442,223"

Page 1, line 17, replace "73,864,584" with "46,585,026"

Page 1, after line 17, insert:

"Discretionary grants	1,647,127
North Dakota development fund	2,000,000"

Page 1, line 18, replace "5,483,385" with "2,983,179"

Page 1, line 19, replace "852,014" with "851,911"

Page 1, line 20, replace "95,361,020" with "69,222,806"

Page 1, line 21, replace "77,534,217" with "51,954,482"

Page 1, line 22, replace "17,826,803" with "17,268,324"

Page 2, replace lines 3 through 6 with:

"**SECTION 3. EXEMPTION.** The funds appropriated in the discretionary grants line item in section 1 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 2, remove lines 16 through 18

Page 3, remove lines 1 through 17

Page 3, line 27, after "The" insert "discretionary"

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Page 4, replace lines 1 through 8 with:

"**SECTION 11. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING.** The discretionary grants line item in section 1 of this Act includes $200,000 from the general fund for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the red river valley research corridor during the second year of the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. FORT ABRAHAM LINCOLN GRANT. The discretionary grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the Fort Abraham Lincoln foundation for costs associated with the national guard reconstruction of the seventh cavalry stable, interpretation of the stable, and maintenance and repairs of other fort buildings, for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 13. DEVELOPMENT FUND - CENTERS OF EXCELLENCE GRANTS. Notwithstanding chapter 10-30.5, the department of commerce shall provide a grant from the development fund of $1,500,000 to the North Dakota state university center for technology enterprise and of $1,000,000 to the university of North Dakota center for innovation. The department shall provide the grant on October 1, 2003.

SECTION 14. LEGISLATIVE INTENT - INTERNSHIP PROGRAM. It is the intent of the legislative assembly that the department of commerce workforce development division develop an internship program involving its internet web site and in conjunction with North Dakota university system programs.

SECTION 15. Two new sections to chapter 54-60 of the North Dakota Century Code are created and enacted as follows:

Internet web site fee collections - Continuing appropriation.
Notwithstanding any other section of law, any moneys received by the department of commerce as subscriptions, commissions, fees, or other revenue from its career guidance and job opportunity services internet web site and deposited in its operating fund are hereby appropriated to the department on a continuing basis for payment of expenses related to administration of the web site.

Centers of excellence.

1. The department shall establish and administer a centers of excellence program. The centers of excellence include the North Dakota state university center for beef systems, the North Dakota state university center for nanoscale science and engineering, the North Dakota state university center for technology enterprise, the North Dakota state university center for high performance computing, the university of North Dakota center for innovation, and the university of North Dakota center for aerospace sciences. Before January 1, 2004, the foundation, in consultation with the state board of higher education, shall establish and shall provide the department with centers of excellence eligibility criteria. The department may designate additional centers of excellence based on the established eligibility criteria.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the

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leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.

3. An application for funds under the centers for excellence program must be received by the department before July first of the biennium during which the funds are awarded. A recipient of funds under this section shall use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section may not be used for operations or for academic instruction. The department may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall provide the department with documentation of availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; shall provide the department with annual reports for the four years following receipt of the funds; and may not use funds awarded under this section for indirect cost recovery."

Page 4, line 17, after the second "than" insert "two hundred", remove the overstrike over "~~fifty~~", and remove "one"

Page 4, line 18, remove "hundred"

Page 5, overstrike lines 5 and 6

Page 5, line 7, overstrike "7." and insert immediately thereafter "6."

Page 5, line 11, overstrike "8." and insert immediately thereafter "7."

Page 5, line 17, overstrike "9." and insert immediately thereafter "8."

Page 5, line 26, replace "2003" with "2002"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	$6,701,269	$6,718,913	($5,573)	$6,713,340
Operating expenses	8,842,124	8,442,124	99	8,442,223
Grants	46,032,153	73,864,584	(27,279,558)	46,585,026
Agricultural products utilization	6,770,557	5,483,385	(2,500,206)	2,983,179
Lewis and Clark bicentennial	853,147	852,014	(103)	851,911
Discretionary grants			1,647,127	1,647,127
North Dakota			2,000,000	2,000,000

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development fund				
Total all funds	$71,289,250	$95,361,020	($26,138,214)	$69,222,806
Less estimated income	55,759,805	77,634,217	(25,679,735)	51,954,482
General fund	$15,529,445	$17,826,803	($658,479)	$17,268,324
FTE	57.00	57.00	0.00	57.00

Dept. 601 - Department of Commerce - Detail of Senate Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE [1]	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS [2]	RESTORES OPERATING FUNDS [3]	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS [4]	REMOVES CONSOLIDATION OF WORKFORCE PROGRAMS [5]	REMOVES FUNDING FOR INTERNSHIP PROGRAMS [6]
Salaries and wages	($5,573)					
Operating expenses		($19,901)	$20,000			
Grants					($25,032,431)	($1,000,000)
Agricultural products utilization	(206)					
Lewis and Clark bicentennial	(103)					
Discretionary grants						
North Dakota development fund						
Total all funds	($5,882)	($19,901)	$20,000	$0	($25,032,431)	($1,000,000)
Less estimated income	(1,540)			(398,625)	(22,679,570)	
General fund	($4,342)	($19,901)	$20,000	$398,625	($2,352,861)	($1,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REMOVES FUNDING FOR ETHANOL INCENTIVES [7]	CREATES A SEPARATE LINE ITEM FOR DISCRETIONARY GRANTS [8]	ADDS FUNDING FOR DISCRETIONARY GRANTS [9]	ADDS FUNDING FOR FEASIBILITY STUDY [10]	ADDS FUNDING FOR MARKETING [11]
Salaries and wages					
Operating expenses					
Grants		($1,247,127)			
Agricultural products utilization	($2,500,000)				
Lewis and Clark bicentennial					
Discretionary grants		1,247,127	$150,000	$50,000	$200,000
North Dakota development fund					
Total all funds	($2,500,000)	$0	$150,000	$50,000	$200,000
Less estimated income	(2,500,000)				
General fund	$0	$0	$150,000	$50,000	$200,000
FTE	0.00	0.00	0.00	0.00	0.00

	ADDS FUNDING FOR DEVELOPMENT FUND [12]	TOTAL SENATE CHANGES
Salaries and wages		($5,573)
Operating expenses		99
Grants		(27,279,558)
Agricultural products utilization		(2,500,206)
Lewis and Clark bicentennial		(103)
Discretionary grants		1,647,127
North Dakota development fund	$2,000,000	2,000,000
Total all funds	$2,000,000	($26,138,214)
Less estimated income		(25,679,735)
General fund	$2,000,000	($658,479)
FTE	0.00	0.00

1 Funding for state employee health insurance premiums is reduced from $493 to $488.70 per month.

2 This amendment reduces funding for information technology by $19,901 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 4 percent.

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3 The operating expenses line item is increased to restore $20,000 of the $200,000 general fund reduction made by the House for operating costs of the research, business development, and marketing programs of the Division of Economic Development and Finance.

4 The funding source for the administrative costs of the development fund is changed to the general fund, the same as the executive budget. The House provided that development fund administrative costs be paid from the development fund.

5 The section added by the House designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds is removed. As a result, funding added by the House for the following programs is removed:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		($8,225,614)		($8,225,614)
Department of Human Services - Basic employment skills training (BEST)		(391,198)	($7,500)	(398,698)
Job Service - Workforce 2000	($1,002,861)			(1,002,861)
Job Service - Senior community service employment		(1,070,352)		(1,070,352)
Job Service - Trade adjustment assistance		(99,800)		(99,800)
Job Service - Workforce Investment Act		(12,735,106)		(12,735,106)
Job Service - New jobs training program			(150,000)	(150,000)
Board for Vocational and Technical Education - Workforce training contracts	(1,350,000)			(1,350,000)
Total	($2,352,861)	($22,522,070)	($157,500)	($25,032,431)

6 Removes funding added by the House for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. A section of legislative intent is added providing that the workforce development division develop a streamlined internship program involving its web site and in conjunction with university system efforts.

7 Funding of $2.5 million from the highway tax distribution fund for ethanol incentive payments is removed in accordance with provisions of Senate Bill No. 2222 which includes a continuing appropriation for the Agricultural Products Utilization Commission to make ethanol incentive payments.

8 Funding for the director's discretionary grants is removed from the grants line item and established as a separate line item in the bill. A section is added allowing the department to continue the appropriation authority included in this line item beyond the 2003-05 biennium.

9 The discretionary grants line item is increased by $150,000 from the general fund. The department is expected to have unspent general fund appropriation authority of at least $200,000 for the 2001-03 biennium, $150,000 of which has not been included in the March revised general fund turnback estimate for the 2001-03 biennium.

10 Adds funding for preparing a North Dakota proposal to attract a high-tech manufacturing facility to the state.

11 The discretionary grants line item is increased by $200,000 from the general fund. A section of legislative intent is added providing that this funding be used for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium.

12 Funding is added for the development fund.

The section added by the House designating $25,000 of the director's discretionary grants for use in rescues of visitors to North Dakota tourist attractions is removed.

A section is added providing that the department use $100,000 of the discretionary grants line item to provide a grant to the Fort Abraham Lincoln Foundation for reconstruction and interpretation of the Seventh Cavalry stable at the fort and for maintenance and repairs of other fort buildings.

The section added by the House precluding the department from spending funding to support the New Economy Initiative is removed.

The section added by the House providing for annual reports to the Budget Section on select activities and outcomes of the department is removed.

A section is added providing a continuing appropriation for moneys collected from the NDhasjobs.com internet web site.

The maximum seed capital investment that is eligible for an individual income tax credit is increased from the House version of $100,000 to $250,000, provisions limiting investments in one qualified business to no more than $250,000 is removed, and the effective date is changed from taxable years beginning after December 31, 2003, to taxable years beginning after December 31, 2002.

Sections are added creating a Centers of Excellence program and identifying the following entities as Centers of Excellence for the 2003-05 biennium:

- NDSU Center for Beef Systems

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- NDSU Center for Nanoscale Science and Engineering
- UND Center for Innovation
- NDSU Center for Technology Enterprise
- UND Center for Aerospace Sciences
- NDSU Center for High Performance Computing

A section is added providing that as of October 1, 2003, the development fund provide $1.5 million to the NDSU Technology Enterprise and $1 million to the UND Center for Innovation.

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38019.0215
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
Conference Committee
April 22, 2003

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

That the Senate recede from its amendments as printed on pages 1475-1480 of the House Journal and pages 1295-1300 of the Senate Journal and that Engrossed House Bill No. 1019 be amended as follows:

Page 1, line 2, after "fund" insert "; to provide an exemption" and replace "budget" with "legislative council"

Page 1, line 3, remove "section"

Page 1, line 4, replace "to designate the department of commerce as the state's fiscal" with "to create and enact a new section to chapter 15-10 of the North Dakota Century Code, relating to centers of excellence"

Page 1, line 5, remove "agent for workforce development programs"

Page 1, line 15, replace "6,718,913" with "6,713,340"

Page 1, line 16, replace "8,442,124" with "8,437,247"

Page 1, line 17, replace "73,864,584" with "46,585,026"

Page 1, after line 17, insert:

"Discretionary grants	1,647,127
North Dakota development fund	1,550,000"

Page 1, line 18, replace "5,483,385" with "2,983,179"

Page 1, line 19, replace "852,014" with "851,911"

Page 1, line 20, replace "95,361,020" with "68,767,830"

Page 1, line 21, replace "77,534,217" with "52,153,794"

Page 1, line 22, replace "17,826,803" with "16,614,036"

Page 2, replace lines 3 through 6 with:

"**SECTION 3. EXEMPTION.** The funds appropriated in the discretionary grants line item in section 1 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 2, remove lines 16 through 18

Page 3, replace lines 4 through 17 with:

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"**SECTION 9. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2003-04 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic benchmarks: population and percentage change in population in the past year and decade; total employment and percentage change in the past year; average annual wage, percentage change in the past year, and percentage of national average annual wage for the past year and decade; per capita personal income, percentage change in the past year and decade, and percentage of national per capita income for the past year and decade; taxable sales and purchases and percentage change from the past year; gross state product for past year and decade; net job growth, new private sector businesses per one hundred thousand, net migration, net job growth in manufacturing, net job growth in business services, new private sector businesses in manufacturing, new private sector businesses in business services, venture capital investments, merchandise export value per capita, academic research and development expenditures as a percentage of gross state product, and industry research and development expenditures as a percentage of gross state product for the past year; and favorable and unfavorable mentions in national and out-of-state media, number of North Dakota department of commerce web site hits per month, and number of economic development opportunities identified by the North Dakota department of commerce.

The department, in cooperation with job service North Dakota and the department of human services, shall also include in its report, the number of individuals trained and the number who become employed as a result of workforce development and training programs, including the state's investment, the areas of occupational training, and the average annual salary of those employed."

Page 3, line 27, after "The" insert "discretionary"

Page 4, replace lines 5 through 8 with:

"**SECTION 14. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING.** The discretionary grants line item in section 1 of this Act includes $200,000 from the general fund for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the Red River valley research corridor during the second year of the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 15. FORT ABRAHAM LINCOLN GRANT. The discretionary grants line item in section 1 of this Act includes $100,000 from the general fund for the tourism division for the purpose of providing a grant to the fort Abraham Lincoln foundation for costs associated with the national guard reconstruction of the seventh cavalry stable, interpretation of the stable, and maintenance and repairs of other fort buildings, for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 16. DEVELOPMENT FUND - CENTERS OF EXCELLENCE GRANTS. Notwithstanding chapter 10-30.5, the department of commerce shall provide a grant from the development fund of $1,250,000 to the North Dakota state university center for technology enterprise and of $800,000 to the university of North Dakota center for innovation. The department shall provide the grant on October 1, 2003.

SECTION 17. LEGISLATIVE INTENT - INTERNSHIP PROGRAM. It is the intent of the legislative assembly that the department of commerce workforce development division develop an internship program involving its internet web site and in conjunction with North Dakota university system programs.

SECTION 18. A new section to chapter 15-10 of the North Dakota Century Code is created and enacted as follows:

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Centers of excellence.

1. The state board of higher education shall establish a centers of excellence program relating to economic development consistent with the purpose under subsection 2. The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

   Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation, shall establish definitions and eligibility criteria for centers of excellence relating to economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and echnology, tourism, and value-added agriculture.

3. The state board of higher education shall allocate funds from appropriations for centers of excellence relating to economic development based on the criteria established and shall report on such allocations, in partnership with the North Dakota economic development foundation, to the budget section. A recipient of funds under this section must use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section may not be used to supplant funding for current operations or academic instruction or to pay indirect costs. The board may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall:

add undesignated pool of 500,000

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a. Provide the board of higher education with documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and

b. Provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

Page 4, line 17, after the second "than" insert "two hundred", remove the overstrike over "~~fifty~~", and remove "one"

Page 4, line 18, remove "hundred"

Page 5, overstrike lines 5 and 6

Page 5, line 7, overstrike "7." and insert immediately thereafter "6."

Page 5, line 11, overstrike "8." and insert immediately thereafter "7."

Page 5, line 17, overstrike "9." and insert immediately thereafter "8."

Page 5, line 25, replace "16" with "19"

Page 5, line 26, replace "2003" with "2002"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Salaries and wages	$6,791,269	$6,718,913	($5,573)	$6,713,340	$6,713,340	
Operating expenses	6,642,124	8,442,124	(4,877)	8,437,247	8,442,223	($4,976)
Grants	46,032,153	73,864,584	(27,279,558)	46,585,026	46,585,026	
Agricultural Products Utilization Commission	6,770,557	5,483,365	(2,500,206)	2,983,179	2,983,179	
Lewis and Clark Bicentennial	853,147	852,014	(103)	851,911	851,911	
Discretionary grants			1,647,127	1,647,127	1,647,127	
North Dakota Development Fund			1,550,000	1,550,000	2,000,000	(450,000)
Total all funds	$71,289,250	$95,361,020	($26,593,190)	$68,767,830	$69,222,806	($454,976)
Less estimated income	55,759,805	77,534,217	(25,380,423)	52,153,794	51,954,482	199,312
General fund	$15,529,445	$17,826,803	($1,212,767)	$16,614,036	$17,268,324	($654,288)
FTE	57.00	57.00	0.00	57.00	57.00	0.00

Dept. 601 - Department of Commerce - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 2	ADDS ADMINISTRATIVE FUNDING 3	CHANGES DEVELOPMENT FUND ADMINISTRATIVE COSTS 4	REMOVES CONSOLIDATION OF WORKFORCE PROGRAMS 5	REMOVES FUNDING FOR INTERNSHIP PROGRAM 6
Salaries and wages	($5,573)					
Operating expenses		($24,877)	$20,000			
Grants					($25,032,431)	($1,000,000)
Agricultural Products Utilization Commission	(206)					
Lewis and Clark Bicentennial	(103)					
Discretionary grants						

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North Dakota Development Fund						
Total all funds	($5,882)	($24,877)	$20,000	$0	($25,032,431)	($1,000,000)
Less estimated income	(1,540)			(199,313)	(22,679,570)	
General fund	($4,342)	($24,677)	$20,000	$199,313	($2,352,861)	($1,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REMOVES FUNDING FOR ETHANOL INCENTIVES 7	CREATES SEPARATE LINE ITEM FOR DISCRETIONARY GRANTS 8	ADDS FUNDING FOR DISCRETIONARY GRANTS 9	ADDS FUNDING FOR FEASIBILITY STUDY 10	ADDS FUNDING FOR MARKETING 11	ADDS FUNDING FOR DEVELOPMENT FUND 12
Salaries and wages						
Operating expenses						
Grants		($1,247,127)				
Agricultural Products Utilization Commission	($2,500,000)					
Lewis and Clark Bicentennial						
Discretionary grants		1,247,127	$150,000	$50,000	$200,000	
North Dakota Development Fund						$1,550,000
Total all funds	($2,500,000)	$0	$150,000	$50,000	$200,000	$1,550,000
Less estimated income	(2,500,000)					
General fund	$0	$0	$150,000	$50,000	$200,000	$1,550,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

550,00 new g. fund $

	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($5,573)
Operating expenses	(4,877)
Grants	(27,279,558)
Agricultural Products Utilization Commission	(2,500,206)
Lewis and Clark Bicentennial	(103)
Discretionary grants	1,647,127
North Dakota Development Fund	1,550,000
Total all funds	($26,593,190)
Less estimated income	(25,360,423)
General fund	($1,212,767)
FTE	0.00

1 Funding for state employee health insurance premiums is reduced from $493 to $468.70 per month.

2 This amendment reduces funding for information technology by $24,677 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 5 percent.

3 The operating expenses line item is increased by $20,000 for administrative costs of the department.

4 Funding for administrative costs of the Development Fund is changed to provide that 50 percent of the administrative costs are from the general fund and 50 percent from the Development Fund. The House provided that all the administrative costs be paid from the Development Fund and the executive budget and the Senate version provided that these costs be paid from the general fund.

5 The section added by the House designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds is removed. The Senate also removed this section. As a result, funding added by the House for the following programs is removed:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		($8,225,614)		($8,225,614)
Department of Human Services - Basic employment skills training (BEST)		(391,198)	($7,500)	(398,698)
Job Service - Work Force 2000	($1,002,861)			(1,002,861)
Job Service - Senior community service employment		(1,070,352)		(1,070,352)
Job Service - Trade adjustment assistance		(99,800)		(99,800)

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Job Service - Workforce Investment Act		(12,736,106)		(12,736,106)
Job Service - New jobs training program			(150,000)	(150,000)
Board for Vocational and Technical Education - Workforce training contracts	(1,350,000)			(1,350,000)
Total	($2,352,861)	($22,622,070)	($157,500)	($25,032,431)

6 Removes funding added by the House for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. A section of legislative intent is added providing that the Workforce Development Division develop a streamlined internship program involving its web site and in conjunction with University System efforts. The Senate also made these changes.

7 Funding of $2.6 million from the highway tax distribution fund for ethanol incentive payments is removed in accordance with provisions of Senate Bill No. 2222 which includes a continuing appropriation for the Agricultural Products Utilization Commission to make ethanol incentive payments. The Senate also made these changes.

8 Funding for the director's discretionary grants is removed from the grants line item and established as a separate line item in the bill. A section is added allowing the department to continue the appropriation authority included in this line item beyond the 2003-05 biennium. The Senate also made these changes.

9 The discretionary grants line item is increased by $150,000 from the general fund. The department is expected to have unspent general fund appropriation authority of at least $200,000 for the 2001-03 biennium, $150,000 of which has not been included in the March revised general fund turnback estimate for the 2001-03 biennium. The Senate also made these changes.

10 Adds funding for preparing a North Dakota proposal to attract a high-tech manufacturing facility to the state, the same as the Senate version.

11 The discretionary grants line item is increased by $200,000 from the general fund. A section of legislative intent is added providing that this funding be used for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium. The Senate also made these changes.

12 Funding is added for the Development Fund. The House did not provide any additional funding for the Development Fund and the Senate provided $2 million of funding for the Development Fund.

The Conference Committee amendment includes the section added by the House designating $25,000 of the director's discretionary grants for use in rescues of visitors to North Dakota tourist attractions. The Senate had removed this section. Maa Daa Hey Trail Rescue

A section is added providing that the department use $100,000 of the discretionary grants line item to provide a grant to the Fort Abraham Lincoln Foundation for reconstruction and interpretation of the Seventh Cavalry stable at the fort and for maintenance and repairs of other fort buildings. The Senate version also included this section.

The section added by the House precluding the department from spending funding to support the New Economy Initiative is removed, the same as the Senate version.

The section added by the House providing for annual reports to the Budget Section on select activities and outcomes of the department, which the Senate removed is changed to provide for specific benchmark reporting to either the Budget Section or another interim committee designated by the Legislative Council.

A section is added by the Senate providing a continuing appropriation for moneys collected from the NDhasjobs.com Internet web site is not included in the Conference Committee amendment.

The maximum seed capital investment that is eligible for an individual income tax credit is increased from the House version of $100,000 to $250,000, provisions limiting investments in one qualified business to no more than $250,000 is removed, and the effective date is changed from taxable years beginning after December 31, 2003, to taxable years beginning after December 31, 2002. The Senate also made these changes.

Sections are added creating a Centers of Excellence program within the University System and identifying the NDSU Center for Technology Enterprise and the UND Center for Innovation as Centers of Excellence. The Senate established the program in the Department of Commerce and identified six entities as Centers of Excellence.

A section is added providing that as of October 1, 2003, the development fund provide $1,250,000 to the NDSU Center for Technology Enterprise and $800,000 to the UND Center for Innovation.

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38019.0220
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
Conference Committee
April 23, 2003

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

That the Senate recede from its amendments as printed on pages 1475-1480 of the House Journal and pages 1295-1300 of the Senate Journal and that Engrossed House Bill No. 1019 be amended as follows:

Page 1, line 2, after "fund" insert "; to provide an exemption; to establish a trade promotion authority; to provide a continuing appropriation" and replace "budget" with "legislative council"

Page 1, line 3, remove "section"

Page 1, line 4, replace "to designate the department of commerce as the state's fiscal" with "to create and enact a new section to chapter 15-10 and a new subsection to section 54-59-05 of the North Dakota Century Code, relating to centers of excellence and to wide area network services provided by the information technology department"

Page 1, line 5, remove "agent for workforce development programs"

Page 1, line 15, replace "6,718,913" with "6,713,340"

Page 1, line 16, replace "8,442,124" with "8,237,247"

Page 1, line 17, replace "73,864,584" with "46,585,026"

Page 1, after line 17, insert:

"Discretionary grants	1,747,127
North Dakota development fund	1,550,000"

Page 1, line 18, replace "5,483,385" with "2,983,179"

Page 1, line 19, replace "852,014" with "651,911"

Page 1, line 20, replace "95,361,020" with "68,467,830"

Page 1, line 21, replace "77,534,217" with "52,353,107"

Page 1, line 22, replace "17,826,803" with "16,114,723"

Page 2, replace lines 3 through 6 with:

"SECTION 3. **EXEMPTION.** The funds appropriated in the discretionary grants line item in section 1 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 2, remove lines 16 through 18

Page 3, replace lines 4 through 17 with:

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"SECTION 9. ACCOUNTABILITY MEASURES - REPORTING. The commissioner of the department of commerce shall monitor and report annually during the 2003-04 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
   a. Site selection ranking of the North Dakota department of commerce.
   b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
   a. Academic research and development expenditures as percentage of gross state product.
   b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
   a. Net job growth.
   b. New private sector businesses per one hundred thousand residents.
   c. Average annual wage.
   d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life.
   a. Positive national and out-of-state media exposure (favorable mentions).
   b. Number of North Dakota department of commerce web site hits per month.
   c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
   a. Net job growth in manufacturing.
   b. Net job growth in business services.
   c. New private sector businesses in manufacturing.
   d. New private sector businesses in business services.
   e. Number of utility patents per one hundred thousand residents.

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6. Strengthen North Dakota's business climate to increase international competitiveness:

   a. Gross state product (annual growth rate).

   b. Venture capital investments (thousands).

   c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

SECTION 10. TOURISM DIVISION - LEWIS AND CLARK MARKETING. Notwithstanding provisions of Senate Bill No. 2337, as approved by the fifty-eighth legislative assembly, the department of commerce shall use the $2,900,000 appropriated in Senate Bill No. 2337, only for defraying the tourism division's expenses of marketing the Lewis and Clark bicentennial celebration for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 11. TOURISM DIVISION - LEWIS AND CLARK MARKETING CONTRACTS. The tourism division of the department of commerce shall request bids for each Lewis and Clark bicentennial-related marketing campaign developed during the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. TOURISM DIVISION - REPORTING. The department of commerce shall provide a report to the appropriations committees of the fifty-ninth legislative assembly regarding the tourism division's appropriations and expenditures to date detail for the biennium beginning July 1, 2003, and ending June 30, 2005."

Page 3, line 27, after "The" insert "discretionary"

Page 3, line 28, replace "$100,000" with "$150,000"

Page 4, line 1, after "The" insert "discretionary"

Page 4, replace lines 5 through 8 with:

"**SECTION 17. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING.** The discretionary grants line item in section 1 of this Act includes $200,000 from the general fund for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the Red River valley research corridor during the second year of the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 18. FORT ABRAHAM LINCOLN GRANT. The discretionary grants line item in section 1 of this Act includes $150,000 from the general fund for the tourism division for the purpose of providing a grant to the fort Abraham Lincoln foundation for costs associated with the national guard reconstruction of the seventh cavalry stable, interpretation of the stable, and maintenance and repairs of other fort buildings, for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 19. DEVELOPMENT FUND - CENTERS OF EXCELLENCE GRANTS. Notwithstanding chapter 10-30.5, the department of commerce shall provide a grant from the development fund of $1,250,000 to the North Dakota state university

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center for technology enterprise and of $800,000 to the university of North Dakota center for innovation. The department shall provide the grant on October 1, 2003.

SECTION 20. LEGISLATIVE INTENT - INTERNSHIP PROGRAM. It is the intent of the legislative assembly that the department of commerce workforce development division develop an internship program involving its internet web site and in conjunction with North Dakota university system programs.

SECTION 21. TRADE PROMOTION AUTHORITY - REPORT TO FIFTY-NINTH LEGISLATIVE ASSEMBLY. The department of commerce shall establish a trade promotion authority for promoting North Dakota products and improving international trade of North Dakota products for the biennium beginning July 1, 2003, and ending June 30, 2005. The department shall use $75,000 from the general fund appropriated in the operating expenses line item in section 1 of this Act for operating costs of the authority for the 2003-05 biennium. The department shall report to the appropriations committees of the fifty-ninth legislative assembly regarding its recommendations to improve trade of North Dakota products with other countries and to overcome trade barriers and its recommendation regarding continuation of the trade promotion authority.

SECTION 22. GIFTS, GRANTS, AND OTHER INCOME - CONTINUING APPROPRIATION. The department of commerce may accept gifts, grants, or other income for use by the trade promotion authority which are hereby appropriated for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 23. A new section to chapter 15-10 of the North Dakota Century Code is created and enacted as follows:

Centers of excellence.

1. The state board of higher education shall establish a centers of excellence program relating to economic development consistent with the purpose under subsection 2. The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

   Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation and with private sector input, shall establish definitions and eligibility criteria for centers of excellence relating to economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and

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technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.

3. The state board of higher education shall allocate funds from appropriations for undesignated centers of excellence relating to economic development based on the criteria established and shall report on such allocations, in partnership with the North Dakota economic development foundation, to the budget section. A recipient of funds under this section must use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section may not be used to supplant funding for current operations or academic instruction or to pay indirect costs. The board may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall:

   a. Provide the board of higher education with documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and

   b. Provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

SECTION 24. A new subsection to section 54-59-05 of the North Dakota Century Code is created and enacted as follows:

Notwithstanding subsection 11, the department may provide wide area network services for a period not to exceed four years to an occupant of a technology park associated with an institution of higher education or to a business located in a business incubator associated with an institution of higher education."

Page 4, line 17, after the second "than" insert "two hundred", remove the overstrike over "~~fifty~~", and remove "one"

Page 4, line 18, remove "hundred"

Page 5, overstrike lines 5 and 6

Page 5, line 7, overstrike "7." and insert immediately thereafter "6."

Page 5, line 11, overstrike "8." and insert immediately thereafter "7."

Page 5, line 17, overstrike "9." and insert immediately thereafter "8."

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Page 5, line 25, replace "16" with "25"

Page 5, line 26, replace "2003" with "2002"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Salaries and wages	$6,791,269	$6,718,913	($5,573)	$6,713,340	$6,713,340	
Operating expenses	6,642,124	6,442,124	(204,877)	6,237,247	6,442,223	($204,976)
Grants	48,032,153	73,864,584	(27,279,558)	46,585,026	46,585,026	
Agricultural Products Utilization Commission	6,770,557	5,483,385	(2,500,206)	2,983,179	2,983,179	
Lewis and Clark Bicentennial	853,147	852,014	(200,103)	651,911	851,911	(200,000)
Discretionary grants			1,747,127	1,747,127	1,647,127	100,000
North Dakota Development Fund			1,550,000	1,550,000	2,000,000	(450,000)
Total all funds	$71,289,250	$95,361,020	($26,893,190)	$68,467,830	$69,222,806	($754,976)
Less estimated income	55,759,705	77,534,217	(25,181,110)	52,353,107	51,954,482	398,625
General fund	$15,529,445	$17,826,803	($1,712,080)	$16,114,723	$17,268,324	($1,153,601)
FTE	57.00	57.00	0.00	57.00	57.00	0.00

Dept. 601 - Department of Commerce - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE [1]	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS [2]	ADDS ADMINISTRATIVE FUNDING [3]	REMOVES CONSOLIDATION OF WORKFORCE PROGRAMS [4]	REMOVES FUNDING FOR INTERNSHIP PROGRAMS [5]	REMOVES FUNDING FOR ETHANOL INCENTIVES [6]
Salaries and wages	($5,573)					
Operating expenses		($24,877)	$20,000			
Grants				($25,032,431)	($1,000,000)	
Agricultural Products Utilization Commission	(206)					($2,500,000)
Lewis and Clark Bicentennial	(103)					
Discretionary grants						
North Dakota Development Fund						
Total all funds	($5,882)	($24,877)	$20,000	($25,032,431)	($1,000,000)	($2,500,000)
Less estimated income	(1,540)			(22,679,570)		(2,500,000)
General fund	($4,342)	($24,877)	$20,000	($2,352,861)	($1,000,000)	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	CREATES A SEPARATE LINE ITEM FOR DISCRETIONARY GRANTS [7]	ADDS FUNDING FOR DISCRETIONARY GRANTS [8]	ADDS FUNDING FOR FEASIBILITY STUDY [9]	ADDS FUNDING FOR MARKETING [10]	ADDS FUNDING FOR DEVELOPMENT FUND [11]	REDUCES OPERATING FUNDING [12]
Salaries and wages						
Operating expenses						($100,000)
Grants	($1,247,127)					
Agricultural Products Utilization Commission						
Lewis and Clark Bicentennial						
Discretionary grants	1,247,127	$150,000	$50,000	$200,000		
North Dakota Development Fund					$1,550,000	
Total all funds	$0	$150,000	$50,000	$200,000	$1,550,000	($100,000)
Less estimated income						
General fund	$0	$150,000	$50,000	$200,000	$1,550,000	($100,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

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Deanna Wilhelm 10/30/03
Operator's Signature Date

	REDUCES FUNDING FOR TOURISM MARKETING [13]	ADDS FUNDING FOR SPECIFIC GRANTS [14]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages			($5,573)
Operating expenses	($100,000)		(204,877)
Grants			(27,279,558)
Agricultural Products Utilization Commission			(2,500,206)
Lewis and Clark Bicentennial	(200,000)		(200,103)
Discretionary grants		$100,000	1,747,127
North Dakota Development Fund			1,550,000
Total all funds	($300,000)	$100,000	($26,893,190)
Less estimated income			(25,181,110)
General fund	($300,000)	$100,000	($1,712,080)
FTE	0.00	0.00	0.00

[1] Funding for state employee health insurance premiums is reduced from $493 to $488.70 per month.

[2] This amendment reduces funding for information technology by $24,877 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 5 percent.

[3] The operating expenses line item is increased by $20,000 for administrative costs of the department.

[4] The section added by the House designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds is removed. The Senate also removed this section. As a result, funding added by the House for the following programs is removed:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		($8,225,614)		($8,225,614)
Department of Human Services - Basic employment skills training (BEST)		(391,198)	($7,500)	(398,698)
Job Service - Work Force 2000	($1,002,861)			(1,002,861)
Job Service - Senior community service employment		(1,070,352)		(1,070,352)
Job Service - Trade adjustment assistance		(99,800)		(99,800)
Job Service - Workforce Investment Act		(12,735,106)		(12,735,106)
Job Service - New jobs training program			(150,000)	(150,000)
State Board for Vocational and Technical Education - Workforce training contracts	(1,350,000)			(1,350,000)
Total	($2,352,861)	($22,522,070)	($157,500)	($25,032,431)

[5] Removes funding added by the House for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. A section of legislative intent is added providing that the Workforce Development Division develop a streamlined internship program involving its web site and in conjunction with University System efforts. The Senate also made these changes.

[6] Funding of $2.5 million from the highway tax distribution fund for ethanol incentive payments is removed in accordance with provisions of Senate Bill No. 2222, which includes a continuing appropriation for the Agricultural Products Utilization Commission to make ethanol incentive payments. The Senate also made these changes.

[7] Funding for the director's discretionary grants is removed from the grants line item and established as a separate line item in the bill. A section is added allowing the department to continue the appropriation authority included in this line item beyond the 2003-05 biennium. The Senate also made these changes.

[8] The discretionary grants line item is increased by $150,000 from the general fund. The department is expected to have unspent general fund appropriation authority of at least $200,000 for the 2001-03 biennium, $150,000 of which has not been included in the March revised general fund turnback estimate for the 2001-03 biennium. The Senate also made these changes.

[9] Adds funding for preparing a North Dakota proposal to attract a high-tech manufacturing facility to the state, the same as the Senate version.

[10] The discretionary grants line item is increased by $200,000 from the general fund. A section of legislative intent is added providing that this funding be used for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium. The Senate also made these changes.

[11] Funding is added for the Development Fund. The House did not provide any additional funding for the Development Fund and the Senate provided $2 million of funding for the Development Fund.

[12] The operating expenses line item is reduced by $100,000 from the general fund relating to reductions in funding for professional services ($70,000) and travel ($30,000).

[13] Funding for tourism marketing is reduced by $300,000, $200,000 of which relates to Lewis and Clark marketing and $100,000 to general marketing.

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[14] The discretionary grants line item is increased by $100,000 to increase the grant specified for the Lewis and Clark Interpretive Center in Washburn by $50,000, to $150,000 and to increase the grant specified for Fort Lincoln by $50,000, to $150,000.

The Conference Committee amendment includes the section added by the House designating $25,000 of the director's discretionary grants for use in rescues of visitors to North Dakota tourist attractions. The Senate had removed this section.

A section is added providing that the department use $150,000 of the discretionary grants line item to provide a grant to the Fort Abraham Lincoln Foundation for reconstruction and interpretation of the Seventh Cavalry stable at the fort and for maintenance and repairs of other fort buildings. The Senate version provided for a $100,000 grant.

The section added by the House providing that the department provide a grant to the Lewis and Clark Interpretive Center in Washburn is changed to increase the grant to $150,000. The House and Senate versions provided that the grant be for $100,000.

The section added by the House precluding the department from spending funding to support the New Economy Initiative is removed, the same as the Senate version.

The House reduced the operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance by $200,000 from the general fund. The Conference Committee changes this reduction to allow the department to determine the specific areas of the department's budget to reduce.

This amendment provides that the administrative costs of the Development Fund be paid from the Development Fund, the same as the House version. The executive budget and the Senate version provided that these costs be paid from the general fund.

The section added by the House providing for annual reports to the Budget Section on select activities and outcomes of the department, which the Senate removed, is changed to provide for specific benchmark reporting to either the Budget Section or another interim committee designated by the Legislative Council.

Three new sections are added providing that the $2.9 million appropriated to the Tourism Division in Senate Bill No. 2337 be used exclusively for marketing the Lewis and Clark Bicentennial celebration, that the Tourism Division request bids for each Lewis and Clark Bicentennial-related marketing campaign developed during the 2003-05 biennium, and that the Department of Commerce provide detailed reports to the Appropriations Committees of the 2005 Legislative Assembly regarding the Tourism Division's appropriations and expenditures.

A section is added providing for the establishment of a trade promotion authority for the 2003-05 biennium and providing that the department use $75,000 of its operating expenses line item for operating costs of the authority. In addition, a section is added authorizing the department to spend gifts, grants, or other income received for use by the trade promotion authority, pursuant to a continuing appropriation for the 2003-05 biennium.

The section added by the Senate providing a continuing appropriation for moneys collected from the NDhasjobs.com Internet web site is not included in the Conference Committee amendment.

A section is added authorizing the Information Technology Department to provide wide area network services for up to four years to an occupant of a higher education-related technology park or business incubator.

The maximum seed capital investment that is eligible for an individual income tax credit is increased from the House version of $100,000 to $250,000, provisions limiting investments in one qualified business to no more than $250,000 is removed, and the effective date is changed from taxable years beginning after December 31, 2003, to taxable years beginning after December 31, 2002. The Senate also made these changes.

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Sections are added creating a Centers of Excellence program within the University System and identifying the NDSU Center for Technology Enterprise and the UND Center for Innovation as Centers of Excellence. The Senate established the program in the Department of Commerce and identified six entities as Centers of Excellence.

A section is added providing that as of October 1, 2003, the Development Fund provide $1,250,000 to the NDSU Center for Technology Enterprise and $800,000 to the UND Center for Innovation.

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REPORT OF CONFERENCE COMMITTEE

HB 1019, as engrossed: Your conference committee (Sens. Grindberg, Holmberg, Robinson and Reps. Carlson, Carlisle, Glassheim) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1475-1480, adopt amendments as follows, and place HB 1019 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1475-1480 of the House Journal and pages 1295-1300 of the Senate Journal and that Engrossed House Bill No. 1019 be amended as follows:

Page 1, line 2, after "fund" insert "; to provide an exemption; to establish a trade promotion authority; to provide a continuing appropriation" and replace "budget" with "legislative council"

Page 1, line 3, remove "section"

Page 1, line 4, replace "designate the department of commerce as the state's fiscal" with "create and enact a new section to chapter 15-10 and a new subsection to section 54-59-05 of the North Dakota Century Code, relating to centers of excellence and to wide area network services provided by the information technology department"

Page 1, line 5, remove "agent for workforce development programs"

Page 1, line 15, replace "6,718,913" with "6,713,340"

Page 1, line 16, replace "8,442,124" with "8,237,247"

Page 1, line 17, replace "73,864,584" with "46,585,026"

Page 1, after line 17, insert:

"Discretionary grants	1,447,127
North Dakota development fund	1,550,000"

Page 1, line 18, replace "5,483,385" with "2,983,179"

Page 1, line 19, replace "852,014" with "951,911"

Page 1, line 20, replace "95,361,020" with "68,467,830"

Page 1, line 21, replace "77,534,217" with "52,353,107"

Page 1, line 22, replace "17,826,803" with "16,114,723"

Page 2, replace lines 3 through 6 with:

"**SECTION 3. EXEMPTION.** The funds appropriated in the discretionary grants line item in section 1 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 2, remove lines 16 through 18

Page 3, replace lines 4 through 17 with:

"**SECTION 9. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2003-04 interim to either the budget section or an interim committee designated by

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the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
   a. Site selection ranking of the North Dakota department of commerce.
   b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
   a. Academic research and development expenditures as percentage of gross state product.
   b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
   a. Net job growth.
   b. New private sector businesses per one hundred thousand residents.
   c. Average annual wage.
   d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life.
   a. Positive national and out-of-state media exposure (favorable mentions).
   b. Number of North Dakota department of commerce web site hits per month.
   c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
   a. Net job growth in manufacturing.
   b. Net job growth in business services.
   c. New private sector businesses in manufacturing.
   d. New private sector businesses in business services.
   e. Number of utility patents per one hundred thousand residents.

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6. Strengthen North Dakota's business climate to increase international competitiveness:

   a. Gross state product (annual growth rate).

   b. Venture capital investments (thousands).

   c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

SECTION 10. TOURISM DIVISION - LEWIS AND CLARK MARKETING. Notwithstanding the provisions of Senate Bill No. 2337, as approved by the fifty-eighth legislative assembly, the department of commerce shall use the $2,900,000 appropriated in Senate Bill No. 2337, only for defraying the tourism division's expenses of marketing the Lewis and Clark bicentennial celebration for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 11. TOURISM DIVISION - LEWIS AND CLARK MARKETING CONTRACTS. The tourism division of the department of commerce shall request bids for each Lewis and Clark bicentennial-related marketing campaign developed during the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 12. TOURISM DIVISION - REPORTING. The department of commerce shall provide a report to the appropriations committees of the fifty-ninth legislative assembly regarding the tourism division's appropriations and expenditures to date detail for the biennium beginning July 1, 2003, and ending June 30, 2005."

Page 3, line 27, replace "grants" with "Lewis and Clark bicentennial"

Page 3, line 28, replace "$100,000" with "$150,000"

Page 4, line 1, after "The" insert "discretionary"

Page 4, replace lines 5 through 8 with:

"SECTION 17. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING. The discretionary grants line item in section 1 of this Act includes $200,000 from the general fund for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the Red River valley research corridor during the second year of the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 18. FORT ABRAHAM LINCOLN GRANT. The Lewis and Clark bicentennial line item in section 1 of this Act includes $150,000 from the general fund for the tourism division for the purpose of providing a grant to the fort Abraham Lincoln foundation for costs associated with the national guard reconstruction of the seventh cavalry stable, interpretation of the stable, and maintenance and repairs of other fort buildings, for the biennium beginning July 1, 2003, and ending June 30, 2005.

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SECTION 19. DEVELOPMENT FUND - CENTERS OF EXCELLENCE GRANTS. Notwithstanding chapter 10-30.5, the department of commerce shall provide a grant from the development fund of $1,250,000 to the North Dakota state university center for technology enterprise and of $800,000 to the university of North Dakota center for innovation. The department shall provide the grant on October 1, 2003.

SECTION 20. LEGISLATIVE INTENT - INTERNSHIP PROGRAM. It is the intent of the legislative assembly that the department of commerce workforce development division develop an internship program involving its internet web site and in conjunction with North Dakota university system programs.

SECTION 21. TRADE PROMOTION AUTHORITY - REPORT TO FIFTY-NINTH LEGISLATIVE ASSEMBLY. The department of commerce shall establish a trade promotion authority for promoting North Dakota products and improving international trade of North Dakota products for the biennium beginning July 1, 2003, and ending June 30, 2005. The department shall use $75,000 from the general fund appropriated in the operating expenses line item in section 1 of this Act for operating costs of the authority for the 2003-05 biennium. The department shall report to the appropriations committees of the fifty-ninth legislative assembly regarding its recommendations to improve trade of North Dakota products with other countries and to overcome trade barriers and its recommendation regarding continuation of the trade promotion authority.

SECTION 22. GIFTS, GRANTS, AND OTHER INCOME - CONTINUING APPROPRIATION. The department of commerce may accept gifts, grants, or other income for use by the trade promotion authority which are hereby appropriated for the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 23. A new section to chapter 15-10 of the North Dakota Century Code is created and enacted as follows:

Centers of excellence.

1. The state board of higher education shall establish a centers of excellence program relating to economic development consistent with the purpose under subsection 2. The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

   Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation and with private sector input, shall establish definitions and eligibility criteria for centers of excellence relating to economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization,

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entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.

3. The state board of higher education shall allocate funds from appropriations for undesignated centers of excellence relating to economic development based on the criteria established and shall report on such allocations, in partnership with the North Dakota economic development foundation, to the budget section. A recipient of funds under this section shall use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section may not be used to supplant funding for current operations or academic instruction or to pay indirect costs. The board may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall:

   a. Provide the board of higher education with documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and

   b. Provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

SECTION 24. A new subsection to section 54-59-05 of the North Dakota Century Code is created and enacted as follows:

Notwithstanding subsection 11, the department may provide wide area network services for a period not to exceed four years to an occupant of a technology park associated with an institution of higher education or to a business located in a business incubator associated with an institution of higher education."

Page 4, line 17, after the second "than" insert "two hundred", remove the overstrike over "~~fifty~~", and remove "one"

Page 4, line 18, remove "hundred"

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Page 5, overstrike lines 5 and 6

Page 5, line 7, overstrike "7." and insert immediately thereafter "6."

Page 5, line 11, overstrike "8." and insert immediately thereafter "7."

Page 5, line 17, overstrike "9." and insert immediately thereafter "8."

Page 5, line 25, replace "16" with "25"

Page 5, line 26, replace "2003" with "2002"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Department of Commerce - Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Salaries and wages	$6,791,269	$6,718,913	($5,573)	$6,713,340	$6,713,340	
Operating expenses	8,842,124	8,442,124	(204,877)	8,237,247	8,442,223	($204,976)
Grants	48,032,153	73,864,584	(27,279,558)	46,585,026	46,585,026	
Agricultural Products Utilization Commission	6,770,557	5,483,385	(2,500,206)	2,983,179	2,983,179	
Lewis and Clark Bicentennial	853,147	852,014	99,897	951,911	851,911	100,000
Discretionary grants			1,447,127	1,447,127	1,647,127	(200,000)
North Dakota Development Fund			1,550,000	1,550,000	2,000,000	(450,000)
Total all funds	$71,289,250	$95,361,020	($26,893,190)	$68,467,830	$69,222,806	($754,976)
Less estimated income	55,759,805	77,534,217	(25,181,110)	52,353,107	51,954,482	398,625
General fund	$15,529,445	$17,826,803	($1,712,080)	$16,114,723	$17,268,324	($1,153,601)
FTE	57.00	57.00	0.00	57.00	57.00	0.00

Dept. 601 - Department of Commerce - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE [1]	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS [2]	ADDS ADMINISTRATIVE FUNDING [3]	REMOVES CONSOLIDATION OF WORKFORCE PROGRAMS [4]	REMOVES FUNDING FOR INTERNSHIP PROGRAMS [5]	REMOVES FUNDING FOR ETHANOL INCENTIVES [6]
Salaries and wages	($5,573)					
Operating expenses		($24,877)	$20,000			
Grants				($25,032,431)	($1,000,000)	
Agricultural Products Utilization Commission	(206)					($2,500,000)
Lewis and Clark Bicentennial	(103)					
Discretionary grants						
North Dakota Development Fund						
Total all funds	($5,882)	($24,877)	$20,000	($25,032,431)	($1,000,000)	($2,500,000)
Less estimated income	(1,540)			(22,879,570)		(2,500,000)
General fund	($4,342)	($24,877)	$20,000	($2,352,861)	($1,000,000)	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

[1] CREATES A SEPARATE LINE ITEM FOR
[2] ADDS FUNDING FOR
[3] ADDS FUNDING
[4]
[5] ADDS FUNDING FOR
[6] REDUCES

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	DISCRETIONARY GRANTS [7]	DISCRETIONARY GRANTS [8]	FOR FEASIBILITY STUDY [9]	ADDS FUNDING FOR MARKETING [10]	DEVELOPMENT FUND [11]	OPERATING FUNDING [12]
Salaries and wages						
Operating expenses						($100,000)
Grants	($1,247,127)					
Agricultural Products Utilization Commission						
Lewis and Clark Bicentennial						
Discretionary grants	1,247,127	$150,000	$50,000	$200,000		
North Dakota Development Fund					$1,550,000	
Total all funds	$0	$150,000	$50,000	$200,000	$1,550,000	($100,000)
Less estimated income						
General fund	$0	$150,000	$50,000	$200,000	$1,550,000	($100,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REDUCES FUNDING FOR TOURISM MARKETING [13]	CHANGES GRANTS FUNDING [14]	ADDS FUNDING FOR GRANTS [15]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages				($5,573)
Operating expenses	($100,000)			(204,877)
Grants				(27,279,558)
Agricultural Products Utilization Commission				(2,500,206)
Lewis and Clark Bicentennial	(200,000)	$200,000	$100,000	99,897
Discretionary grants		(200,000)		1,447,127
North Dakota Development Fund				1,550,000
Total all funds	($300,000)	$0	$100,000	($26,893,190)
Less estimated income				(25,181,110)
General fund	($300,000)	$0	$100,000	($1,712,080)
FTE	0.00	0.00	0.00	0.00

1 Funding for state employee health insurance premiums is reduced from $493 to $488.70 per month.

2 This amendment reduces funding for information technology by $24,877 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 5 percent.

3 The operating expenses line item is increased by $20,000 for administrative costs of the department.

4 The section added by the House designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds is removed. The Senate also removed this section. As a result, funding added by the House for the following programs is removed:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		($8,225,614)		($8,225,614)
Department of Human Services - Basic employment skills training (BEST)		(391,198)	($7,500)	(398,698)
Job Service - Work Force 2000	($1,002,661)			(1,002,661)
Job Service - Senior community service employment		(1,070,352)		(1,070,352)
Job Service - Trade adjustment assistance		(99,800)		(99,800)
Job Service - Workforce Investment Act		(12,735,106)		(12,735,106)
Job Service - New jobs training program			(150,000)	(150,000)
State Board for Vocational and Technical Education - Workforce training contracts	(1,350,000)			(1,350,000)
Total	($2,352,661)	($22,522,070)	($157,500)	($25,032,431)

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5 Removes funding added by the House for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. A section of legislative intent is added providing that the Workforce Development Division develop a streamlined internship program involving its web site and in conjunction with University System efforts. The Senate also made these changes.

6 Funding of $2.5 million from the highway tax distribution fund for ethanol incentive payments is removed in accordance with provisions of Senate Bill No. 2222, which includes a continuing appropriation for the Agricultural Products Utilization Commission to make ethanol incentive payments. The Senate also made these changes.

7 Funding for the director's discretionary grants is removed from the grants line item and established as a separate line item in the bill. A section is added allowing the department to continue the appropriation authority included in this line item beyond the 2003-05 biennium. The Senate also made these changes.

8 The discretionary grants line item is increased by $150,000 from the general fund. The department is expected to have unspent general fund appropriation authority of at least $200,000 for the 2001-03 biennium, $150,000 of which has not been included in the March revised general fund turnback estimate for the 2001-03 biennium. The Senate also made these changes.

9 Adds funding for preparing a North Dakota proposal to attract a high-tech manufacturing facility to the state, the same as the Senate version.

10 The discretionary grants line item is increased by $200,000 from the general fund. A section of legislative intent is added providing that this funding be used for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium. The Senate also made these changes.

11 Funding is added for the Development Fund. The House did not provide any additional funding for the Development Fund and the Senate provided $2 million of funding for the Development Fund.

12 The operating expenses line item is reduced by $100,000 from the general fund relating to reductions in funding for professional services ($70,000) and travel ($30,000).

13 Funding for tourism marketing is reduced by $300,000, $200,000 of which relates to Lewis and Clark marketing and $100,000 to general marketing.

14 Funding for the $100,000 grant for the Lewis and Clark Interpretive Center in Washburn added by the House and included in the Senate version and the $100,000 grant for Fort Lincoln added by the Senate is moved from the discretionary grants line item to the Lewis and Clark Bicentennial line item.

15 The Lewis and Clark line item is increased by $100,000 from the general fund to increase the grant specified for the Lewis and Clark Interpretive Center in Washburn by $50,000, to $150,000 and to increase the grant specified for Fort Lincoln by $50,000, to $150,000.

The Conference Committee amendment includes the section added by the House designating $25,000 of the director's discretionary grants for use in rescues of visitors to North Dakota tourist attractions. The Senate had removed this section.

A section is added providing that the department use $150,000 of the Lewis and Clark Bicentennial line item to provide a grant to the Fort Abraham Lincoln Foundation for reconstruction and interpretation of the Seventh Cavalry stable at the fort and for maintenance and repairs of other fort buildings. The Senate version provided for a $100,000 grant.

The section added by the House providing that the department provide a grant to the Lewis and Clark Interpretive Center in Washburn is changed to increase the grant to $150,000. The House and Senate versions provided that the grant be for $100,000.

The section added by the House precluding the department from spending funding to support the New Economy initiative is removed, the same as the Senate version.

The House reduced the operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance by $200,000 from the general fund. The Conference Committee changes this reduction to allow the department to determine the specific areas of the department's budget to reduce.

This amendment provides that the administrative costs of the Development Fund be paid from the Development Fund, the same as the House version. The executive budget and the Senate version provided that these costs be paid from the general fund.

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The section added by the House providing for annual reports to the Budget Section on select activities and outcomes of the department, which the Senate removed, is changed to provide for specific benchmark reporting to either the Budget Section or another interim committee designated by the Legislative Council.

Three new sections are added providing that the $2.9 million appropriated to the Tourism Division in Senate Bill No. 2337 be used exclusively for marketing the Lewis and Clark Bicentennial celebration, that the Tourism Division request bids for each Lewis and Clark Bicentennial-related marketing campaign developed during the 2003-05 biennium, and that the Department of Commerce provide detailed reports to the Appropriations Committees of the 2005 Legislative Assembly regarding the Tourism Division's appropriations and expenditures.

A section is added providing for the establishment of a trade promotion authority for the 2003-05 biennium and providing that the department use $75,000 of its operating expenses line item for operating costs of the authority. In addition, a section is added authorizing the department to spend gifts, grants, or other income received for use by the trade promotion authority, pursuant to a continuing appropriation for the 2003-05 biennium.

The section added by the Senate providing a continuing appropriation for moneys collected from the NDhasjobs.com Internet web site is not included in the Conference Committee amendment.

A section is added authorizing the Information Technology Department to provide wide area network services for up to four years to an occupant of a higher education-related technology park or business incubator.

The maximum seed capital investment that is eligible for an individual income tax credit is increased from the House version of $100,000 to $250,000, provisions limiting investments in one qualified business to no more than $250,000 is removed, and the effective date is changed from taxable years beginning after December 31, 2003, to taxable years beginning after December 31, 2002. The Senate also made these changes.

Sections are added creating a Centers of Excellence program within the University System and identifying the NDSU Center for Technology Enterprise and the UND Center for Innovation as Centers of Excellence. The Senate established the program in the Department of Commerce and identified six entities as Centers of Excellence.

A section is added providing that as of October 1, 2003, the Development Fund provide $1,250,000 to the NDSU Center fo. Technology Enterprise and $800,000 to the UND Center for Innovation. The Senate had provided that the NDSU Center for Technology Enterprise receive a $1,500,000 grant, and the UND Center for Innovation receive a $1,000,000 grant.

Engrossed HB 1019 was placed on the Seventh order of business on the calendar.

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2003 TESTIMONY

HB 1019

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Prepared by the North Dakota Legislative Council
staff for House Appropriations
January 9, 2003

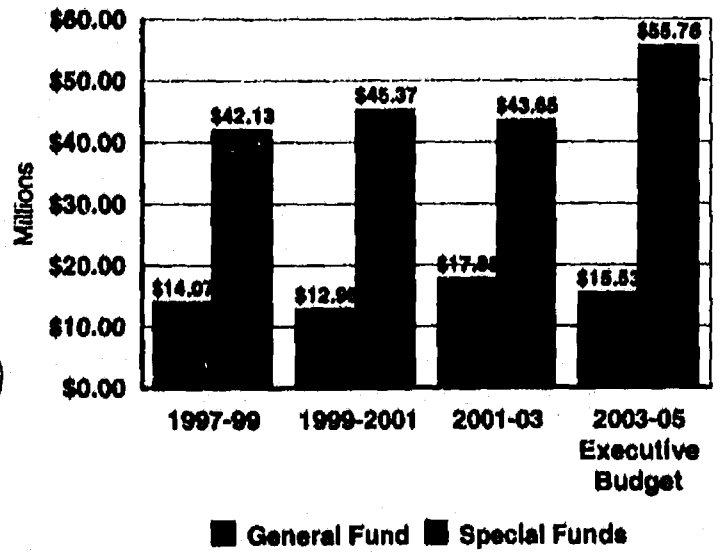
Department 601 - Department of Commerce
House Bill No. 1019

	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	57.00	$15,529,445	$55,759,805	$71,289,250
2001-03 Legislative Appropriations	57.00	17,880,287[1]	43,653,725	61,534,012[2]
Increase (Decrease)	0.00	($2,350,842)	$12,106,080	$9,755,238

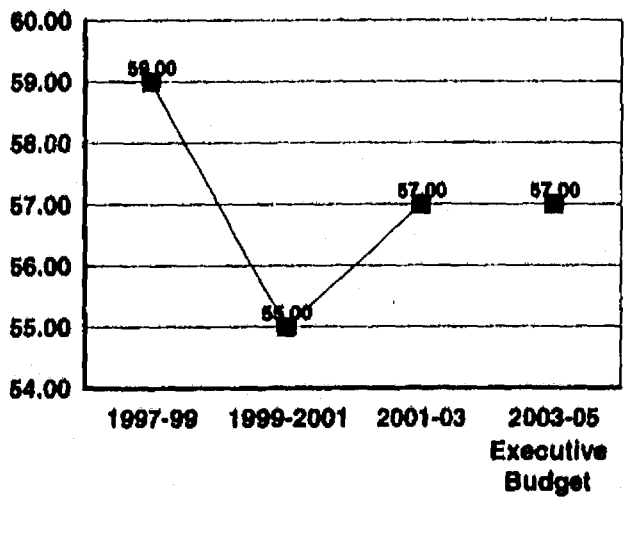
[1] The 2001-03 general fund appropriation is the amount appropriated by the 2001 Legislative Assembly and does not include a reduction of $187,743 relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002.

[2] The 2001-03 appropriation amounts do not include $2,931,908 of additional special funds authority resulting from Emergency Commission action during the 2001-03 biennium.

Agency Funding



FTE Positions



Executive Budget Highlights

	General Fund	Other Funds	Total
1. Removes funding for transfer to the Development Fund from $2,350,000 for the 2001-03 biennium to $0 for the 2003-05 biennium	($2,350,000)		($2,350,000)
2. Adds 1 FTE position in the Community Services Division		$106,924	$106,924
3. Adds 1 FTE position in the Workforce Development Division		$111,634	$111,634
4. Removes 2 FTE transitional positions authorized for only the first year of the 2001-03 biennium relating to the creation of the Department of Commerce	($68,938)	($12,166)	($81,104)
5. Removes funding provided for the 2001-03 biennium for grants to political subdivisions for extraordinary costs incurred in river rescues directly related to Lewis and Clark Bicentennial activities	($150,000)		($150,000)
6. Removes funding provided for the 2001-03 biennium for a grant to the North Dakota Cowboy Hall of Fame	($100,000)		($100,000)
7. Increases tourism funding for Lewis and Clark Bicentennial-related programs and projects	$132,441		$132,441
8. Provides funding to continue the public/private partnership statewide Talent Recruitment Initiative begun during the 2001-03 biennium with a	($100,000)	$200,000	$100,000

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$250,000 general fund appropriation. The executive budget provides $350,000 for the initiative during the 2003-05 biennium, $150,000 of which is from the general fund and $200,000 of fee collections.			
9. Reduces funding for professional services in the Economic Development and Finance Division to $804,000		($483,511)	($483,511)
10. Reduces funding for operating fees and services to $1,581,962 in the Economic Development and Finance Division		($311,734)	($311,734)
11. Reduces funding to $1.4 million for economic development and finance grants and designates $200,000 of these grants for the New Economy Initiative	($226,165)		($226,165)
12. Increases funding to $3,785,000 from the highway tax distribution fund for ethanol incentives and recommends changing the formula for distributing the incentives to North Dakota ethanol plants. The recommended distribution formula is not included in the department's appropriations bill and to date, a bill providing for this formula has not been introduced.		$1,285,000	$1,285,000
13. Increases federal funding for the Division of Community Services for grants to community action agencies under the community services block grant and the weatherization assistance program		$4,909,185	$4,909,185
14. Recommends that up to $1 million of funding available in the Development Fund be used for providing seed and early stage financing for possible new businesses			
15. Recommends that the Development Fund manage a $10 million new venture fund, contingent on the availability of private funding for providing financing and technical assistance for new businesses			

Major Related Legislation

The executive budget recommends changing the formula for distributing ethanol incentives to North Dakota ethanol plants. To date, a bill making this change has not been introduced.

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STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1019 - Funding Summary

	Executive Budget	House Version	Senate Changes	Senate Version
Department of Commerce				
Salaries and wages	$6,791,269	$6,718,913	($5,573)	$6,713,340
Operating expenses	8,842,124	8,442,124	99	8,442,223
Grants	48,032,153	73,864,584	(27,279,558)	46,585,026
Agricultural products utilization	6,770,557	5,483,385	(2,500,206)	2,983,179
Lewis and Clark bicentennial	853,147	852,014	(103)	851,911
Discretionary grants			1,647,127	1,647,127
North Dakota development fund			2,000,000	2,000,000
Total all funds	$71,289,250	$95,361,020	($26,138,214)	$69,222,806
Less estimated income	55,759,805	77,534,217	(25,579,735)	51,954,482
General fund	$15,529,445	$17,826,803	($558,479)	$17,268,324
FTE	57.00	57.00	0.00	57.00
Bill Total				
Total all funds	$71,289,250	$95,361,020	($26,138,214)	$69,222,806
Less estimated income	55,759,805	77,534,217	(25,579,735)	51,954,482
General fund	$15,529,445	$17,826,803	($558,479)	$17,268,324
FTE	57.00	57.00	0.00	57.00

House Bill No. 1019 - Department of Commerce - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$6,791,269	($72,356)	$6,718,913
Operating expenses	8,842,124	(400,000)	8,442,124
Grants	48,032,153	25,832,431	73,864,584
Agricultural products utilization	6,770,557	(1,287,172)	5,483,385
Lewis and Clark bicentennial	853,147	(1,133)	852,014
Total all funds	$71,289,250	$24,071,770	$95,361,020
Less estimated income	55,759,805	21,774,412	77,534,217
General fund	$15,529,445	$2,297,358	$17,826,803
FTE	57.00	0.00	57.00

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

	Removes Recommended Salary Increase[1]	Adds Workforce Development Programs[2]	Reduces Funding for Workforce 2000[3]	Adds Funding for Internship Program[4]	Changes Development Fund Administrative Costs[5]	Reduces Discretionary Grants[6]
Salaries and wages	($72,356)					
Operating expenses						
Grants		26,032,431	(1,000,000)	1,000,000		(200,000)
Agricultural products utilization	(2,172)					
Lewis and Clark bicentennial	(1,133)					
Total all funds	($75,661)	$26,032,431	($1,000,000)	$1,000,000	$0	($200,000)
Less estimated income	(18,783)	22,679,570	0	0	398,625	0
General fund	($56,878)	$3,352,861	($1,000,000)	$1,000,000	($398,625)	($200,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Reduces Tourism Marketing[7]	Reduces Operating Funds[8]	Reduces Funding for Ethanol[9]	Total House Changes
Salaries and wages				($72,356)
Operating expenses	(200,000)	(200,000)		(400,000)
Grants				25,832,431
Agricultural products utilization			(1,285,000)	(1,287,172)
Lewis and Clark bicentennial				(1,133)
Total all funds	($200,000)	($200,000)	($1,285,000)	$24,071,770
Less estimated income	0	0	(1,285,000)	21,774,412
General fund	($200,000)	($200,000)	$0	$2,297,358
FTE	0.00	0.00	0.00	0.00

[1] This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

[2] A section is added designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds. As a result, funding for the following programs is transferred to the Department of Commerce:

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Agency/Program	General Fund	Federal Funds	Special Funds	Total
Department of Human Services - Job opportunities and basic skills (JOBS)		$8,225,614		$8,225,614
Department of Human Services - Basic employment skills training (BEST)		391,198	7,500	398,698
Job Service - Workforce 2000	2,002,861			2,002,861
Job Service - Senior community service employment		1,070,352		1,070,352
Job Service - Trade adjustment assistance		99,800		99,800
Job Service - Workforce Investment Act		12,735,106		12,735,106
Job Service - New jobs training program			150,000	150,000
Board for Vocational and Technical Education - Workforce training contracts	1,350,000			1,350,000
Total	$3,352,861	$22,522,070	$157,500	$26,032,431

[3] Funding for Workforce 2000 is reduced by $1,000,000, from $2,002,861 to $1,002,861 from the general fund. The funding provided is to be used only in support of new businesses locating in North Dakota.

[4] Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries.

[5] The funding source for the administrative costs of the Development Fund is changed from the general fund to the Development Fund.

[6] Funding recommended by the Governor for the New Economy Initiative is removed. A new section is added precluding the department from spending any funds in support of the New Economy Initiative.

[7] Funding for marketing in the Tourism Division is reduced by $200,000 from the general fund.

[8] Funding for operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance is reduced by $200,000 from the general fund.

[9] Funding from the highway tax distribution fund for ethanol incentive payments is reduced by $1,285,000, from $3,785,000 to $2,500,000.

Sections are added:

- Transferring $1 million from the student loan trust fund to the general fund during the 2003-05 biennium.
- Providing legislative intent that the seed capital investment tax credit be the primary focus to encourage the availability of seed capital or early stage financing.
- Requiring the department to report annually to the Budget Section regarding select activities and outcomes of the department.
- Providing legislative intent that the department assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on the Indian reservations and other areas in the state.
- Providing legislative intent that the Tourism Division establish, coordinate, and promote North Dakota learning vacations.
- Increasing the maximum seed capital investment that is eligible for an individual income tax credit from $50,000 to $100,000, increasing the percentage of the investment that is allowed as a credit from 30 to 45 percent, and allocating the credit over three years rather than two years.

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- Providing that the department use $100,000 of the general fund appropriation provided for the director's discretionary grants to provide a grant to the North Dakota Lewis and Clark Bicentennial Foundation for costs associated with the Lewis and Clark Interpretive Center near Washburn.
- Providing that the department use up to $25,000 of the general fund appropriation provided for the director's discretionary grants to reimburse political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.

House Bill No. 1019 - Department of Commerce - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$6,791,269	$6,718,913	($5,573)	$6,713,340
Operating expenses	8,842,124	8,442,124	99	8,442,223
Grants	48,032,153	73,864,584	(27,279,558)	46,585,026
Agricultural products utilization	6,770,557	5,483,385	(2,500,206)	2,983,179
Lewis and Clark bicentennial	853,147	852,014	(103)	851,911
Discretionary grants			1,647,127	1,647,127
North Dakota development fund			2,000,000	2,000,000
Total all funds	$71,289,250	$95,361,020	($26,138,214)	$69,222,806
Less estimated income	55,759,805	77,534,217	(25,579,735)	51,954,482
General fund	$15,529,445	$17,826,803	($558,479)	$17,268,324
FTE	57.00	57.00	0.00	57.00

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

	Reduces the Recommended Funding for Health Insurance[1]	Reduces Funding for Information Technology Costs[2]	Restores Operating Funds[3]	Changes Development Fund Administrative Costs[4]	Removes Consolidation of Workforce Programs[5]	Removes Funding for Internship Program[6]
Salaries and wages	($5,573)					
Operating expenses		(19,901)	20,000			
Grants					(25,032,431)	(1,000,000)
Agricultural products utilization	(206)					
Lewis and Clark bicentennial	(103)					
Discretionary grants						
North Dakota development fund						
Total all funds	($5,882)	($19,901)	$20,000	$0	($25,032,431)	($1,000,000)
Less estimated income	(1,540)	0	0	(398,625)	(22,679,570)	0
General fund	($4,342)	($19,901)	$20,000	$398,625	($2,352,861)	($1,000,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

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	Removes Funding for Ethanol Incentives[7]	Creates a Separate Line Item for Discretionary Grants[8]	Adds Funding for Discretionary Grants[9]	Adds Funding for Feasibility Study[10]	Adds Funding for Marketing[11]	Adds Funding for Development Fund[12]
Salaries and wages						
Operating expenses						
Grants		(1,247,127)				
Agricultural products utilization	(2,500,000)					
Lewis and Clark bicentennial						
Discretionary grants		1,247,127	150,000	50,000	200,000	
North Dakota development fund						2,000,000
Total all funds	($2,500,000)	$0	$150,000	$50,000	$200,000	$2,000,000
Less estimated income	(2,500,000)	0	0	0	0	0
General fund	$0	$0	$150,000	$50,000	$200,000	$2,000,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total Senate Changes
Salaries and wages	($5,573)
Operating expenses	99
Grants	(27,279,558)
Agricultural products utilization	(2,500,206)
Lewis and Clark bicentennial	(103)
Discretionary grants	1,647,127
North Dakota development fund	2,000,000
Total all funds	($26,138,214)
Less estimated income	(25,579,735)
General fund	($558,479)
FTE	0.00

[1] Funding for state employee health insurance premiums is reduced from $493 to $488.70 per month.

[2] This amendment reduces funding for information technology by $19,901 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 4 percent.

[3] The operating expenses line item is increased to restore $20,000 of the $200,000 general fund reduction made by the House for operating costs of the research, business development, and marketing programs of the Division of Economic Development and Finance.

[4] The funding source for the administrative costs of the development fund is changed to the general fund, the same as the executive budget. The House provided that development fund administrative costs be paid from the development fund.

[5] The section added by the House designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds is removed. As a result, funding added by the House for the following programs is removed:

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Agency/Program	General Fund	Federal Funds	Special Funds	Total
Department of Human Services - Job opportunities and basic skills (JOBS)		($8,225,614)		($8,225,614)
Department of Human Services - Basic employment skills training (BEST)		(391,198)	(7,500)	(398,698)
Job Service - Workforce 2000	(1,002,861)			(1,002,861)
Job Service - Senior community service employment		(1,070,352)		(1,070,352)
Job Service - Trade adjustment assistance		(99,800)		(99,800)
Job Service - Workforce Investment Act		(12,735,106)		(12,735,106)
Job Service - New jobs training program			(150,000)	(150,000)
Board for Vocational and Technical Education - Workforce training contracts	(1,350,000)			(1,350,000)
Total	($2,352,861)	($22,522,070)	($157,500)	($25,032,431)

[6] Removes funding added by the House for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. A section of legislative intent is added providing that the workforce development division develop a streamlined internship program involving its website and in conjuction with university system efforts.

[7] Funding of $2.5 million from the highway tax distribution fund for ethanol incentive payments is removed in accordance with provisions of Senate Bill No. 2222 which includes a continuing appropriation for the Agricultural Products Utilization Commission to make ethanol incentive payments.

[8] Funding for the director's discretionary grants is removed from the grants line item and established as a separate line item in the bill. A section is added allowing the department to continue the appropriation authority included in this line item beyond the 2003-05 biennium.

[9] The discretionary grants line item is increased by $150,000 from the general fund. The department is expected to have unspent general fund appropriation authority of at least $200,000 for the 2001-03 biennium, $150,000 of which has not been included in the March revised general fund turnback estimate for the 2001-03 biennium.

[10] Adds funding for preparing a North Dakota proposal to attract a high-tech manufacturing facility to the state.

[11] The discretionary grants line item is increased by $200,000 from the general fund. A section of legislative intent is added providing that this funding be used for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium.

[12] Funding added for the development fund.

The section added by the House designating $25,000 of the director's discretionary grants for use in rescues of visitors to North Dakotal tourist attractions is removed.

A section is added providing that the dpartment use $100,000 of the discretionary grants line item to provide a grant to the Fort Abraham Lincoln Foundation for reconstruction and interpretation of the Seventh Cavalry stable at the fort and for maintenance and repairs of other fort buildings.

The section added by the House precluding the department from spending funding to support the New Economy Inititive is removed.

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The section added by the House providing for annual reports to the Budget Section on select activities and outcomes of the department is removed.

A section is added providing a continuing appropriation for moneys collected from the NDhasjobs.com internet website.

The maximum seed capital investment that is eligible for an individual income tax credit is increased from the House version of $100,000 to $250,000, provisions limiting investments in one qualified business to no more than $250,000 is removed, and the effective date is changed from taxable years beginning after December 31, 2003, to taxable years beginning after December 31, 2002.

Sections are added creating a Centers of Excellence program and identifying the following entities as Centers of Excellence:

- NDSU Center for Beef Systems
- NDSU Center for Nanoscale Science and Engineering
- UND Center for Innovation
- NDSU Center for Technology Enterprise
- UND Center for Aerospace Sciences
- NDSU Center for High Performance Computing

A section of legislative intent is added providing that as of October 1, 2003, the development fund provide $1.5 million to the NDSU Technology Enterprise and $1million to the UND Center for Innovation.

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TESTIMONY OF THE DEPARTMENT OF COMMERCE
HOUSE GOVERNMENT OPERATIONS DIVISION – APPROPRIATIONS COMMITTEE
JANUARY 13, 2003, 8:30 A.M. – 12:00 P.M.

LEE PETERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE
Good morning, Mr. Chairman, and members of the committee. I am Lee Peterson, Commissioner of the North Dakota Department of Commerce. Chairman Carlisle has given us permission to present our testimony in a slightly different manner, by allowing us to intersperse some guest testimonial within the framework of our testimony. In order to expedite this process, we ask that you hold your questions until the conclusion of our entire testimony. Please allow me to introduce the people that make the Department of Commerce the integrated, results-driven, focused, one-stop shop for improving the quality of life for all of the citizens of North Dakota:

- Sara Otte Coleman – Director, the Division of Tourism, effective January 16, 2003
- Linda Butts – Director, the Division of Economic Development & Finance
- Jim Hirsch – Director of the Division of Workforce Development
- Paul Govig – Director of the Division of Community Services

Each of these individuals will provide testimony about the great work we are accomplishing every day to help diversify and grow our North Dakota economy, train and educate our workforce, grow both our tourism industry and our primary sector businesses, and provide assistance to our low-to-moderate income families. They will tell you how we're making North Dakota a better place to live, work, play and be in business.

In late July 2001, the staff at Economic Development & Finance began the process of moving furniture, equipment and people to our larger office space at the Wells Fargo Bank building in downtown Bismarck. In just three months time, the physical move of ED&F, Workforce, Tourism, and Community Services was complete.

We then had to undertake the task of completing the real merger of four agencies. For all staff to learn and have an understanding of what people at all the other agencies accomplished was a major undertaking. Without working knowledge of how each person operated and how each program worked, the one-stop, streamlined concept of the Department of Commerce would not work.

Today, I am here to tell you that the process is working – and it is working very well. Here are just a couple of examples of the Department of Commerce working together to improve the quality of life of North Dakota residents:

- Staff from Tourism now understand that John Schneider with the Ag Products Utilization Commission can assist them with farm diversification to hunting lodges, bed and breakfasts or other farm-based tourism projects. They also know more about the Community Development Block Grants and the North Dakota Development Fund and how tourism enterprises may be able to utilize those programs. They can also tap into the ED&F business developers if they need assistance with the Small Business Development Centers, the Bank of North Dakota, the Small Business Administration or USDA Rural Development programs.

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- The ED&F business developers can now work closely with Mike Spletto and Barb Owens within the Community Services Division when it comes to housing issues in our growing rural communities.
- Our economic development and tourism divisions have joined forces in terms of their marketing efforts, most recently evidenced by a reception that was held in St. Paul.
- The Development Fund and Community Development Block Grant program staff now sit at the same table early on when it comes to equity projects, and retention projects such as MCI.

The Department of Commerce needed an administration team to handle all of the financial transactions, office management and administrative support functions. We also needed to reduce our FTEs by four people, which was completed by June 30, 2002. One of the major areas the administrative team focuses on, with outstanding performance, is the various federal grants through community services programs. We have asked our program people to do more with less and they have stepped up to the plate and are doing a terrific job.

I am very proud and pleased to tell you that the entire Department of Commerce is working very well. Each day we find yet another new way to work together. When the person is just down the hall or right upstairs, it is that much easier to streamline many processes. Our clients are telling us we have created a seamless system where everyone who needs to be involved is getting the job done differently and better.

To add to the task laid before us in terms of the merger, several other factors were required to be implemented during the same time as our reorganization. The North Dakota Economic Development Foundation, composed of private sector leaders, was organized with the function of providing direction in a variety of ways:

1. To create a statewide strategic plan for economic development
2. To provide direction for economic development activities
3. Private-sector fundraising

The Commerce Cabinet also needed to be implemented to provide cohesion with our state-level partners and assist with implementation of the strategic plan. The purpose of the cabinet is to coordinate and communicate economic development and tourism efforts of those state agencies represented on the cabinet.

During this time we also were being told by our staff, legislators, clients and citizens, that even though we were completing a variety of projects, our success story was not being told. The decision was made to create a communications plan, both for inside the department as well as our external audiences. This plan is now being followed continuously and has been vital to our efforts. It has helped our staff and many others understand how we at the Department of Commerce can assist our customers.

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The organization and administration process was created with one goal in mind: to provide one-stop, world-class customer service to our customers. Our primary customers are many, including local economic developers, convention and visitor bureaus, regional councils, community action agencies, workforce development groups, our in-state business clients (including entrepreneurs and existing businesses) and our recruitment clients.

We are working in a seamless, one-stop, customer-service, and client- oriented manner.

Concurrently, during this time, we also assisted in some manner with 56 North Dakota primary sector start-ups, helped with the expansion of 55 North Dakota primary sector companies and assisted with the recruitment of 8 new primary sector companies to North Dakota. I must tell you that we at the Department of Commerce can accomplish nothing without the help of our partners. Without their work, no projects would be completed in North Dakota. All of our partners are instrumental in our success with improving the quality of life for all North Dakotan's.

I would like to take a moment and visit about real economic development – what it is, and how it occurs. At the state level, it was decided many years ago that our limited resources would be spent on primary sector-based industry (which now includes the tourism industry). That would be companies that create new money in our economy by selling products or services outside our state. We must expand and diversify our economy. There is no magic "silver-bullet" for new job opportunities and diversification of our economy. Economic development is just like any other successful job – it is hard, focused work. But in order to succeed, it has to be focused in areas that make a difference. At the Department of Commerce, we are doing everything differently. The areas where we must concentrate our efforts are:

1. Working with entrepreneurs and start-ups (Bushel 42 in Crosby)
2. Expansion of our North Dakota primary sector companies (Imation in Wahpeton)
3. Recruitment of new primary sector companies with better career opportunities (SEI in Grand Forks and Direct Response in Beulah)

There are many ways that we can work to improve our business climate, such as Renaissance Zones, favorable financing options, friendly permitting processes, infrastructure development, workforce training and competitive utility rates. All of these benefit economic growth and must be focused on assisting the growth and prosperity of the businesses within our state.

The national economy has been difficult the last two years for a variety of reasons. We in North Dakota have moved through this time with much better results than other states and regions. Our Ag and energy industries, manufacturing and business services sector, and tourism industry have all seen growth and that, in turn, makes us stronger. We must continue to move forward in a wide variety of areas, including the continuation of our marketing efforts. We at the Department of Commerce continue to help business start-ups, expansions of existing companies and the recruitment of new business to North Dakota.

At this time I would like to turn the podium over to Linda Butts, the Director of ED&F.

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LEE PETERSON – COMMISSIONER, DEPARTMENT OF COMMERCE

You have heard the excellent results the four divisions of the North Dakota Department of Commerce have worked hard to achieve over the last 17 months. This map is proof positive of all of the hard work that we have achieved. We have touched hundreds of businesses and thousands of North Dakotan's lives through the programs at the Department of Commerce. We are very proud of our work. We have the most committed, hardworking employees you legislators could ask for. We are focused on the important issues that will make a difference in the lives of your constituents. The Department of Commerce is moving forward in the right direction.

So, where do we go from here? What about the future? Governor Hoeven has outlined some of our next steps in his Smart Growth initiative. We ask you to support those proposals. Last fall the Governor, private industry and the Commerce Department also outlined a new map to chart our course. Not only to chart our course, but to measure our results. What gives us this direction? The North Dakota Economic Development Foundation's Strategic Plan does, through its six primary goals and 24 supporting objectives. This plan encompasses much more than the Department of Commerce. It includes all of our partners, which will ultimately be the secret to our success.

The main goals of the Strategic Plan are:

1. Develop a unified front for economic development based on collaboration, accountability and trust.
2. Strengthen partnerships among the state's higher education system.
3. Create quality jobs to retain North Dakota's current workforce and attract new high-skilled labor.
4. Create a strong marketing image to build on the state's numerous strengths, including workforce, education, and quality of place.
5. Accelerate job growth in diversified industry targets to provide opportunities for the state's long-term economic future.
6. Strengthen North Dakota's business climate to increase global competitiveness.

The plan also confirmed our target industries. These are the areas we need to grow in order to provide a strong economy and better opportunities. These are the areas of our greatest concentration of work. This means most of our time and effort and planning will be dedicated to these areas. Our targeted industries are:

1. Value-Added Ag
2. Advanced Manufacturing
3. Information Technology
4. Energy
5. Tourism

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Then, the real key, falls within the benchmarks that will measure our progress. The plan benchmarks include:

A. Net job growth.
B. Annual average wage.
C. Net migration growth.
D. New private sector businesses.
E. Site selection ranking of North Dakota Department of Commerce.
F. Share of local economic development organizations participating in statewide marketing strategy.
G. Academic R&D expenditures as percent of gross state product.
H. Industry R&D expenditures as percent of gross state product.
I. Positive national/out-of-state media exposure (favorable mentions).
J. Number of North Dakota Department of Commerce web site hits per month.
K. Number of leads generated by the North Dakota Department of Commerce.
L. Net job growth in manufacturing.
M. Net job growth in business services.
N. New private sector businesses in manufacturing.
O. New private sector businesses in business services.
P. Number of utility patents per 100,000.
Q. Gross state product (annual growth rate).
R. Venture capital investments.
S. Merchandise export value per capita.

These benchmarks may need to be reevaluated, depending on things such as the national economy, interest rates and other economic factors. The Foundation, along with perhaps a small committee of legislators, may be asked to review these benchmarks on a regular basis to make sure they are effective.

Our vision for the future is to provide a better quality of life for everyone that chooses to call North Dakota their home.

What do we ask of you? Please stay the course. We have a guide to the future. With the help of our partners, the Governor's Office, private business and you, the Legislature, we can and will succeed. We now have the ability to measure that success and at the Department of Commerce we do it every day.

I will now ask the directors to join me for your questions. Thank you.

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DEPARTMENT of COMMERCE

January 16, 2003

The Honorable Rick Berg
House Majority Leader
North Dakota House of Representatives
600 East Boulevard Avenue
Bismarck, ND 58505

The Honorable Bob Stenehjem
Senate Majority Leader
North Dakota Senate
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Representative Berg, Senator Stenehjem and Members of the Committee:

Thank you for the opportunity to provide information about the North Dakota Department of Commerce. It is very important that we work closely with you to communicate our responsibilities to the citizens of our state.

Various individuals within our agency received your request for information, dated Jan. 8, 2003. In light of the enormous amount of reports that you will be receiving in response to your request, we have streamlined all of our responses into one concise report for you. As such, I will address the four questions from a department-wide level, and you will then find answers from each of the divisions. Although the Division of Community Services did not receive a request, we have provided their information as well. Finally, although the Ag Products Utilization Commission is a program within the Division of Economic Development and Finance, they received a request, so you will find their answers at the very end.

Please let me know if we can provide more clarification or information. You can reach me through my assistant, Nancy Miller, at 328-5312, or if she is unavailable, you can call our main office number at 328-5300. Again, thank you for this opportunity.

Respectfully,

Lee Peterson
Commissioner

Cc: House Appropriations – Government Operations Division

400 E. Broadway Ave., Suite 50 • PO Box 2057 • Bismarck, ND 58502-2057 USA
701.328.5300 • FAX: 701.328.5320 • commerce@state.nd.us • www.ndcommerce.com

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DEPARTMENT OF COMMERCE

1. **PURPOSE OF AGENCY**

The Department of Commerce has a diverse role in North Dakota, from working with business to streamlining and assisting with training, to growing our tourism industry, or helping our low-to-moderate income families through the HOME program or weatherization program. We are the primary agency that is charged with the task of creating new and better employment opportunities for the citizens of North Dakota.

Ultimately, the purpose of our agency is to provide a better quality of life for all of the people who choose to call North Dakota their home.

2. **MEASUREMENT OF ACHIEVEMENTS**

Legislation provides that the Department of Commerce report to the Legislature the following:

a. Average annual wage in the state
b. Gross State Product (exclusive of agriculture)
c. The number of primary sector jobs in North Dakota

While there are reportable figures in each of these areas, it is important to recognize that they are all of a historical nature and not necessarily reflective of what is happening currently. With that said, the latest figures that are published are from the year 2000.

- **Average Annual Wage in the State:** $24,683 (a 3.9% increase from 1999's wage of $23,750.)
- **Gross State Product**: Total GSP was $18,283 billion (exclusive of agriculture: $16,379 billion), which is a $1 billion increase over 1999's figures of $16,988 total (exclusive of agriculture: $15,278).
- **Number of primary sector jobs in the state:** The latest available figures, which typically have a time lag, show an increase of 2,400 new NonFarm jobs in North Dakota between 2000 and 2001.

Primary sector jobs is not a number that can be tracked by Job Service North Dakota or the Department of Labor. At the Department of Commerce, we now have a strategic plan that includes benchmarks. It is our hope that the North Dakota Legislature will also agree to use these as our measurements. The benchmarks are included in their entirety on the following page:

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North Dakota Economic Development Foundation: Strategic Plan

Benchmarks

Benchmarks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GOAL 1: DEVELOP A UNIFIED FRONT FOR ECONOMIC DEVELOPMENT BASED ON COLLABORATION AND ACCOUNTABILITY.											
Site Selection Ranking of North Dakota Department of Commerce		30%	40%	50%	54%	55%	56%	57%	58%	59%	60%
Share of local economic development organizations participating in Statewide Marketing Strategy											
GOAL 2: STRENGTHEN LINKAGES BETWEEN THE STATE'S HIGHER EDUCATION SYSTEM AND ECONOMIC DEVELOPMENT ORGANIZATIONS AND PRIVATE BUSINESSES.											
Academic R&D Expenditures as Percent of Gross State Product	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%
Industry R&D Expenditures as Percent of Gross State Product	0.2%	0.4%	0.5%	0.7%	0.9%	1.1%	1.3%	1.5%	1.6%	1.8%	2.0%
GOAL 3: CREATE QUALITY JOBS THAT RETAIN NORTH DAKOTA'S CURRENT WORKFORCE, AND ATTRACT NEW HIGH-SKILLED LABOR.											
Net Job Growth	1,800	1,400	1,700	2,700	4,300	8,400	9,000	9,600	10,300	10,800	11,500
New Private Sector Businesses per 100,000	174	77	105	162	257	509	543	575	615	654	696
Average Annual Wage	$26,252	$27,389	$28,688	$30,167	$31,847	$33,752	$35,812	$38,049	$40,510	$43,175	$46,113
Net Migration	2,088	662	1,302	2,768	4,410	6,070	7,781	9,586	11,470	13,456	15,573
GOAL 4: CREATE A STRONG MARKETING IMAGE THAT BUILDS ON THE STATE'S NUMEROUS STRENGTHS, INCLUDING WORKFORCE, EDUCATION, AND QUALITY OF LIFE.											
Positive National/Out of State Media Exposure (favorable mentions)		10	20	30	40	45	46	47	48	49	50
Number of North Dakota Department of Commerce Web Site Hits per Month	10,920	11,466	12,039	12,641	13,273	13,937	14,634	15,366	16,134	16,941	17,788
Number of Leads Generated by the North Dakota Department of Commerce	140	160	175	190	205	208	211	214	216	218	220
GOAL 5: ACCELERATE JOB GROWTH IN SUSTAINABLE, DIVERSIFIED INDUSTRY CLUSTERS TO PROVIDE OPPORTUNITIES FOR THE STATE'S ECONOMY.											
Net Job Growth in Manufacturing	300	200	200	300	600	1100	1200	1200	1300	1400	1500
Net Job Growth in Business Services	400	200	300	500	900	1800	2000	2200	2400	2600	2900
New Private Sector Businesses in Manufacturing	5	3	3	5	10	18	20	20	22	23	25
New Private Sector Businesses in Business Services	19	9	14	24	42	85	94	104	113	123	137
Number of Utility Patents per 100,000	17.9	19.5	21.2	22.9	24.5	26.2	27.9	29.6	31.2	32.9	34.6
GOAL 6: STRENGTHEN NORTH DAKOTA'S BUSINESS CLIMATE TO INCREASE GLOBAL COMPETITIVENESS.											
Gross State Product (Annual Growth Rate)	2.3%	3.6%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%	2.9%	2.8%	2.7%
Venture Capital Investments (thousands)*	$700	$2,73[illegible]	$5,658	$8,773	$12,078	$15,574	$19,260	$23,137	$27,204	$31,461	$35,909
Merchandise Export Value (per capita)	$1,306	$1,329	$1,368	$1,440	$1,528	$1,651	$1,757	$1,865	$1,997	$2,146	$2,299

*Source = PricewaterhouseCooper/Venture Economics/NVCA Moneytree Survey

External economic factors, such as national economic performance will require these benchmarks to be reassessed as time passes. No state agency can be held accountable for the economic performance of an entire state.

3. **LEGISLATIVE SUPPORT REQUIRED**

Our greatest task is to provide you the right information so you have a better understanding of the huge responsibility that is before all of us in North Dakota, that we are charting the right course, and are spending taxpayers' money wisely with very positive outcomes as voiced by our clients and partners.

I would like to take a moment and visit about real economic development – what it is, and how it occurs. At the state level, it was decided many years ago that our limited resources would be spent on primary sector-based industry (which now includes the tourism industry). That would be companies that create new money in our economy by selling products or services outside our state. We must expand and diversify our economy. There is no magic "silver-bullet" for new job opportunities and diversification of our economy. Economic development is just like any other successful job – it is hard, focused work. But in order to succeed, it has to be focused in areas that make a difference. At the Department of Commerce, we are doing everything differently. The areas where we must concentrate our efforts are:

1. Working with entrepreneurs and start-ups
2. Expansion of our North Dakota primary sector companies
3. Recruitment of new primary sector companies with better career opportunities

Expanding our economy is a long-term process. Many factors influence how our economy functions. For example, each year we lose 10-15% of all jobs from closures, acquisitions or mergers so we must increase new jobs by 10-15% just to stay even. Everything we do is about the people of North Dakota and providing more opportunities and a better quality of life.

Historically, the state has been very reluctant to spend dollars to market our state as a place to do business. Every investment we make to build our image returns to us many times over. We would never invest money in a private company that did not have a cohesive marketing plan. We must tell people our great North Dakota story with strong marketing. We need your help and support to do that effectively.

Financially, we at the Department of Commerce have worked very hard to do more with less – to provide funding for the programs that will make a difference and grow our economy. Therefore we need your support and approval of the Governor's budget and *Smart Growth* initiatives.

What do we ask of you? Stay the course. The North Dakota Economic Development Foundation's Strategic Plan is a guide to the future, charting our course and creating areas in which to measure the results of our work. It includes all of our partners, which will ultimately be the secret to our success. With the help of our partners, the Governor's Office, private business and you, the Legislature, we can and will succeed.

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4. **REPORTING OF PROGRAM RESULTS**

At the Department of Commerce, we have produced an Annual Report that will be available by January 23.

I have provided you a copy of the new benchmarks from the Economic Development Foundation's Strategic Plan. Our intent is to continue to implement and follow the Strategic Plan and measure our progress by the benchmarks on a yearly basis.

At the Department of Commerce we administer many programs and services that are not easy to measure. However, by using our these new, overall benchmarks, we believe the Legislature and citizens of North Dakota will be able to measure our progress.

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DIVISION OF COMMUNITY SERVICES

1. **PURPOSE OF DIVISION**

The North Dakota Division of Community Services (DCS), a division of the North Dakota Department of Commerce, is established under section 54-44.5 of the North Dakota Century Code to provide technical assistance to local governments, state agencies, and the executive branch in the area of community development and rural planning, and policy research and development. In addition, DCS administers federal and state programs in the areas of community development, energy efficiency and renewable energy, and low income assistance, self-sufficiency, and independence.

DCS is also charged with administration and technical assistance associated with the state building code, the state third-party inspection program of modular residential and commercial structures, the Americans with Disabilities Act, and the state Renaissance Zone program. DCS also serves as a coordinating agency for the State Census Data Center Program, which facilitates the provision of census data to agencies, business, and the public in general.

The majority of DCS programs are federally funded with those funds passing through in the form of grants to cities, counties, regional councils, Community Action Agencies (CAAs), homeless shelters, housing development organizations, and other programmatically affiliated state agencies and institutions.

Many of the federal programs administered by DCS have a primary focus on low- and moderate-income residents of the state.

2. **MEASUREMENT OF ACHIEVEMENTS**

Most achievement measures within DCS relate to federal program requirements in the use of funds awarded to the state under the respective programs.

Measurements associated with the community development and housing programs include: number of rental units created; homes rehabilitated; families given home ownership assistance; jobs created; homeless shelters provided assistance; public facility projects assisted; and housing projects funded.

Measurements associated with the energy efficiency/renewable energy programs and low income assistance programs include: number of households weatherized; households receiving furnace repair or replacement services; individuals receiving self-sufficiency and case management services through the CAAs; number of persons reached with energy educational materials; state institutions/agencies assisted in energy efficiency improvements; and demonstration projects promoting alternative energy production and use.

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In the technical assistance section some of the measures include: number of Renaissance Zones designated, Renaissance Zone projects approved, building code training provided, etc.

3. **LEGISLATIVE SUPPORT REQUIRED**
Since the DCS budget consists of 98% federal and other funds and the state's general fund contributing 2%, it is important that DCS continue to receive legislative support in appropriating spending authority for the implementation of these programs. The general funds are needed primarily as match for the federal program dollars.

With the recent legislative initiatives of the Renaissance Zone program, the third-party program for inspection of modular buildings, and the administration of the state building code assigned to DCS, existing staff resources have been strained. In considering additional programs or responsibilities which may be assigned to DCS, the legislature will need to seriously look at additional staff resources.

4. **REPORTING OF PROGRAM RESULTS**
In addition to the required federal program reports documenting results, DCS as a division of the Department of Commerce has been included in a recently prepared annual report designed to communicate our purpose and outcomes. In addition, the department web page is also an excellent medium to disseminate information on our programs and results. Finally, a coordinated system of news releases also helps us keep in touch with the public.

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DIVISION OF ECONOMIC DEVELOPMENT & FINANCE

1. **PURPOSE OF DIVISION**
   The goal of the Economic Development & Finance Division of the North Dakota Department of Commerce is to grow the economy of the state by offering services to local economic development professionals and business clients.

2. **MEASUREMENT OF ACHIEVEMENTS**
   We measure our success several ways, but ultimately our success is measured by the number of new primary sector jobs created, the increase in the gross state product and the increase in the salary levels of our citizens.

   - Our Manufacturers Extension Partnership program is measured by an independent third party from the national MEP system. By interviewing the company owner, they determine the value of the service provided. They measure and place a value on increased productivity, increased sales, jobs retained or new jobs added for our existing manufacturers.
   - The Center for Technology measures its success by follow-up interviews with students to determine if they received a job or earned a promotion, increased their wages, or purchased computers, internet services, etc.
   - The Development Fund measures its success by the number of jobs created annually, the number of write-offs the Fund incurs and the ability to leverage these state dollars with other funding partners.
   - The success of Partners in Marketing is evaluated by the number of communities and counties that access the program.
   - Marketing and Business Development measure its success by the number of business leads generated for the state and number of new business startups.

   When local developers succeed, ED&F and all of North Dakota succeeds.

3. **LEGISLATIVE SUPPORT REQUIRED**
   The Governor's direction and one of the goals of the North Dakota Economic Development Foundation's Strategic Plan is to develop a unified front for economic development. In the last 17 months, we at DOC have worked hard to strengthen and streamline economic development efforts in the state by partnering with and supporting the existing development community. To that end, we are doing things much differently than has ever been done before.

   We have just begun to market our state. For the first time ever, you invested resources to market our state as a good place to live, work and do business. We need to sustain this effort in order to continue to convince businesses that North Dakota not only offers a talented workforce but also a welcoming business environment.

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It is imperative that your investment in ED&F be maintained so that we can continue to diversify the economy through the creation of high quality jobs. In order to succeed, part of our task is to change the self image of the state by celebrating our successes and the competitive advantages we have, and take a long term perspective regarding economic development.

What do we ask of you? Stay the course. The North Dakota Economic Development Foundation's Strategic Plan is a guide to the future, charting our course and creating areas in which to measure the results of our work. It includes all of our partners, which will ultimately be the secret to our success. With the help of our partners, the Governor's Office, private business and the Legislature, we can and will succeed.

4. **REPORTING OF PROGRAM RESULTS**

Much of what we do will be measured by other state and federal agencies. Job Service measures the number of jobs created and average annual wage in the state ; the U.S. Department of Commerce, Bureau of Economic Analysis measures gross state product. However, those numbers lag performance by as much as two years. So, the work we are doing now will not be reflected in the economy until a later date.

In the meantime, ED&F does report to the taxpayers of North Dakota. We are part of the Department of Commerce annual report. Two funding sources within ED&F, the Development Fund and Ag Products Utilization Commission, regularly release updated information on grant recipients as well as annual reports of their funding activities.

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DIVISION OF TOURISM

1. **PURPOSE OF DIVISION**

The mission of the North Dakota Tourism Division is to create new wealth for North Dakotans by using a targeted marketing plan to attract in-state and out-of-state visitors. In doing this, Tourism is making North Dakota a good place to live, work, do business and play.

2. **MEASUREMENT OF ACHIEVEMENTS**

The Tourism Division measures our success by looking at the direct results of our efforts and the return we received on the investments we make in the marketing of our state to visitors.

- According to a study by NDSU Agribusiness, tourism is the second largest industry in North Dakota (only slightly behind agriculture).
- Contributed $2.8 billion to the state's economy by out-of-state travelers in 2000.
- Makes up 28 percent of the state's economic base.
- Employed 22,400 North Dakotans across the state.
- Generated $139.9 million in tax revenue due to out-of-state visitors' expenditures.
- Is the fastest growing industry in North Dakota with a growth rate of 5.7% from 1999 to 2000 and over 500% since 1990.

Each market is measured differently. For example, in the international market we measure our effectiveness several ways including media exposure and actual dollars spent. Based on our research, we have targeted Scandinavian countries with our international marketing efforts and are seeing great success.

The value of the international media coverage, including television, North Dakota received in 2001 was three times what our international program costs were. Last year 49 articles appeared in international publications and two television specials reached 3.1 million viewers. So far in 2002 we have estimated $172,000 as the value of international press coverage – again exceeding our costs. North Dakota outpaced South Dakota in total international travel: $46.4 million in direct expenditure in North Dakota versus $40.1 in South Dakota. It is important to note that South Dakota entered the international market 10 years ahead of us.

With our new branding and ad campaign, we have seen positive results. Because we want to be sure we are getting the best results we went back into our markets to measure the results of our ad campaign and to do accountability research. To quote the preliminary report:

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"Based on preliminary findings, it is clear that the strategic campaign is on strategy, resonating with potential visitors, and yielding positive results." Based on our media markets:

- Strong level of ad awareness given limited budget
- 3 million travelers are aware of our advertising (43%)
- Increased overall appeal of North Dakota as a destination
- Positive impacts: both short-term conversions and future intentions
    - 286,450 trips were taken in 2002 as a direct result of our advertising.
    - These trips generated $29.2 million in incremental travel spending as a direct result of these ads.
    - 87,900 trips planned so far for 2003 due to 2002 advertising.

North Dakota's campaign effectiveness versus other states with similar budgets ranked 2nd out of six. We generated .73 trips for every dollar we spent on advertising. For every dollar we spent in media advertising, we received a return of $75 on that investment.

3. **LEGISLATIVE SUPPORT REQUIRED**

The legislature can help us achieve our goals by funding the Tourism Division through general fund dollars. These dollars go directly into marketing programs that will increase traffic to all areas of North Dakota. The more dollars we spend on marketing the more results we will see. The tourism industry in North Dakota is growing and becoming more active. The North Dakota Tourism Alliance Partnership opposes any caps or restrictions that further limit license availability to out-of-state sportsmen.

4. **REPORTING OF PROGRAM RESULTS**

The Department of Commerce Tourism Division will continue informing the public and our industry partners about our programs and our effectiveness. We do an annual report to our industry stakeholders each year at the State Tourism Conference. We also have a monthly newsletter that is mailed and e-mailed to interested constituents. Our staff often goes to events and functions in various communities to discuss our programs and how we can partner. We also have a formal news release program that informs the public on a regular basis.

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DIVISION OF WORKFORCE DEVELOPMENT

1. **PURPOSE OF DIVISION**

The main purpose of the Workforce Development Division is to provide administrative support to the Councils and Commission in carrying out their responsibilities for making recommendations to the Governor on policy and improvements to the state's workforce development and workforce training system in the context of addressing economic development and community service needs in North Dakota.

The Councils and the State Commission depend on strong partnership relationships. These partnerships include state and local agencies and organizations, education agencies, businesses and business associations, American Indian tribes and local communities.

The role of the Council's and the State Commission is:

- Being the state's *champion* for workforce and service issues;
- Being the state's *change* agent;
- Being the state's *convening* agent;
- Being the state's *accountability* agent; and
- Being the *catalyst* for creating a diverse and higher quality workforce

It is all about the people of North Dakota and making North Dakota a better place to live, work and do business. This happens through partnerships, developing common visions, and sharing of talent and resources.

2. **MEASUREMENT OF ACHIEVEMENTS**

Achievements for the Workforce Development Division can be measured using the following performance indicators.

1. Ability to work with business and bring to the Councils and Commissions attention those workforce issues that the state and business in the state are faced with.
2. Ability to serve as the convening agent, change agent and a catalyst for coordination and cooperation in addressing workforce issues facing the state.
3. Ability to help identify both federal and state resources that can be leveraged to address workforce issues prioritized by the Council and Council partners.
4. Ability to leverage additional federal funding to support workforce development and workforce training in North Dakota.
5. Satisfaction of members of the Council and Commission in the support received by the Division.

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3. **LEGISLATIVE SUPPORT REQUIRED**
The legislature can help in several ways:

1. The first is to support the Division's efforts to secure additional federal funding to address workforce issues in North Dakota. The limitation on Full Time Equivalents (FTE's) is a barrier and a disincentive to going out and securing additional federal resources to support workforce training. To support this point, the Division wrote a federal grant and received $2.1 million in federal funds to help address the nursing shortage in North Dakota. We did not get approval for an FTE to hire a program administrator for this program. Without ability to pay benefits, getting qualified individuals presents a problem. The result is that the Division took this major program on without additional professional staff. The result is that additional federal grants to address workforce training have not been pursued due to a lack of time and staff.

2. Second, the legislature needs to look to the future and begin to have discussion on the growing issues of worker shortages and skill gaps that many North Dakota businesses experience alongside of a serious underemployment problem. The issues are a lack of training programs, a lack of training slots and a lack of funding available to underemployed workers to pursue training. The North Dakota Workforce development Council has taken a legislative position. One of the positions related to the issues: "Explore options to fund a new program to provide matching funds to assist with retraining underemployed workers and youth for primary sector and high demand, high skill target occupations having an average annual wage of $25,000 or more in return for a commitment to work in North Dakota.

4. **REPORTING OF PROGRAM RESULTS**
The effectiveness of the Workforce Development Division can be reported through a number of venues.

- The Division can report (measure) results in meeting the mandated performance indicators for the Workforce Investment Act.
    - Annual reports are prepared on the performance of the Workforce Investment Act. This report is currently prepared by Job Service North Dakota with input from the Council.
    - If the agencies meet the federal performance indicators for the program year, the state is eligible to receive incentive awards of $750,000 to expand on the workforce training delivered in North Dakota.
- For the National and Community Service Act of 1990, the Division can report on the increase in use of state formula AmeriCorps and Learn and Service America funding in the state.
    - Civic engagement to address community service issues should increase.
- The Division can report on the number of additional federal and private grants the state receives as a result of the assessment of workforce issues and serving as the catalyst and convening body to build the partnerships to support the grant application.

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APUC (PROGRAM WITHIN ED&F)

1. **PURPOSE OF PROGRAM**
   The main purpose of the Agricultural Products Utilization Commission (APUC) is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. We accomplish these goals by administering four grants: the farm diversification grant, the marketing and utilization grant, prototype development grant, and basic and applied research grant. All projects are evaluated on the probability and extent of new wealth creation, credibility and merit, market potential and commercialization feasibility, the presence and source of matching funds, and the geographic location of the applicant.

2. **MEASUREMENT OF ACHIEVEMENTS**
   We measure our achievements by the final reporting process of the grantees, visits to the projects, and by the number of grantees that move their projects into the next phase. Several of APUC's grantees wouldn't have been able to move forward had it not been for the assistance they received. Also, APUC has been used as a model in several other states, such as South Dakota. It is one of the last funding sources for start-up costs such as feasibility studies, business plans, marketing programs, as well as, direct grants to producers to diversify their farming operation.

3. **LEGISLATIVE SUPPORT REQUIRED**
   We would ask the legislature to support our budget as proposed. It is a worthy program that has helped numerous value added businesses, as well as the production agriculture industry in North Dakota. We would also respectfully request that the legislature help us get our story out, to take the time to learn about the program and give us your insight on how to make the program better.

4. **REPORTING OF PROGRAM RESULTS**
   APUC has always and will continue to work very closely with other funding agencies throughout North Dakota. We have built strong relationships with the economic development directors around the state, the regional councils and the North Dakota higher education institutions. We submit press releases every quarter announcing application deadlines, dates and locations of the committee hearings, and who received grants and the amount. We encourage the public to sit in and give the committee any feedback. The Executive Director gives several seminars around the state on the agency, as well as the application procedure and guidelines. APUC also publishes an annual report that is available to the public on all the grants that have been awarded funding, the current commission members, a financial statement, and guidelines for applying to the commission.

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Exhibit 1

NORTH DAKOTA DEPARTMENT OF COMMERCE TESTIMONY
SENATE APPROPRIATIONS COMMITTEE
MARCH 11, 2003 - 10:15 A.M. – 12:00 P.M.
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

OVERVIEW OF DEPARTMENT AND DIVISIONS
LEE PETERSON, COMMISSIONER

Good morning, Mr. Chairman, and members of the committee. I am Lee Peterson, Commissioner of the North Dakota Department of Commerce. Please allow me to introduce the people that make the Department of Commerce the integrated, results-driven, focused, one-stop shop for improving the quality of life for all of the citizens of North Dakota:

- Paul Govig – Director of the Division of Community Services
- Linda Butts – Director, the Division of Economic Development & Finance
- Sara Otte Coleman – Director, the Division of Tourism
- Jim Hirsch – Director of the Division of Workforce Development

Each of these individuals will provide testimony about the great work we are accomplishing every day to help diversify and grow our North Dakota economy, train and educate our workforce, grow both our tourism industry and our primary sector businesses, and provide assistance to our low-to-moderate income families. They will tell you how we're making North Dakota a better place to live, work, play and be in business.

In late July 2001, the staff at Economic Development & Finance began the process of moving furniture, equipment and people to our larger office space at the Wells Fargo Bank building in downtown Bismarck. In just three months time, the physical move of ED&F, Workforce, Tourism, and Community Services was complete.

We then had to undertake the task of completing the real merger of four agencies. For all staff to learn and have an understanding of what people at all the other agencies accomplished was a major undertaking. With a working knowledge of how each person operated and how each program worked, the one-stop, streamlined concept of the Department of Commerce would not work.

Today, I am here to tell you that the process is working – and it is working very well. Here are just a couple of examples of the Department of Commerce working together to improve the quality of life of North Dakota residents:

- Staff from Tourism now understands that John Schneider with the Ag Products Utilization Commission can assist them with farm diversification to hunting lodges, bed and breakfasts or other farm-based tourism projects. They also know more about the Community Development Block Grants and the North Dakota Development Fund and how tourism enterprises may be able to utilize those programs. They can also tap into the ED&F business developers if they need assistance with the Small Business Development Centers, the Bank of North Dakota, the Small Business Administration or USDA Rural Development programs.

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- The ED&F business developers can now work closely with Mike Spletto and Barb Owens within the Community Services Division when it comes to housing issues in our growing rural communities.
- Our economic development and tourism divisions have joined forces in terms of their marketing efforts, most recently evidenced by a reception that was held in St. Paul.
- The Development Fund and Community Development Block Grant program staff now sit at the same table early on when it comes to equity projects, and retention projects such as MCI.

The Department of Commerce needed an administration team to handle all of the financial transactions, office management and administrative support functions. We also needed to reduce our FTEs by four people, which was completed by June 30, 2002. One of the major areas the administrative team focuses on, with outstanding performance, is the various federal grants through community services programs. We have asked our program people to do more with less and they have stepped up to the plate and are doing a terrific job.

I am very proud and pleased to tell you that the entire Department of Commerce is working very well. Each day we find yet another new way to work together. When the person is just down the hall or right upstairs, it is that much easier to streamline many processes. Our clients are telling us we have created a seamless system where everyone who needs to be involved is getting the job done differently and better.

At this time I would like to turn the podium over to Paul Govig, Director of the Division of Community Services.

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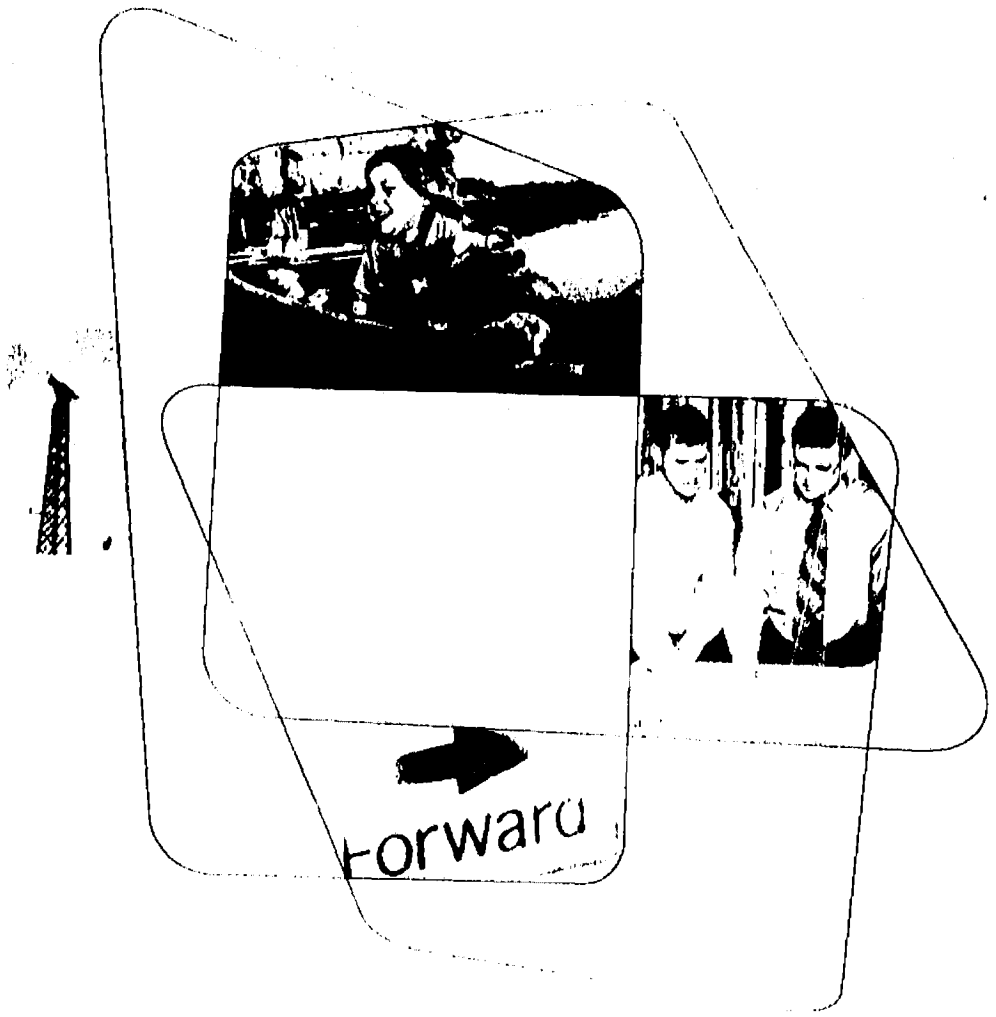
a new state of business



2001-2002 ANNUAL REPORT

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ND DEPARTMENT OF COMMERCE
RESPONSES TO HOUSE APPROPRIATIONS COMMITTEE QUESTIONS
JANUARY 22, 2003

1. There is a $1,800,000 reduction in the DOC Professional Services budget. Explain?

Although there are a variety of adjustments that affect multiple lines, the majority of the reduction results from the following two areas:

1. The Division of Community Services moved $1,146,000 in the Energy program from the Operating Line of Professional Services into the Grants Line. It was decided that the funds being expended were truly grants instead of contracts.
2. Additionally, the Division of Economic Development & Finance Manufacturing Extension Partnership program does not need the authority for $483,511 of federal and special funds.

2. There is a $350,000 reduction in the DOC Operating Fees budget. Explain?

Although there are a variety of adjustments that make up the total reduction, the primary reduction is due to the following: the Division of Economic Development & Finance, Manufacturing Extension Partnership program does not need the authority for $311,000 of federal and special funds.

3. Why was the $100,000 for the Cowboy Hall of Fame removed from the budget?

This was a one time appropriation that was paid out to the Cowboy Hall of Fame this biennium. All one time appropriations are removed from the budget request by OMB for the next biennium. The Division of Community Services is currently working with them to provide another $100,000.

4. We have 2 contract employees. Are we allowed to do this, do they get benefits?

Sandy Paulson will provide the Committee with the answer to this question. Brenda Stone Bolo Gruman.

5. Our rent will increase $46,000 when we move to the new building. How do we intend to cover this?

The Governor's budget recommendation for the Department of Commerce had additional rent funds included in it. However, our budget recommendation was still below the 95% requirement.

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6. **Our insurance cost increased $11,000. Is this due to risk management?**

   This increase is due to our increased premium for risk management.

7. **Appropriation for Lewis & Clark in current biennium versus what is being asked for in 2003-2005 biennium. Address the river rescue grants.**

   The Lewis & Clark budget for the current biennium is $905,751. The $150,000 for river rescue grants was removed as a one time appropriation. The budget recommendation for Lewis & Clark is $853,147. This is an increase of $97,396 for this program, due to the one time adjustment.

8. **Why is value-added Ag #1 on our list when it has been declining?**

   According to employment trends for the last 5 years, North Dakota's greatest assets are in Ag, Hotels and Entertainment, Business & Professional Services, Community Services, Software and Information Technology Services, and Government. Approximately 138,000 (35%) of all North Dakota workers are employed in these sectors.

   Food processing, which records one of the State's strong location advantages, has seen growth in payrolls during the last 5 years. This sector's site factors are highly influenced by location near either a major food source or consumer market. North Dakota's recent rapid growth in this industry is likely the result of the State garnering its "fair share" of the regional pie through the State's competitive wage rates, low utility costs and friendly business climate.

9. **If we had a wish list at DOC of things that would make North Dakota more competitive, what would they be?**

   The tax analysis that is soon to be released shows that our climate is actually in very good shape. There are two areas that we would emphasize:

   1. Follow through on Governor Hoeven's initiative to decouple the state corporate income tax rate to eliminate confusion and a perception that North Dakota is a high tax state due to a top stated-rate of 10.5%.
   2. The North Dakota Unemployment tax definitely appears to be out of line with our competitors, or at least it is perceived this way. Both a draft of our tax analysis, being completed by Eide Bailly, as well as independent state tax rankings have indicated that North Dakota's unemployment tax rates rank near the bottom as being the most expensive, thus dragging North Dakota's entire tax ranking down. Job Service explains to us that this is not necessarily true, but due to how study methodologies are done North Dakota's structure and rates do not portray us very well. We are not completely sure how this can be fixed, but it may warrant exploration.

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Aside from taxes:

3. We need to continue to market our story. Our business story/climate is quite strong; it's just a matter of telling it to the right business people.
4. E-Government Services – We need to grow our government services efficiencies through the use of technology. Whether it is maintaining our rapid permit response rates over our competitors, or reducing government red tape through the use of data warehouses. We must provide state and local permit applications on-line with a quick turnaround. State government agencies should have one data warehouse on North Dakota businesses. A business should not have to fill out contact information for multiple agencies or respond to three different agencies on a monthly basis for tax withholding, workers compensation and unemployment insurance with similar information. We believe that the Information Technology Department has facilitated a pilot study on this concept. It is proven to be a fairly complex and expensive endeavor, but one that we feel would be a great benefit to business (less red tape – very marketable for economic development) as well as the government agencies (better communications across agencies and eventual cost savings).

10. How did the strategic planning get started? How was it handled and developed?

The strategic planning process started with a task force that was comprised of North Dakota Economic Development Foundation members, 3 Legislators, and the top management of the Department of Commerce. The task force decided to hire Eide Bailly out of Fargo to develop the Request for Proposal for the strategic plan. Based on input from the task force, as well as Miles Friedman from the National Association of Development Agencies, Eide Bailly then put together the Request for Proposal. From the beginning it was determined that the vendor did not have to spend a year doing focus group work around the state. Rather it was written into the Request for Proposal that the vendor should review all the prior work done (i.e. Vision 2000, Growing North Dakota, Enhancing North Dakota, New Economy Initiative, the Targeted Marketing study, etc.). It was felt so much work had been done on prior visioning efforts and that the emphasis needed to be on implementation. Eide Bailly narrowed the proposals down to the 3 strongest candidates, based on a set of weighted evaluation criteria that was included in the Request for Proposal. The Foundation board then made the final decision.

11. Do we think marketing dollars are the key to our budget and why?

An appropriate marketing budget for economic development is critical to our efforts to diversify and grow the North Dakota economy. Through our out-of-state marketing efforts, we are enhancing North Dakota's image as a great place to do business, and educating company decision makers on the competitive advantages of expanding or relocating their business in North Dakota. We believe you will agree that more and better companies will increase the career opportunities and quality of life for the people of North Dakota. Addressing a lack of knowledge of our business climate is an important part of our marketing efforts.

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We do not have the financial resources to launch a national campaign to place North Dakota on the forefront of every corporate decision maker's mind; however, with a modest marketing budget of $1.2 million, we will have the ability to continue our efforts in targeted industries, in targeted geographic locations and before targeted company executives to position North Dakota as a state that delivers growth and prosperity.

North Dakota suffers a tremendous problem of being a blank spot in most people's minds. Both Tourism and Business Recruitment need to tell the North Dakota story. In order to tell that story, we must be able to provide information to people that do not know what a wonderful place we are to live, work, play, and do business. From our experience, when we peak people's interest enough to come here, they are extremely impressed with what we have to offer, whether the visit is of a recreational nature or for a possible business location.

Our marketing efforts in Tourism have increased our visitors in many areas in the State. Our efforts in economic development have also seen returns: like SEI in Grand Forks, Buhler in Fargo, Western Polymers in Grand Forks, Specialty Exports in Hatton, CBF in Fargo, Direct Response in Beulah, Remington Seed in Mapleton, Infinity Windows by Marvin in Fargo, and Northwest Alfalfa in Tioga. Business recruitment works for both rural and urban communities. We have 100 current clients and have coordinated 21 site visits that have touched 47 communities, and will continue to create better jobs with better companies if we can sell our great State.

We cannot create better jobs if we are not working on a national basis. Many states will begin to curtail their economic development efforts because of budget issues. This will leave us with a tremendous opportunity for North Dakota to move forward rapidly.

12. **It has been observed that North Dakota suffers from the image that we are not a business friendly state. Have we observed that also and how do we intend to counteract this?**

We encounter time and again the fact that business executives have a lack of understanding about North Dakota's business climate – they know nothing about it.

To create greater awareness about North Dakota and the growth and prosperity we deliver to companies, the Department has implemented the following:

- *Ambassadors Program*: fellow and former North Dakotans who are trained to help us generate leads and "tell our story."
- *Business Receptions*: 8 through 12/31/02; 7 planned through 6/30/03.
- *Marketing Materials*: high-quality print piece, interactive CD, video, executive testimonials, related companion pieces.
- *Prospecting*: we have identified industry and geographic targets and then launched prospecting missions in those areas to reach additional business projects and discuss North Dakota's business climate.

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- *Site Selector Visitation Program*: program that brings site selectors and corporate real estate executives to North Dakota.

The Department will initiate the following additional marketing strategies prior to the end of the biennium:

- *Advertising Campaign* in the Twin Cities market.
- *Editorial Placement Program*: we will contact and target specific regional and national media, and national industry publications for story placement on North Dakota's business climate. We will host their visits to the state and also visit them in their locations. National site selectors are included in this mix.
- *Market Research*: we will continue our study of tax structures in our competitor's markets. In addition, we will expand this work to include business analysis in a multi-state area and target industry analysis to identify and document our competitive business advantages.
- *Web Site*: we will update our web site marketing plan and begin the redesign of our web site so it better delivers the kinds of information potential clients need.

We have advantages no one knows about, and we need to tell the story. We have had enough success to know if we can find the right company at the right time (when they need a site), we will bring new companies and new people to North Dakota.

13. Who did the Foundation's Strategic Plan? Why was an out-of-state firm hired?

Angelou Economics out of Austin, Texas was the firm that completed the strategic plan. One of the main reasons they were hired was their extensive experience in strategic planning for governmental units. It was imperative that the firm doing the work was familiar with and capable of completing a complex, state-wide plan.

14. Lay out in spreadsheet format the dollar's invested, jobs created, average wage on a year by year basis. How many people are on the payroll as of a certain date.

Please refer to Attachment A. You may also refer to Question #24 for a detailed explanation.

15. Provide a copy of the Development Fund annual report.

Please refer to Attachment B.

16. Describe what is going on in international trade. Is it increasing?

2000 State export totals are the latest available data. ND had export sales of $711,496,000 in 2000, an increase of 12.1% over 1999. 1999 was a bit of an aberration in that it is the only year since 1993 that ND has seen a decrease in its exports. ND 1999 exports totaled $634,608,000, a 3.5% decline from 1998's $657,417,000.

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Please refer to Attachment C for additional information relative to this topic.

The Research Team within the Department of Commerce recently completed a primary sector survey of over 1700 North Dakota companies with about a 50% response rate. This year's survey included a section on International Trade and 356 companies responded to that specific section. Of those 356, 167 of the companies identified themselves as "exporters" and 84 claimed to be "importers." 28 companies said they are not exporting now but expressed some interest. Of the 167 "exporters," 70 characterized themselves as "new" to exporting, 69 claimed to be "experienced" in exporting while 28 did not classify their experience.

The top three export problems identified were shipping, documentation, and finding an agent or distributor. The top three export lead sources were trade shows, Internet, and agents and distributors (tied). The top three reasons for "not" exporting were: lack of interest or desire to stay in current market; lack of knowledge or contacts; marketing issues and capacity issues (tied). As a result of the survey, the www.growingnd.com website now has an exporter directory that can be found under the "Company Profiles" section.

17. Is the Department responding to the Saving ND questions (out migration, poor wages, etc)? Is the response enough to make a difference?

Two years ago, when the Department of Commerce was created, we reallocated resources to programs that make a difference – programs that will expand career opportunities in North Dakota.

No single state agency can change the economy of North Dakota alone. It will take a sustained effort by many. The focus must be on:

1. Training and retaining the workforce.
2. Encouraging start-ups, expansions and relocations.
3. Enhancing our internal and external image and allocating resources to programs that make a difference.

At the Department of Commerce, we are doing many things differently. We have reallocated resources to programs that have the potential of strengthening our economy and offering better paying jobs. Manufacturing is one industry: the jobs pay 25% higher than other jobs in the state. Energy is another: workers here are the highest paid in the state. We are working with a site selector to identify specific companies that would be a good fit (i.e. needs large amounts of inexpensive energy). We are marketing the state on the national stage and letting them know of the competitive advantages we have here in North Dakota (i.e. inexpensive energy; real estate; a workforce that is highly educated, has low turnover and is highly productive).

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18. If in fact things are as serious as indicated by the Forum, are we taking things seriously enough? Population keeps declining but yet we are cutting your budget? How can we allow you to lose $2,000,000 in the Development Fund & only give you $200,000 for NEI? Don't you think we need to do more?

North Dakota gained in population .05%, it did not decline. This is perhaps the first reported growth for the State since before the great depression.

Under the able management of Dean Reese, the North Dakota Development Fund's write downs have been reduced significantly. Investments are up, and for every dollar invested by the Development Fund seven dollars is invested by other financing partners. As a result, this fund is now truly a revolving loan fund and is fulfilling its original legislative intent. In an effort to work with the legislature in this difficult budgeting cycle, we have offered to forego further general fund investments for this biennium only. The Development Fund has sufficient funds because of the strong management of the fund.

The Governor's budget calls for significant investments in economic development in other areas. In fact, that is precisely what the Governor's Smart Growth Initiative is all about. Smart Growth includes $16 million in the Venture Capital Fund, Seed Capital Fund and the Internship program. In addition, we are proposing to add $5 million for Centers of Excellence.

Many of the recommendations in the Governor's budget include NEI recommendations. They are implemented by other state agencies. The vision was offered by NEI, and state government is working to implement the vision.

19. Provide a copy of the tax rate study.

The tax rate study is expected to be completed by the end of January. Upon completion, we will forward copies to the Committee.

20. Put together our answer for the majority leaders letter by the 16th.

The response was submitted to the majority leaders and the Committee on January 16th.

21. Provide a brief synopsis of how the unclassified situation has been going in our agency.

The Department of Commerce has been an unclassified agency since its inception on August 1, 2001. The DOC has based their employee compensation and personnel system on the State's classified system. The benefit of the unclassified status for the DOC has been the ability to tweak that system in the rare cases that it has been needed. The unclassified status allows the Commissioner more latitude in making personnel decisions, and it has not negatively impacted our staff.

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22. Does the DOC still have the contract with Odney (one regarding the communications plan)?

No. Odney is now used on an as-needed basis for the Divisions of Community Services, Economic Development & Finance, and Workforce Development. The original contract with the Division of Tourism remains in place.

23. How do we coordinate our research? If we are told about university research how do we handle it?

The Department of Commerce does not research specific business ideas, although APUC is involved in funding this type of research. Among other duties, the Department of Commerce research team attempts to identify potential industries that are first off, growing and then in which North Dakota holds a competitive advantage, as well as the potential suspects within those industries.

Both NDSU, with their Technology Park, and UND, with their Center for Innovation, are currently handling the area of commercializing intellectual property. This is a perfect fit, considering they are basic institutions of research. Although we do not coordinate such functions, our Department continuously works toward bettering our partnerships with higher education. This is evidenced through such things as: the Foundation's strategic plan; our involvement in the Higher Education Roundtable; and our involvement with the recent Research & Development Showcase in Grand Forks. We expect to continue to be a part of the research corridor and Centers for Excellence development.

24. How much does it cost to generate a job? Pick some segments and figure cost of generating a job in that segment.

Economic Development is a complex issue in North Dakota. Incentives come from a variety of sources and come in many forms. No one entity is responsible for reporting or following up with projects on a comprehensive basis, or compiling a complete report with all parties involved. This is both a positive and a negative. On the positive side, ND local development organizations have an advantage in the fact that they have a great deal of flexibility and a fair number of sources to package an economic development deal. On the negative side, all these different programs have different timetables for investment and follow-up, different reporting requirements, different reporting authorities (no one with overriding jurisdiction), and different confidentiality codes.

At the Department of Commerce, we have programs such as the North Dakota Development Fund (NDDF), Community Development Block Grants (CDBG), and the Ag Products Utilization Commission (APUC). All three of them provide the name, location and amount of funding approved for each requesting company throughout the year for public information. They also provide an annual report, which includes a listing of the company names, amount invested and location of projects funded during that year.

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Therefore, whenever money is involved, we provide information on each project, but only the company names, amount funded and location by each of those programs. The entire funding packages are not disclosed due to the confidentiality requirements of some of the funding sources, which are listed below that can be involved in putting financial packages together. This makes it difficult to provide a comprehensive report on what the actual cost would be to generate a job.

There are many different players involved with economic development:

A. Local Communities: they are the heart and soul of job creation. They may provide funding in a variety of forms. We have always been of the opinion that each community knows what is best for that area and can make their own decision about all economic development issues, including funding. They also grant property tax exemptions, provide infrastructure, water, sewer, roads, sidewalks, curb and gutter, or whatever they feel is necessary. They are the hands-on agent for economic development in North Dakota, and they choose to report on their investments in their own way.

B. Regional Councils: Regional Councils are actively engaged in economic development projects. They have access to Community Development Block Grant (CDBG) money which is federal money that is provided to the state to serve low-to-moderate income people throughout North Dakota except for citizens in Grand Forks, Fargo and Bismarck. These dollars can be loaned and/or granted to communities for economic development projects. Annual reports concerning the use of these funds are submitted by the Division of Community Services to the Housing and Urban Development Department (HUD) in Denver. In addition, Regional Councils occasionally receive funds from the Economic Development Administration for economic/infrastructure development. Reports concerning the use of these funds are sent directly to the Economic Development Administration. USDA Rural Development has provided funds to some Regional Councils to start Intermediary Relending programs and these program reports are sent directly to Rural Development.

C. Department of Commerce, Division of Community Services: this division administers the CDBG program, which is delivered through the 8 regional development councils. The State provides annual reports to HUD.

D. Bank of North Dakota: the Bank of North Dakota provides a variety of loan programs and reports on certain areas, but also has confidentiality issues with regard to fiduciary requirements. Many of our economic development projects provide the $60-85 million dollars that are profits going directly into the General Fund.

E. Department of Commerce: information on funding through the Development Fund, CDBG, and APUC is all provided through their various annual reports, etc…

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F. State Tax Department: there are a variety of economic development tools available through the Tax Department, including property tax exemptions, state corporate income tax exemptions, sales tax exemption on manufacturing equipment or technology equipment for primary sector businesses, as well as a variety of other tax credits.

G. REAP Zone and Champion Communities: these areas have access to Federal dollars and you have provided $75,000 of general fund dollars through the Department of Commerce. The reporting mechanism for these dollars is the Division of Community Services.

H. North Dakota Small Business Investment Corporation: provides venture capital investments. It is a rollover of the Myron G. Nelson Fund and private fundraising.

I. Small Business Administration: provides a wide variety of loan guarantee programs and reports to the Federal Small Business Administration.

J. USDA Rural Development: provides loan and guarantee programs to banks and projects.

K. Utilities: provide a variety of project financing at the local level. Both industrial and rural cooperatives.

L. Private Banks: project owners and private individuals provide much needed financing on some projects.

M. Job Service/Workforce Training: Job Service provides Workforce 2000 and New Jobs Training Funds, while workforce training provides for free workforce training.

In conclusion, our effort here is to try in some small way to explain the true complexity of economic development in North Dakota. The success of economic development in our State depends on a multitude of partnerships that requires the willingness to work together for the growth of our state and the improvement of the quality of life for our residents.

Each entity reports on their piece of financial participation that they provide for a project.

If a comprehensive report is a necessity, it will require several FTE's, equipment, and the ability to work with a wide variety of customers on numerous levels – many of whom can choose not to participate. Even then, it would be nearly impossible to get a conclusive per company, let alone per job, figure or accounting. Most importantly, the manner in which the reporting is done cannot cause any of our business clients to feel that the reporting mechanism outweighs the benefits of doing business in North Dakota.

You may also refer to Attachment A for additional information relative to this topic.

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25. **Budget changes of $3,200,000 with a decrease in ED&F, and no appropriation for the Development Fund. How will we manage? Address the revolving funds that will be utilized for the Development Fund and what is the Development Fund used for?**

Although there are a variety of adjustments that affect multiple lines, the majority of the reduction in the ED&F budget is due to the $2,300,000 that the Development Fund is not requesting. The only other large amount that contributes to the reduction is the fact that the Manufacturing Extension Partnership does not need the authority for federal and special funds.

We have worked very hard in our budgeting to come to you with as conservative a budget as we could put together, while still focusing on the important programs that will make a significant difference to the economy of North Dakota.

At the Department of Commerce, we have a focused direction to succeed. We also know that this will be a difficult time for you to allocate resources. We have not asked for new programs or new dollars, but just to allow us to continue our focused effort that we have begun. It is imperative that we stay the course.

26. **Business client perceptions versus realities. Corporate income tax and wage cap on Workers Comp are two examples of things that can be changed to portray a better image of our state. Are there other issues that we should be addressing that would reflect better on our state?**

The North Dakota Unemployment tax definitely appears to be out of line with our competitors, or at least it is perceived this way. Both a draft of our tax analysis, being completed by Eide Bailly, as well as independent state tax rankings have indicated that North Dakota's unemployment tax rates rank near the bottom as being the most expensive, thus dragging North Dakota's entire tax ranking down. Job Service explains to us that this is not necessarily true, but due to how study methodologies are done North Dakota's structure and rates do not portray us very well. We are not completely sure how this can be fixed, but it may warrant exploration.

27. **Layout the funding used for Motor Coach Industries. How much was federal workforce, block grants and what was the state's exposure?**

A very unique opportunity was presented to us to help with the retention of MCI in Pembina. The union and management both came to us to ask how we could help. The economy of NE North Dakota would have been severely impacted in a negative manner if we suffered the loss of 500 good-paying jobs.

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BND and local banks provided a $10,000,000 financing package that involved the purchase of leases of busses for MCI. This is not special financing – it has regular interest rates and does not put the bank at special risk. All of this money will be paid back with interest, so in reality, this piece of financing is a benefit to the State!

The total amount of local participation with the MCI project involved approximately $676,000 in cash.

Motor Coach Industries has a great desire to become a world class manufacturing company in Pembina, North Dakota. One of the major issues needed to upgrade this facility is workforce training. A total of $1,000,000 in workforce training dollars was used for the project, coming from the following areas:

$500,000 - Workforce 2000 program (State Funds)
$500,000 - Governor's set aside from the Workforce Investment Act (Federal Funds)

In addition to the cost of this project, one needs to look at the overall benefit that was received due to its success. There is no doubt that the workforce training investment at the MCI plant was good for North Dakota.

1. Some 400+ jobs with a compensation package of $26 per hour were saved in a rural community.
2. The workers are receiving valuable transferable job skill training.
3. The local tax base is maintained.
4. The state retained a $13 million annual payroll.
5. Had the plant closed, it would have cost the state more than double the $1.0 million investment in workforce training to pay Unemployment Compensation and to retrain the workforce for other employment.

REMI Analysis of MCI Retention in Pembina
Retained Benefits

Year	2002	2003	2004	3 yr Total
Direct Employment	400	400	400	
Indirect Employment	513	507	478	
Total Employment	913	907	879	
Gross State Product Millions $	35.8	36.7	36.7	109.2
Personal Income Millions $	27.6	31.1	32.9	91.6
State Tax Revenues Millions $	6.7	7.2	7.4	**21.3**

28. Survey question's regarding Lewis & Clark

Recent research done by NFO Plog research was released last Friday on the interest and awareness of the Lewis and Clark commemoration. The complete study is 62 pages long and is very detailed. In summary:

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- National interest in and awareness of the Lewis and Clark Expedition has increased since the previous study in 2000, Over 54% of those surveyed are very or somewhat familiar with the Lewis and Clark Expedition. The familiarity increased with key markets:
  * History Buffs – 74%
  * Frequent travelers (4 or more trips per year) – 65%
  * Venturers (those seeking adventure and new experiences) 70%
  * Mature travelers (over 55) – 63%
- The research shows that North Dakota is one of two trail states that more people said they were planning on traveling to in the future.
- The research shows that marketing efforts are more effective if Lewis and Clark marketing is built into the state's overall tourism marketing message.
- The research was a national study and is based on total US population (the general public). Of those surveyed, 5% are likely to visit North Dakota in the next three years and 2% are likely to visit Lewis and Clark sites or event.
- North Dakota is in the top half (5 of 11) of the trail states in awareness of Lewis and Clark advertising. This shows that we are using limited dollars efficiently and effective and our advertising message is cutting through to increase awareness of the state.

STATE	MARKETING BUDGET	L&C AWARENESS
Missouri	9.6 million	28 percent
Oregon	5.5 million	27 percent
Montana	1.9 million	17 percent
Washington	8 million	14 percent
North Dakota	1.2 million	12 percent
Idaho	2.2 million	10 percent
South Dakota	1.4 million	10 percent
Nebraska	2.6 million	8 percent
Iowa	4.3 million	7 percent
Virginia	13.2 million	3 percent
West Virginia	1.7 million	3 percent

The research does not give us the details we would all like on the actual number of visitors we can expect due to the Lewis and Clark Commemoration. Our goal is to give travelers a reason to come to North Dakota. The bicentennial gives us a window of opportunity for North Dakota to promote our state as a must see destination along the Lewis and Clark Trail.

29. Ethanol – memo on the overall picture.

Allen Knudson will provide the Committee with the answer to this question.

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30. List of the Community Development block grants. Who has them and how are they going (just for one biennium).

For the 2001 and 2002 years, the Community Development Block Grant Program funded 40 economic development projects for a total dollar amount of $6,911,828.50. The proposed jobs are 956.5 with a $7,226.17 cost per job. For the two year period two businesses have closed.

Please refer to Attachment D for a detailed spreadsheet on the 40 projects.

31. We were appropriated $1,200,000 in marketing but have over $700,000 left. Why? We have committed over $300,000 in contractual services, what are we going to do with that much this late in the biennium?

Never before has economic development had a separate marketing budget. We began in July 2001 with a clean slate and no marketing activities or plan in place. A two-year marketing plan was developed and reviewed by a focus group including legislators, and members of the Economic Developers Association of North Dakota and the North Dakota Economic Development Foundation. This plan has been followed, modified where necessary, and implemented throughout the biennium.

Because we operate on a modest budget and want to deliver accountability for our efforts, evaluation and incorporation of improvements has been critical. This has limited the number of activities we can conduct until we believe we have a model for success. For example, from July 1, 2001, through December 31, 2002, the Department of Commerce hosted eight business receptions in conjunction with its partners. From January 1, 2003, through June 30, 2003, the Department will host seven business receptions with its partners.

The majority of our remaining funds are committed in two areas: contractual services ($360,000) and advertising services ($250,000). With regard to contractual services, the greatest portion of these funds will be used to achieve two goals: substantiate our competitive business advantages and enhance North Dakota's image as a place where business grows and prospers.

To substantiate our competitive business advantages, we are focusing on four different studies:

1. We are just finishing a tax analysis of 11 communities in three industry areas – food processing, manufacturing and information technology.
2. A follow up study of communities with a population under 5,000 will also be conducted.
3. A business analysis study of competitive states will be conducted.
4. A target industry analysis will be initiated this spring.

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To address our second goal of enhancing North Dakota's image as a place where business grows and prospers, we are doing the following:

A. We have initiated an editorial placement program to include targeted regional and national media outlets, along with national industry publications.
B. We are updating our web site marketing plan and will begin redesign of our web site by early summer.
C. Finally, we will use a portion of these funds to establish benchmarks for our current image in the Twin Cities prior to launching an advertising campaign there.

Regarding advertising services, research and experience tells us the Twin Cities is one of our target geographic markets and target industry hubs. The area is also rich with North Dakota alumni who are well positioned in many of the companies we would like to attract to the state. During the second quarter of 2003 and for a 12-month period, we will launch an intense advertising and editorial placement program in the Twin Cities market. The $250,000 covers estimated media buys and production costs.

32. Why was it our intent to begin slowly with the marketing program and are now ramping up?

With the modest budget we have, there is little room for error in an arena where the stakes are high. We began in July 2001 with a clean slate and no marketing activities or plan in place. A two-year marketing plan was developed and reviewed by a focus group including legislators, and members of the Economic Developers Association of North Dakota and the North Dakota Economic Development Foundation. This plan has been followed, modified where necessary, and implemented throughout the biennium.

Because we operate on a modest budget and want to deliver accountability for our efforts, evaluation and incorporation of improvements has been critical. We are constantly seeking feedback from our partners so we make the best use of the funds entrusted to us. Consequently, we have chosen to limit the initial number of activities we undertake until we are confident their results will be beneficial to all parties involved.

For example, we planned to launch an advertising campaign in the Twin Cities in the second quarter of 2002. However, we did not believe we had the support materials or structure in place to meet the demand we expect to create until now.

33. Provide a brief statement on the two gentlemen that presented regarding university research. How and what do we plan to do?

Their business card was handed off to one of our business development specialists. She made contact with them when she was in Grand Forks this past Thursday to determine their needs and where they are in the planning process. Funding will be a major issue for this start-up, as it is for all start-ups.

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34. Redefine what is primary sector in regards to rural ND. There should be two different definitions for rural vs. urban.

Primary sector has been defined in North Dakota Century Code as: "an individual, corporation, limited liability company, partnership, or association which through the employment of knowledge or labor adds value to a product, process, or service that results in the creation of new wealth." This typically refers to manufacturing, food processing, or valued-added agriculture, "destination" tourism and export services.

The two key elements in the definition above are "adds value" and "new wealth." This is good economic policy regardless of rural or urban. In order to grow an economy, you must find new dollars that can be brought to your area or state. Primary sector industries are the drivers of an economy and their quantity, diversity and trends are a direct reflection of the strength or weakness of any economy. Whether urban or rural, new wealth creation businesses are what will have the greatest impact or return on local and state prosperity. We do not foresee a change in definition for rural communities. The only change required would be if there were a wage requirement added to financing or incentive assistance.

"Essential Services" is a term that has been used frequently when rural communities struggle with the viability or closure of medical services, grocery or other localized service/retail businesses. While we sympathize with these communities, we believe funding of essential services is only a short-term bandage to the overall cause. Without growth and new wealth, these communities will continue to decline and may need perpetual assistance. If the determination is made that "essential services" funding is required, we recommend that it not originate from any portion of limited, existing primary sector funding programs. Rather, we will assist with SBA, USDA Rural Development, and other programs that are more suited for essential services.

Currently, close to 50% of our Development Fund projects are rural.

35. How does Tourism handle their contracts for marketing? What is the dollar amount? How long is the contract for?

In 2001 the Division of Tourism (at that time, the Department of Tourism) conducted a formal agency review process. Letters for an RFP were sent to all agencies listed with Central Purchasing and companies that called our office and requested to be part of the process. Proposals were reviewed and three companies were selected to be interviewed. Tourism then engaged Scott Hanson, Longwoods International, to rate the companies based on RFP and interview and give us a recommendation. Odney was selected as a result of this process. For Website development we interviewed five companies and K2 was selected.

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The contract with Odney is for three years beginning April 2001. The current contract is for a monthly retainer fee of $22,000. This is reviewed on a quarterly basis to ensure fairness for both parties involved. The contract with K2 is for a single project to develop a Website that can be administered by the Tourism Division. The estimated amount of this contract is $66,640.

36. What is our long term plan of merging all of the fragmented sections of WFD?

At this time there are no plans to merge workforce development and workforce training programs. The North Dakota Workforce Development Council coordinates the efforts of the State Agencies administering the federal and state funded workforce development and workforce training programs in North Dakota. This current structure allows North Dakota to:

1. Maximize access to federal funding;
2. Foster more focused delivery of workforce development and workforce training services to North Dakota citizen and employers; and
3. Provide more responsive services to business, industry and economic development professionals.

North Dakota's workforce development and workforce training programs include a number of specific federally funded programs complemented by several State funded programs. The State funded programs fill 'gaps' in workforce training and are targeted toward addressing employer needs for keeping their workforce trained and competitive.

The North Dakota Workforce Development Council has developed a legislative position paper that has five recommendations. Of those recommendations, the following would be appropriate to consider in this response:

1. State funding for the workforce development and workforce training programs is continued at the current levels.
2. Continue the workforce development and workforce training system as currently structured and administered.
3. Continue to address accessibility to training

The Legislature has to make the final decision and determine the best public policy to follow to make North Dakota an even better place to live, work and do business.

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37. **Representative Glassheim's request of Rich Gray on the amount of investments made in the Renaissance Zone projects (to see how the amount compares to the potential tax exemptions and credits the Renaissance Zone projects may generate).**

We reported the potential tax exemptions and credits from the current zone projects as about $5.1 million dollars over the next five years or a little longer depending on when projects are completed and their five-year clock begins. This involves some 64 projects. The total invested or currently being invested in those projects based on information submitted by each Renaissance Zone city is approximately $27,763,431.

This figure does not include the projects approved for leasing space in a building in a Renaissance Zone. It only includes purchase prices, rehabilitation and historic preservation costs, and leasehold improvements.

- Additionally, Representative Carlson asked Rich Gray to estimate the tax dollars projected to be lost from these projects during the 2003 and 2005 biennium's. The Tax Department hopes to have a "guess" no later than Friday, January 24, 2003.

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Appropriation Committee's Questions
Department of Commerce

1. **Break down the $142,046 of IT equip under $5,000**

   See attached.

2. **Provide a copy of the APUC annual report or something that shows the outcomes of APUC.**

   The APUC annual report will not be available until Wednesday, January 29, 2003. We have provided a project update report. See attached.

3. **Provide a listing of what has been spent and what is committed out of discretionary grants.**

   See attached.

4. **Development Fund – what did we start with, what have we loaned out, what are we left with, why is there so much (7 million) sitting in the fund? What did the fund do last biennium? What is the number of the Century Code that talks about the exemptions from open record laws for the Development Fund?**

   See attached.

5. **Rep. Koppelman – What have we spent in the current biennium out of our operating line by fund.**

   Will be available later this week and provided to the committee.

6. **What process did we use to begin our strategic plan and how were the local developers involved in that process. On a statewide level how will it be put into place.**

   See attached.

7. **Are the Lewis & Clark marketing funds the only funds in state agencies budgets for the purpose of marketing Lewis & Clark?**

   ND Parks & Recreation has no dollars for marketing. The State Historical Society has $50,000 ear-marked for marketing in-state. This will not duplicate our marketing efforts.

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Exhibit #1

Department of Commerce
IT Equipment < $5,000
2003-2005 Budget Recommendation

Item		Cost	Units
Digital Camera	$	500.00	1 unit
Digital Projector	$	4,000.00	1 unit
Fax Machine	$	6,000.00	2 units
Scanners	$	2,100.00	6 units
Laptops	$	41,446.00	14 units
Desktops	$	72,000.00	36 units
Printers	$	16,000.00	4 units
Total	$	142,046.00	

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Exhibit #3

2001-2003 Director's Discretionary Grants

Date	Check Number	Grant No.	Project	Committed	Paid	Balance to Pay
		803	SBDC (7/1/01 - 12/31/01)	$85,500.00	$ 85,500.00	$0.00
11/27/01	6433954	803	(Paid 27992.55)			
2/27/02	6530711	803	(Paid 57507.45)			$0.00
		812	SBDC (1/1/02 - 12/31/02)	$171,000.00	$101,472.17	$69,527.83
4/24/02	6632416	812	(Paid 23051.82)			
7/22/02	6724494	812	(Paid 28042.44)			
7/25/02	6729013	812	(Paid 854.95)			
10/18/02	6797147	812	(Paid 49522.96)			
			SBDC	$85,500.00		$85,500.00
9/27/01	6387415		Women & Technology	105,000.00	13,125.00	$13,125.00
8/3/01	6325003				13,125.00	
1/10/02	6463408				13,125.00	
3/18/02	6570391				13,125.00	
5/23/02	6675095				13,125.00	
8/16/02	6743842				13,125.00	
12/17/02	6834719				13,125.00	
			One-Stop	25,000.00		$25,000.00
			BIC - GF	28,000.00		$28,000.00
			Foundation - Strategic Plan	110,431.75		$0.00
2/5/02	6489229		Nancy Miller - Fndation Mtg.		258.76	
4/1/02	6591385		Elde Bailly		5,013.75	
2/1/02	6484937		Elde Bailly		6,000.00	
3/18/02	6570394		Angelou Economics		18,900.00	
4/24/02	6632413		Angelou Economics		18,900.00	
5/17/02	6670653		Holiday Inn		827.50	
5/24/02	6676066		Flash Printing		950.40	
6/20/02	6697975		Holiday Inn		216.82	
			Angelou Economics		37,800.00	
6/6/02	6684167		Holiday Inn		147.15	
10/14/02	6792249		Angelou Economics		18,500.00	
2/13/02			NASDA	0.00	1,417.37	
2/13/02			NASDA	0.00	1,500.00	
12/7/01	6441523		Champion/REAP ($1/$1 match)	75,000.00	75,000.00	$0.00
			Abandoned School Bldgs	0.00		$0.00
						$0.00
9/12/01	6332570		ND District Export	500.00	500.00	$0.00
10/11/01	6400851	807	WADF	7,500.00	7,500.00	$0.00
			Partners in Marketing Grants	175,000.00		$74,091.13
1/14/02	6485786		Rugby-5000		5,000.00	
4/24/02	6632422		Devils Lake Region-40000 Cavalier		20,000.00	
6/13/02	6691798		Valley City-Barnes County-15000		15,000.00	
			Southwest Region Developers-20000			

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2001-2003 Director's Discretionary Grants

			Mayville-Portland EDC-5000			
			Grand Forks EDC-30000			
6/27/02	6702757		Tioga EDC-11000		7,402.50	
9/5/02	6765626		Williston Area Dev. Foundation - 30000		30,000.00	
			Crosby - 4575			
			Minot - 5000			
			SW Region - 20000			
4/1/02	6591387		Traill County-5000		5,000.00	
			Carrington - 5000			
10/7/02	6785532		Roosevelt-Custer Region - 10,000		10,000.00	
1/8/03			West River Business Center-10,000		8,506.37	
			Valley City-Barnes County-10,700			
			Bis/Man - Rubudue	0.00		$0.00
		816	TV Spot on ESPN - ND Tourism	10,770.50	10,770.50	$0.00
9/5/2002			John Hoeven	1127.13	1,127.13	
9/5/02			Lance Gaebe	1,844.22	1,844.22	$0.00
10/17/02			Lance Gaebe	1,934.35	1,934.35	$0.00
						$0.00
			Total	$ 884,107.95	$588,863.99	$295,243.96
						$ 295,243.96
			Adjusted Appropriation	**$1,673,292.00**		
			Less Expenditures	**$588,863.99**		
			Balance	**$1,084,428.01**		
			Less Balance to Pay	**$295,243.96**		
			Balance Available to Spend	**$789,184.05**		

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Exhibit 14

PROJECTED ND DEVELOPM ENT FUND CASH AVAILABILITY
(October 30, 2002 to June 30, 2003)

1. Cash availability (10-30-02)	
-Development Fund:	$ 7,233,010.28
-Rural Fund:	3,147,256.32
-Development Fund (TTI collection):	355,183.50
Total Cash available prior to Unfunded Commitments & Pending Applications:	**$10,735,450.10**
Project Appropriation through June 30, 2003:	**587,500.00**
Investment Repayments ($225,000 X 8)	1,800,000.00
Less: Unfunded Projects & Pending Applications:	($3,382,186.00)
Cash Available Before Expenses:	$9,740,764.10
Less Expenses (1 year): *	($1,264,370.00)
Cash Available For Projects (10-30-02 to 6-30-03):	**$8,476,394.10**
Investment Funding or Committed (1-1-01 to 12-31-01)**	**$5,580,633.00**

*Includes annual administrative costs and bad debt expense has averaged $1,104,500 the past 4 years ($159,870 plus $1,104,500= $1,264,370).

**Based on actual funding & commitments of projects for 1 year. Based on the historical level of funding by the Development Fund for the past year there would be sufficient cash available to meet the future needs of projects through June 30, 2003. The Development Fund has received significant payout on accounts in the past year along with a large dividend payment on an equity investment, which are over and above the normal monthly collections received. With the 9-11 disaster and the slowdown of the economy the fund activity has not been as strong as the 1999 to 2001 biennium in which the Fund invested or committed $13,500,000. The activity has started to pick up and the Fund is in a good position to meet the needs of those requests. The Fund has a good cash position today, but based on the historical funding trends of the Development Fund, the projected cash balance will be utilized. The North Dakota Development Fund at this point is meeting the objective of being a truly "revolving loan fund".

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8-5334

PROJECTED ND DEVELOPMENT FUND CASH AVAILABILITY
(July 1, 2002 to June 30, 2003-End of Biennium)

1. Cash availability (3-11-02)	
-Development Fund:	$ 7,077,510.49
-Rural Fund:	3,268,693.11
-Development Fund (TTI collection):	289,870.78
Total Cash Available Prior To Unfunded Commitments & Pending Applications:	**$10,636,074.38**
Appropriation (7/02/02 & 12/01/02)	1,175,000.00
Investment Repayments ($225,000 X 12 months)	2,700,000.00
Less: Expenses (12 months)	($1,105,700.00)*
Less: Unfunded Projects & Pending Applications:	($3,864,132.00)
Cash Available For Projects (7-01-02 to 6-30-03):	**$ 9,541,242.38**
Investment Funding (7-1-99 to 6-30-01) $11,776,156 Annualized:	**($5,888,077.00)** ←
Excess Cash Available (June 30, 2003)	**$3,653,165.38****

*Average annual administrative costs have been $146,700 and bad debt expense has averaged $959,000 the past 3 years. Average monthly expense of $92,141.66.

Excess cash attributable to additional repayment from 10 accounts (repayment were from $44,674 to $464,674) in the last 6 months: **$1,882,990.16. Without the extraordinary payments cash available would be $1,770,175.22.

The Development Fund based on historical funding and additional repayment funds received in the last 6 months would be able to meet funding needs through June 30, 2003. But, if trends continue the fund would need the continued support of the legislature to meet future needs after June 30, 2003 based on historical funding as follows:

1. Cash Available (After June 30, 2003):	$ 3,653,165.38
2. Projected Repayment ($225,000 x 24 months):	3,375,000.00
3. Expenses (24 months):	2,211,400.00
4. Additional cash available for projects:	$ 4,816,765.38
5. Historical funding level (7-1-99 to 6-30-01):	11,776,156.00
6. Projected cash shortfall (7-1-03 to 6-30-05):	**($6,959,390.62)**

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SB 1019

Appropriations Conference Committee
4/16/2003
Projected ND Development Fund Cash Availability
July 1-2003 to June 30 2005

HISTORICAL	Development Fund Started 1991	Rural Fund Stated 1993	Total
Appropriations	$19,301,125	$8,660,171	$27,961,296
Repayments	$14,626,590	$12,597,743	$27,224,333
Loaned	-$25,780,637	-$18,232,635	-$44,013,272
Total	$8,147,078	$3,025,279	$11,172,357
Commitments	$1,483,495	$1,977,564	$3,461,059
Cash Balance 1/24/03	$6,076,083	$1,047,985	$7,124,068 *

PROJECTED			
Estimated activity 2003-2005			
Starting Bal 4-11-2003	7,553,906	3,040,201	10,594,107 *
Appropriations	0	0	0
Repayments	3,510,000	1,036,560	4,546,560
Expenses	-1,712,220	-746,812	-2,459,032
Commitments	-1,483,495	-1,977,564	-3,461,059
Est Cash Balance 6-30-05	7,868,191	1,352,385	9,220,576 **

*Amounts do not balance due to activity between Jan 2003 to June 2003

**Reflects amount available to invest in the next biennium

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NORTH DAKOTA DEVELOPMENT FUND

Question: What did the Fund start with, what has the Fund loaned out, what is left, why is there so much sitting in the Fund? What did the Fund do last biennium?

	Development Fund Started: 1991	Rural Fund Started: 1993	Total
Appropriation	$ 18,713,625	$ 8,660,171	$27,373,796
Repayments	14,626,590 (more chg-offs here)	12,597,743	27,224,333
Loaned	(25,780,637)	(18,232,365)	(44,013,002)
Total	$ 7,559,578	$ 3,025,549	$10,585,127
Commitments:			3,461,059
Cash Balance (1/24/03)			$ 7,124,068*

*1)	Development Fund:	$ 7,192,458.05
2)	Rural Fund:	3,025,549.59
3)	Technology Transfer	367,119.80
4)	Balance 1/24/03	$10,585,127.44
5)	Less Commitments:	(3,461,059.00)
6)	Total:	$ 7,124,068.44

Why is there so much sitting in the Fund?

1) Finally meeting the original legislative intent as a revolving loan fund.
2) Management –
3) Less Charge-offs - pre 1998 - $7,686,358/ post 1998 $528,054
4) Leverage – 1-7 (For every $1 invested by the Fund there is $7 invested from other funding sources)
5) Less risk by obtaining guarantees – SBA, USDA.

Projects Funded:

Biennium: 99-01 - $11,776,156 – Projects Funded: 70
Biennium: 01-03 projected - $6,281,460 – Projects Funded (7/1/01 to 12/31/02): 37
Projected projects Funded (6/30/03): 49

What is the number of the Century Code that talks about the exemptions from open records laws for the Development Fund?

Chapter 10-30.5-07

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CONTACT DEPARTMENT OF COMMERCE FOR COPY

North Dakota Development Fund

2000-2001 Report

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Exhibit 6

ECONOMIC DEVELOPMENT FOUNDATION
LEE PETERSON, COMMISSIONER
ELAINE FREMLING, FOUNDATION VICE CHAIR – FARGO
DUAINE ESPEGARD, FOUNDATION FUNDRAISING COMMITTEE – GRAND FORKS
GUY MOOS, FOUNDATION STRATEGIC PLAN COMMITTEE – DICKINSON

LEE PETERSON, COMMISSIONER

Governor Hoeven began appointing members to the North Dakota Economic Development Foundation in September of 2001. The first few months of the Foundation's existence were spent determining whether or not the entity was considered private or public. Once it was determined that the organization is in fact a public entity, they were able to move on to other organizational issues.

By statute, the Foundation can be made up of anywhere from 15 – 30 members. There are currently 16 members serving on the Board. Two fairly recent appointments broadened the scope of the Foundation by adding representatives from the higher education system. Once the implementation of the Foundation's strategic plan gets into full swing, the goal is to continue to broaden the diversity of the Foundation and add additional members.

The current members of the ND Economic Development Foundation are:

Dr. Philip Boudjouk – NDSU, Fargo
Duaine Espegard – Grand Forks
Elaine Fremling – Northwestern Mutual, Fargo
Chuck Hoge – Ottertail Corporation, Fargo
Marlowe Johnson – Jamestown
Frank Keogh – American State Bank, Williston
Steve Kuhlman – Amazon.com, Grand Forks
Bob Mau – Eagle Operating, Inc., Kenmare
Shirley Montgomery – Fargo
Guy Moos – Baker Boy, Dickinson
Mark Nisbet – Xcel Energy, Fargo
Harold Newman – Newman Signs, Jamestown
Steve Scheel – Scheels All Sports, Fargo
Dr. Bruce Smith – UND Aerospace, Grand Forks
Bruce Thom – Ottertail Corporation, Fargo
Martin White – MDU Resources, Bismarck

We have a few Foundation members here today that will testify on some specific areas that you are interested in: Elaine Fremling will speak about the ways Foundation members are involved in various Department of Commerce activities; Duaine Espegard will provide you some information relative to the Foundation's fundraising efforts; and Guy Moos will walk through the Foundation's strategic planning process.

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Exhibit 10

Also at the Chicago tradeshow, North Dakota sponsors, the Department and the Foundation hosted a reception. Again, I spoke with many guests, one who already operates part of his global positioning business in ND. He had recently expanded it in ND and spoke so highly of the quality of the workforce confirming that they are good to stay. I recall another young man who had relocated to Chicago, but wished he had known more about the availability of the type of employment he sought in ND. Better communication with our near or recent graduates is imperative. Contact of this sort certainly fosters and strengthens that possibility for young people to return to ND with skills, experience, young families, possibly starting their own business, and the personal desire now knowing that the grass is not always greener on the other side of the fence.

The St. Paul reception and dinner event jointly hosted by the local developers, the Department of Commerce, NDSU, and UND was another event we attended. The reception room was so packed one could barely maneuver sideways through the crowd. Twenty-five years of person-to-person sales skills serves well in this type of setting. Anyone standing alone quickly gets engaged in conversation by asking them to tell me their story - about their work, their business, and their growth prospects. One young man, the son of a former teacher of mine at Mayville State, recently had been laid off work and was wondering what the prospects and opportunities for returning to ND to find work. At dinner, I sat next to a man who ran an engineering firm and one of his employees is the son of a client.

Neither of these two contacts I just described may appear to be a first hand business, coming to the state today so that you can count the number of employees and see the dollar signs in state tax revenue by the next legislative session, but how do we know? Just like me, my return has now impacted the state with my family and employees eight fold through growing a solid business - and we're not done yet.

I believe the work of the Foundation and the Department of Commerce is like advertising. Although we have goals, it is tough to put your thumb on. In fact it is kind of like the Portland Pirates all school reunion coming up this summer -- it is staying connected, connecting with new people and giving opportunity for others to visit our state through the work of both the Department and our Foundation, and supplying these leads to local developers that will affect North Dakota for generations to come.

Mr. Chairman, this concludes my testimony. I would now like to turn the podium over to Senator Duaine Espegard, who also serves on the Economic Development Foundation.

DUAINE ESPEGARD, FOUNDATION FUNDRAISING COMMITTEE -- GRAND FORKS

To date, 27 North Dakota businesses and/or individuals have contributed a total of $46,400 to the North Dakota Economic Development Foundation. Of that, $17,800 has been committed to help defray costs of two DOC events. An additional $6,700 is anticipated to be needed between now and the end of the current biennium.

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Exhibit 9

ELAINE FREMLING, FOUNDATION VICE CHAIR – FARGO

Mr. Chairman, and committee members, my name is Elaine Fremling. Originally a farm girl from Portland, ND and graduate of Mayville State College, I taught for seven years (six in Minnesota) before entering the personal insurance and investment business with Northwestern Mutual Financial Network in Fargo, ND, 25 years ago.

The opportunity to affect the economy of North Dakota to a greater degree by fulfilling a request by Governor Hoeven to serve on the ND Economic Development Foundation is my pleasure. I have taken my commitment seriously by being present at every meeting called by the Foundation, and events including the release of the Strategic Plan and two out-of-state functions all totally at my own expense. In addition, my husband and I have made financial contributions and did fundraising to help host events to aid in sponsoring activities to promote North Dakota.

The Foundation was created to serve a two-fold purpose – strategic direction for the economic growth for our state, and facilitating events that cannot be sponsored through the use of state funds. Service to the Foundation began by my chairing a subcommittee to obtain and review development foundation information from eight other states in order to prepare operating bylaws for our own state Foundation.

After drafting our bylaws, we set out to review other economic development plans, data and information about the current and future potential for our state. The strategic planning request for proposal and our process was chaired by Martin White, CEO of MDU Resources Group, Inc. The Strategic Plan became much more than a plan for the department; it is a plan for the State of North Dakota. While I am favorably impressed by Mr. White's leadership and look forward to him serving as the new Chair of the Foundation, I believe the plan needs full-time, daily oversight to lead and monitor it's support to the local community development entities. While we have goals for numerous items including employment numbers and increasing hourly wage, only then will the accountability that the legislature desires be achieved.

Our Strategic Plan focuses on marketing our state in six key areas. These areas are those that have the greatest opportunity to grow both first level and secondary level businesses. One such example is manufacturing. Several of us traveled (at the courtesy of Martin White, who supplied transportation) to Chicago for the manufacturers' tradeshow last February. While there, Mr. Guy Moos and I quickly set out to see how many other trade show participants we could talk to about the current state of their business, if they were in a mode of looking to expand or to relocate. If so, we gathered business cards and made notes to their responses and supplied them to the Department of Commerce. We also spent a little time at the North Dakota booth in which we found passers-by favorable impressed by both the number of people present and the enthusiasm with which we were actively selling North Dakota.

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Exhibit 11

GUY MOOS, FOUNDATION STRATEGIC PLAN COMMITTEE – DICKINSON

Chairman Holmberg and Committee members, I am Guy Moos, Member of the North Dakota Economic Development Foundation and President of Baker Boy, which is located in Dickinson.

My purpose for being here today is to brief you on the strategic planning process that the Foundation used.

Time-line of strategic planning process

- September 2001
  - Foundation Members Appointed by Governor Hoeven.
- November 2001
  - Strategic Plan Task Force Sub-Committee Formed to Develop RFP.
    - Martin White, Guy Moos, Shirley Montgomery
    - DOC Commissioner and Division Directors.
    - 3 Legislators (Rep. Berg, Rep. Skarpohl, and Sen. Schobinger).
- January 2002
  - RFP was approved by Foundation, with a desire to have the vendor selected by February.
    - Under Martin White's leadership, and with input from the legislators that were involved, it was decided that time was of the essence.
- March 2002
  - Angelou Economics, of Houston selected as Strategic Plan Vendor.
- March - June 2002
  - Progress work on Strategic Plan.
    - Input/feedback gathered from key stakeholders involved. Included NEI, Higher Ed, and EDND.
- July - September 2002
    - Additional target industry feedback gathered.
    - Demographic information coordinated, reviewed and verified (from various sources such as the Census Bureau).
    - Continued dialogue with Key stakeholders.
- October 2002
  - Strategic Plan presented by the Governor.

Thank you Chairman Holmberg and Committee members for this opportunity to present the North Dakota Department of Commerce Foundations strategic planning process.

This would conclude my comments. I am open to questions. If I don't have the answer, I will call upon other Foundation members or Department of Commerce leadership.

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Methodology

To produce the Foundation's strategic plan, the project team collected input from a variety of sources, including North Dakota's university system, state and local economic development, the private sector, and government interests. The list of participants in the plan will be detailed in the succeeding pages. Interviews via telephone and in person along with three workshops were the primary sources of input that the project team gathered. The workshops allowed Foundation members, local economic developers, and Department of Commerce employees to describe the issues that impact North Dakota's economic development efforts and offer ideas on how the state may focus its efforts to meet its challenges and opportunities. Local economic developers and North Dakota university system leaders comprised the first workshop and they provided candid observations about the state's economic status and how it might be addressed. The second workshop featured Paragon Decision Resources, a site selection consultant with extensive experience in North Dakota, offering local economic developers and Foundation members its perspective on the state's strengths and weaknesses. The final workshop allowed the Foundation members to consider feedback generated in the previous two sessions, develop preliminary vision and mission statements, and set goals to guide the state's economic development efforts. Following the workshop, the project team interviewed several other stakeholders including leaders from North Dakota's university system and the recently organized New Economy Initiative to gather additional input on North Dakota's economic development efforts.

Prior to conducting the workshops, the project team reviewed several reports, plans, and studies that illustrated North Dakota's previous economic development efforts. The review of the state's prior efforts provided a basis for the project team to structure the workshops and develop preliminary ideas for the Foundation's strategic plan.

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North Dakota Economic Development Foundation: Strategic Plan

Other valuable contributors to the strategic planning process:

John	Hoeven	Governor of North Dakota
Dale	Anderson	Greater North Dakota Association
Rick	Anderson	North Central Planning Council
Gaylon	Baker	Stark Development Corporation
Dana	Bohn	Greater North Dakota Association
Linda	Butts	North Dakota Department of Commerce
Julie	Campbell	Walsh County JDA
Kevin	Cooper	Jamestown/Stutsman County Jobs Development Corporation
Jim	Dahlen	FORWARD Devils Lake Development Corporation
Maren	Daley	Job Service North Dakota
Ken	Davis	Roosevelt Custer Regional Council for Dev.
Eddie	Dunn	North Dakota University System
Jennifer	Feist	VC/BC Dev. Corp.
Rick	Forsgren	Traill County EDC
Mike	Gallagher	Small Business Administration
Bruce	Gjovig	Center for Innovation, UND
Gerald	Groenewold	Energy and Environmental Research Center, UND
Carol	Goodman	Cavalier County JDA
Paul	Govig	North Dakota Department of Commerce
Tony	Grindberg	NDSU Research Technology Park, Inc.
Eric	Hardmeyer	Bank of North Dakota
Tressy	Heinle	Tioga EDC
Jim	Hirsh	North Dakota Department of Commerce
Eric	Hoberg	South Central Dakota Regional Council
Larry	Isaak	North Dakota University System
Cheryl	Kulas	North Dakota Indian Affairs Commission
Wayne	Kutzer	Vocational & Technical Education
Renee	Loh	North Dakota Department of Commerce
Don	Longmuir	Souris Basin Planning Council

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Jim	Melland	Grand Forks Region EDC
Sue	Morton	Fargo/Cass County EDC
Diane	Olson	Bottineau County EDC
Sandy	Opp	North Dakota Department of Commerce
Lee	Peterson	North Dakota Department of Commerce
Jane	Priebe	Wahpeton EDC
Roger	Reierson	Flint Communications
Tom	Rolfstad	Williston Area EDC
Irv	Rustad	Lake Agassiz Regional Planning Council
Judy	Sauter	Bismarck-Mandan Dev. Assoc.
Karen	Selensky	Greater North Dakota Association
Mark	Sovig	Tri-County Regional Dev. Council
Allan	Stenehjem	North Dakota Department of Commerce
Terri	Thiel	Dickinson CVB
Gene	Veeder	McKenzie County JDA
Lee	Vickers	Dickinson State University
Julius	Wangler	Red River Regional Council
Laura	Willard	ND Department of Commerce

This strategic plan was prepared with the assistance of the consulting team comprised of the following firms: AngelouEconomics, MGT of America, and Paragon Decision Resources. A profile of each firm is provided below.

AngelouEconomics (AE) is comprised of economic development and technology consultants with extensive experience in applying state-of-the-art approaches to strategic planning, marketing, site selection, and plan implementation in the most dynamic regions, both in the United States and abroad.

AE's is nationally known for providing a unique blend of consulting solutions to public and private sector clients. The firm emphasizes a practitioner's approach to economic development that involves not only development of strategies, but also

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implementation. Prior and ongoing experience in economic development and technology consulting qualify AE as preeminent in the field of technology recruitment and strategic planning.

In short, AE is an economic development consulting firm focusing on the needs of high technology companies and the communities seeking to recruit them.

MGT of America, Inc. (MGT) is a national public sector management consulting firm founded in Tallahassee, Florida in 1974. MGT has grown to employ more than 140 professionals in Texas, Washington, South Carolina, Florida, and California. The firm has conducted over 1,900 client engagements in 49 states, Puerto Rico, and several foreign countries.

The Austin regional office was founded in 1995 and specializes in organizational development, state and local government performance reviews, public policy research, and strategic planning. MGT has conducted organizational reviews, business process analysis, and planning and reengineering for state and local clients in Texas, Florida, California, Virginia, and Puerto Rico. Current Austin-office clients include the Texas Comptroller of Public Accounts, The University of Texas Athletics Department, the Houston Community College System, the U.S./Mexico Border Counties Coalition, the Commonwealth of Puerto Rico, and most recently, the Fort Worth Independent School District.

Paragon Decision Resources (Paragon) has a history which dates back to 1987 when Premier Decision Management, (their predecessor), a division of Premier Relocation Services, Inc. (a Weyerhaeuser Company) was founded to provide corporate mobility consulting services. In 1991, the senior management of Premier Decision Management acquired the corporate consulting division of Premier Relocation Services, Inc. from Weyerhaeuser Mortgage Company and renamed the entire organization to Paragon Decision Resources, Inc.

Paragon's primary service areas include: Facility & Economic Development; International and Domestic Relocation; and Group Move Planning and Implementation.

North Dakota Economic Development Foundation: Strategic Plan

Benchmarks

Benchmarks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Site Selection										
Ranking of North Dakota Department of Commerce Share of local economic development organizations participating in Statewide Marketing Strategy	30%	40%	50%	54%	55%	56%	57%	58%	59%	60%
R&D										
Academic R&D Expenditures as Percent of Gross State Product	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%
Industry R&D Expenditures as Percent of Gross State Product	0.2%	0.4%	0.5%	0.7%	0.9%	1.1%	1.3%	1.5%	1.6%	1.8%	2.0%
Net Job Growth										
New Private Sector Businesses per 100,000	1,800	1,400	1,700	2,700	4,300	8,400	9,000	9,600	10,300	10,800	11,600
Average Annual Wage	174	77	105	162	257	509	543	575	615	654	696
Net Migration	$26,252	$27,389	$28,688	$30,167	$31,847	$33,752	$35,812	$38,049	$40,510	$43,175	$46,113
Tourism	2,088	662	1,302	2,768	4,410	6,070	7,781	9,586	11,470	13,456	15,573
Positive National/Out of State Media Exposure (favorable mentions)		10	20	30	40	45	46	47	48	49	50
Number of North Dakota Department of Commerce Web Site Hits per Month	10,920	11,466	12,039	12,641	13,273	13,937	14,634	15,366	16,134	16,941	17,788
Number of Leads Generated by the North Dakota Department of Commerce	140	160	175	190	205	208	211	214	216	218	220
Net Job Growth										
Net Job Growth in Manufacturing	300	200	200	300	600	1100	1200	1200	1300	1400	1500
Net Job Growth in Business Services	400	200	300	500	900	1800	2000	2200	2400	2600	2900
New Private Sector Businesses in Manufacturing	5	3	3	5	10	18	20	20	22	23	25
New Private Sector Businesses in Business Services	19	9	14	24	42	85	94	104	113	123	137
Number of Utility Patents per 100,000	17.9	19.5	21.2	22.9	24.5	26.2	27.9	29.6	31.2	32.9	34.6
Economic Growth										
Gross State Product (Annual Growth Rate)	2.3%	3.6%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%	2.9%	2.8%	2.7%
Venture Capital Investments (thousands)*	$700	$2,734	$5,658	$8,773	$12,078	$15,574	$19,260	$23,137	$27,204	$31,461	$35,909
Merchandise Export Value (per capita)	$1,306	$1,329	$1,368	$1,440	$1,528	$1,651	$1,757	$1,865	$1,997	$2,146	$2,299

*Source = PricewaterhouseCooper/Venture Economics/NVCA Moneytree Survey

External economic factors, such as national economic performance will require these benchmarks to be reassessed as time passes. No state agency can be held accountable for the economic performance of an entire state.

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39496

Prepared by the North Dakota Legislative Council
staff for Representative Carlisle
January 2003

DEPARTMENT OF COMMERCE - CONTRACT EMPLOYEES

The Department of Commerce contracts for services with two individuals. Ms. Brenda Stone is involved in business development projects in the Economic Development and Finance Division of the department. The executive budget recommendation for the Department of Commerce includes $103,000 from the general fund for contracting with this individual for the 2003-05 biennium.

Mr. Bob Gruman is involved in structuring finance packages for development fund related projects in the Economic Development and Finance Division of the department. The executive budget recommendation for the Department of Commerce includes $146,000 from the general fund for contracting with this individual for the 2003-05 biennium.

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IT Contractual Services
DOC 2003-2005 Budget Recommendation

ED&F Research	$22,000	We just completed the addition of our phase I - Commerce Internet Mapping Application on www.growingnd.com. The $22,000 will be for license fees and the development of further GIS enhancements such as available properties, community profiles and primary sector businesses. The vendor is scheduled to be Bullberry Systems, Inc.
ED&F Research	$20,000	Datamine, a customized software application, is our department's backbone for knowledge management. We will be adding several enhancements to it, including data areas pushed to or collected from our website. The current vendor for Datamine is Vision Technologies.
ED&F Research & Admin.	$6,500	The ED&F Research Team has been given the added responsibility of IT planning and information management for the Department of Commerce. This $6,500 is a conservative amount for emergency IT vendor assistance for the entire Dept. of Commerce. No current vendor is identified.
ED&F Marketing	$50,000	We are updating our web site marketing plan with the goal of redesigning and improving our web site to better deliver the information our clients need. Implementation of changes will begin in early summer and continue into the 2003-05 biennium. The current vendors who provide the Department of Commerce with assistance for our web sites include Bulberry Systems, Inc. – a division of Kadrmas, Lee and Jackson, iNet Technologies, K2 Interactive, North Dakota Information Technology Department and Vision Technologies.
DCS Admin	$7,700	Maintenance cost for electronic data management system. The vendor will be ITD.
DCS CDBG	$11,000	Conversion of HomeNet system to function with CDBG program. The vendor will be ITD.
DCS Self Sufficiency	$15,000	Maintain & upgrade of Community Action Agencies program to track progress. Vendor will be ITD.

39487

Prepared by the North Dakota Legislative Council
staff for Representative Carlisle
January 2003

STATE AGENCIES LOCATED IN NEW WORKERS COMPENSATION BUREAU BUILDING

The following agencies will be relocating to the new Workers Compensation Bureau building at the end of the 2001-03 biennium. The information includes the current annual rent costs compared to the rental costs at the new building. The expiration dates of the current lease agreements are set to coincide with each of the state agencies move into the new building, thus there are no anticipated penalties for early lease cancellation.

CHILD SUPPORT AND PROVIDER AUDIT (HUMAN SERVICES)

Location	Term and Date Lease Expires	Total Square Feet	Cost Per Square Foot	Annual Rent
Current lease				
Northbrook Mall (1929 North Washington Street)	2 years (June 2003)	7,084	$12.04	$85,292
Northbrook Mall (1929 North Washington Street)	2 years (June 2003)	5,108	$12.04	61,500
Total		12,192		$146,792
No specific appropriation is provided for moving or relocation expenses. These costs will be funded within the existing budget.				
New lease				
Workers Compensation Bureau building	2 years (June 2005)	7,671	$13.00	$99,723
Workers Compensation Bureau building (storage space)	2 years (June 2005)	393	$5.00	1,965
Workers Compensation Bureau building	2 years (June 2005)	1,580	$13.00	20,540
Total		9,644		$122,228

DEPARTMENT OF COMMERCE

Location	Term and Date Lease Expires	Total Square Feet	Cost Per Square Foot	Annual Rent
Current lease				
Wells Fargo building (400 East Broadway, Bismarck)	2 years (July 2003)	9,084	$10.19	$92,566 (plus $540 for storage space)
Wells Fargo building	23 months (July 2003)	1,785	$12.35	22,050
Wells Fargo building	23 months (July 2003)	2,796	$9.52	26,618
Wells Fargo building	16 months (July 2003)	1,231	$10.69	13,169
Total		14,896		$154,933
No specific appropriation is provided for moving or relocation expenses. These costs will be funded within the existing budget.				
New lease				
Workers Compensation Bureau building	2 years (June 2005)	15,368	$13.00	$199,784
Workers Compensation Bureau building (storage space)	2 years (June 2005)	1,421	$5.00	7,105
Total		16,789		$206,889

COUNCIL ON THE ARTS

Location	Term and Date Lease Expires	Total Square Feet	Cost Per Square Foot	Annual Rent
Current lease				
City Center Plaza (418 East Broadway, Bismarck)	2 years (June 2003)	1,166	$8.64	$10,080
No specific appropriation is provided for moving or relocation expenses. These costs will be funded within the existing budget.				
New lease				
Workers Compensation Bureau building	2 years (June 2005)	1,261	$13.00	$16,393
Workers Compensation Bureau building (storage space)	2 years (June 2005)	199	$5.00	995
Total		1,460		$17,388

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PARKS AND RECREATION DEPARTMENT				
Location	Term and Date Lease Expires	Total Square Feet	Cost Per Square Foot	Annual Rent
Current lease				
1835 Bismarck Expressway	2 years (June 2003)	8,460	$9.15	$77,409
Emergency Commission Request No. 1420, approved by the Emergency Commission and the Budget Section in September 2002, increased special funds spending authority from park revenue collections by $215,000, for park operations, audit fees, building insurance, moving, and geothermal lighting. It is estimated $25,000 will be used for moving and relocating exponses.				
New lease				
Workers Compensation Bureau building	2 years (June 2005)	5,426	$13.00	$70,538
Workers Compensation Bureau building (storage space)	2 years (June 2005)	759	$5.00	3,795
Total		6,185		$74,333

RISK MANAGEMENT				
Location	Term and Date Lease Expires	Total Square Feet	Cost Per Square Foot	Annual Rent
Current lease				
Wells Fargo building (400 East Broadway, Bismarck)	2 years (June 2003)	1,359	$11.25	$15,283
No specific appropriation is provided for moving or relocation expenses. These costs will be funded within the existing budget.				
New lease				
Workers Compensation Bureau building	2 years (June 2005)	1,510	$13.00	$19,630
Workers Compensation Bureau building (storage space)	2 years (June 2005)	106	$5.00	530
Total		1,616		$20,160

WORKERS COMPENSATION BUREAU				
Location	Term and Date Lease Expires	Total Square Feet	Cost Per Square Foot	Annual Rent
Current lease				
Time Square building (500 East Front Avenue)		40,000	$7.50	$300,000
Time Square building (500 East Front Avenue)		14,000	$9.50	133,000
Total		54,000		$433,000
1999 House Bill No. 1266 provided the Workers Compensation Bureau the authority and a continuing appropriation for costs related to the purchase or construction of a new building. The bureau believes this appropriation includes moving and relocation costs, thus no specific dollars are budgeted for these costs.				
New building				
Workers Compensation Bureau building		56,604		$0
Workers Compensation Bureau building (storage space)		1,337		
Total		57,941		$0

TOTAL SQUARE FOOTAGE AND RENTAL COSTS COMPARISON				
	Old Locations		Workers Compensation Bureau Building	
Agency	Square Footage	Annual Cost	Square Footage	Annual Rent
Child Support and Provider Audit	12,192	$146,792	9,644	$122,226
Department of Commerce	14,896	154,933	16,789	206,889
Council on the Arts	1,166	10,080	1,460	17,388
Parks and Recreation Department	8,460	77,409	6,185	74,333
Risk Management	1,359	15,283	1,616	20,160
Subtotal - Other agencies	38,073	$404,497	35,694	$440,996
Workers Compensation Bureau	54,000	$433,000	57,941	$0
Grand total	92,073	$837,497	93,635	$440,996

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Exhibit 15

NEW OFFICE SPACE ISSUES/HOUSE CHANGES TO HB 1019
LEE PETERSON

In June of this year, the Department of Commerce will be moving to new office space, located within the Century Center building that is currently under construction. Our rent will increase $46,000 when we move into the new building. The Governor's budget recommendation for the Department of Commerce had additional rent funds included in it. However, the DOC budget recommendation was still below the 95% requirement.

Now, I would now like to talk a little about the changes that have taken place with House Bill 1019, within the House Appropriations Committee.

There are nine main areas that involved changes:

1. Removed salary increases
2. Added Workforce Development programs
3. Reduced funding for Workforce 2000 (- $1,000,000)
4. Added funding for internship program (- $1,000,000)
5. Moved Development Fund salaries from general funds to other funds (- $400,000)
6. Reduced ED&F Discretionary Grants (- $200,000)
7. Reduced Tourism Marketing funds (- $200,000)
8. Reduced ED&F Operating funds (- $200,000)
9. Reduced funding for Ethanol (- $1,287,172)

<u>Accountability Language</u>

When it comes to measurements and accountability within economic development, the Foundation's strategic plan outlines numerous benchmarks that will measure our progress on a continuous basis. The plan benchmarks include:

A. Net job growth.
B. Annual average wage.
C. Net migration growth.
D. New private sector businesses.
E. Site selection ranking of North Dakota Department of Commerce.
F. Share of local economic development organizations participating in statewide marketing strategy.
G. Academic R&D expenditures as percent of gross state product.
H. Industry R&D expenditures as percent of gross state product.
I. Positive national/out-of-state media exposure (favorable mentions).
J. Number of North Dakota Department of Commerce web site hits per month.
K. Number of leads generated by the North Dakota Department of Commerce.
L. Net job growth in manufacturing.
M. Net job growth in business services.
N. New private sector businesses in manufacturing.
O. New private sector businesses in business services.
P. Number of utility patents per 100,000.
Q. Gross state product (annual growth rate).
R. Venture capital investments.
S. Merchandise export value per capita.

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These benchmarks may need to be reevaluated, depending on things such as the national economy, interest rates and other economic factors. The Foundation, along with perhaps a small committee of legislators, may be asked to review these benchmarks on a regular basis to make sure they are effective.

Internship Funding

The House of Representatives added $1 million in grants funding for internships to the Department of Commerce budget.

The explanation in footnote 4 states "Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries".

If the internship funding is provided, we would seek input from the Workforce Development Council and the private sector membership of the Council to help in development of guidelines and criteria for the Internship Program.

- Review of available data to identify "growth industries" and "critical skill shortage occupations;
- Identify "Best Practices" and models for internships;
- Marketing to business, business associations, students, high schools and colleges;
- Free internship listings on www.NorthDakotaHasJobs.com;
- Development of guidelines and criteria for grant applications and awards.

We would look for any input and suggestions from you as legislators on how you see this program being implemented.

Thank you, Mr. Chairman. That concludes our formal testimony.

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PAUL GOVIG - DIRECTOR, DIVISION OF COMMUNITY SERVICES

Good morning. I'm Paul Govig, Director of the Division of Community Services. Our goal is to provide the people of North Dakota with effective, efficient and customer oriented administration of Federal and State programs for Community Development, Energy Efficiency and Renewable Energy and Self Sufficiency. These programs help create a quality of life that makes North Dakota a good place to live, work and do business. I'll start off with a brief overview of the Division, and then I will ask two individuals that partner with us to describe how we work together to provide our services. In addition, I've asked two individuals from the Division to visit with you about some of the programs they are involved with that are generating a considerable amount of interest statewide.

The Division of Community Services consists of four different program areas:

1) **Community Development**
   -Community Development Block Grant (CDBG)
   -HOME Investment Partnership (HOME)
   -Emergency Shelter Grant (ESG)
2) **Energy Efficiency/Renewable Energy**
   -State Energy Plan
   -State Buildings/Performance Contracting
   -Weatherization
3) **Self-Sufficiency**
   -Community Services Block Grant (CSBG)
4) **Technical Assistance**
   -Renaissance Zones
   -Building Codes

Now I would like to introduce Don Longmuir from the Souris Basin Planning Council in Minot. North Dakota has eight Regional Councils. They are vital to the delivery of the Community Development Block Grant program. Don will provide an overview of his organization and describe how we partner to deliver these services to low-to-moderate income people.

Don Longmuir will present testimony on our behalf at this point.

The seven Community Action Agencies have very important roles in delivering the HOME program, the Emergency Shelter Grant program and the Community Services Block Grant program. Perry Lundon from the Dakota Prairie Community Action Agency in Devils Lake is here to discuss the importance of his agency and how we partner to provide these programs.

Perry Lundon will present testimony on our behalf at this point.

Because of all the interest in alternative energy, I thought you might be interested in hearing about some of the things the Division of Community Services is involved with concerning energy. Kim Christianson is the Energy Program manager and will provide you with an overview of some of the good things going on in that area.

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Energy Programs

1. Century Center
   Our office was involved in the design phase of the building and worked closely with Workers Compensation personnel and the project architect to encourage energy efficiency measures. The building will use a ground source heat pump system for heating and cooling, which, combined with other energy efficiency features, will place the building in the top six percent of all commercial buildings in the country as far as energy use. We expect to achieve an "Energy Star" rating for the building, possibly the first large commercial building to achieve that designation in North Dakota. The additional up-front cost for the energy efficiency features is approximately $116,000, but will result in annual energy cost savings of $23,700 for a simple pay back period of 4.9 years.

2. State Buildings Program
   Our office continues to actively pursue energy cost saving projects in state owned facilities. We have assisted in over $24 million of energy efficiency projects resulting in an estimated $3 million annual savings to the state's citizens. Thanks to legislation allowing for third party performance contracting and a separate state facility energy improvement bonding program, our level of activity has significantly increased over the past few years. With Wahpeton's State College of Science leading the way in 1998, we have now worked with 10 campuses and six other state institutions on energy efficiency projects involving over 300 buildings. We have an excellent on-going working relationship with the North Dakota Association of Physical Plant Administrators.

3. Weatherization Assistance Program
   In fiscal year 2001, the North Dakota Weatherization Assistance Program provided weatherization services to 1,425 homes at an average cost of $2,593. In addition, 1,311 housing units received emergency heating services (furnace repair and replacement) and 499 units received emergency cooling assistance – mostly new installation of air conditioners. (The units receiving Weatherization Assistance and emergency heating and cooling assistance are not mutually exclusive.)

   Weatherization services are delivered by seven Community Action Agencies (CAA's) in North Dakota and directly employ 100 people. Our office oversees the program. The Weatherization program is funded by the U.S. Department of Energy and has experienced significant funding increases in the past couple years. We also receive funding from the Department of Human Services Low Income Home Energy Assistance Program, based on funds remaining after the winter heating season.

   Working closely with the CAAs, our office implemented a "best practices" initiative this past year, with the goal of providing weatherization personnel with training on state-of-the-art techniques and the use of specialized diagnostic equipment. The initiative resulted in updated field standards used by all crews to promote consistency and quality workmanship. We believe that North Dakota's Weatherization program ranks among the top in the country.

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4. Wind Energy

Back in 1992, our office sponsored the first of many statewide wind energy conferences, here in Bismarck. Since then, we have been at the forefront of a sustained effort to explore the economic viability of wind energy and to promote its development. We initiated a comprehensive, utility-sponsored statewide resource assessment of wind and have worked with many others to create one of the best wind resource assessment programs in the country. We have also been active in statewide landowner meetings and other information dissemination efforts. We worked closely with Senator Dorgan's office in the planning and sponsorship of his recent wind energy conferences.

We have very recently distributed a request for proposals announcement for wind energy integration studies at four North Dakota campuses (UND, NDSU, BSC, and NDSCS). We are also planning to fund a wind energy study for schools located in the Edgely-Wishek area.

Wind energy is an important new industry to North Dakota. We have a blade manufacturer in Grand Forks, and a tower manufacturer in West Fargo that employ hundreds of people. With recent installations and announcements by Minnkota Power Cooperative, Montana-Dakota Utilities, and Basin Electric Power Cooperative, North Dakota will move from an installed capacity of .35 megawatts to over 65 megawatts, with more on the horizon. In addition, a major North Dakota business, MDU Resources Group, recently announced the purchase of a wind farm in California.

5. Alternative Fuels

Governor Hoeven currently serves as the Vice Chair of the Governors' Ethanol Coalition, an organization of 27 states, along with representatives from Brazil, Canada, Mexico, and Sweden. The purpose of the coalition is to promote the increased use of ethanol. Our office is working closely with the Governor's office on ethanol initiatives, including a proposed statewide marketing program, funding for additional E85 refueling stations, and the state fleet's use of ethanol. We recently funded a study for the Alchem plant in Grafton on the economic feasibility of converting to a coal-fired system.

We are also very actively involved with the Red River Clean Cities program, which promotes alternative fuel use in the Red River corridor from Winnipeg to Fargo. We co-funded a biodiesel production study completed for the legislature, working with NDSU and the North Dakota Soybean Council, and funded a biodiesel demonstration project for the City of Fargo.

In 2005, we will provide sponsorship and assistance with a national solar vehicle challenge which will run from Texas up to Winnipeg, with North Dakota serving as the final U.S. staging point prior to crossing the border into Canada. Teams from top U.S. and Canadian colleges and universities will be competing in that race.

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6. Conclusion

These are only a sampling of the many energy efficiency and renewable energy activities and initiatives we are involved with. Others include biomass projects, agricultural efficiency, energy education and training, solar applications, recycling, etc. We have some of the best jobs in state government – we work in an exciting field with constant new developments (i.e. hydrogen fuel cells). I am personally convinced that based on recent and current world events and developments, energy efficiency and renewable energy is only going to grow in importance. Thank you for your time. I will be available at the end of this testimony to answer any questions you may have.

Another area generating considerable interest all across the state is the Renaissance Zone program. Rich Gray manages the Renaissance Zone program. Rich, could you please provide us with a status report on the program.

Renaissance Zone Program

The Renaissance Zone program officially started with the designation of the first zone in Fargo in December 1999. There are now 11 cities with a Renaissance Zone. In addition to Fargo, the cities of Grand Forks, West Fargo, Casselton, Buffalo, Valley City, Jamestown, Carrington, Bismarck, Minot, and Watford City each has a designated Renaissance Zone. At least eight other cities are currently looking at participating in the program, and we hope to attract the interest of more rural communities.

We consider the status of the program today to be a success, especially since there was very little guidance to go by when we initially developed and implemented the program. Two teams, one from the Division of Community Services and one from the Office of the State Tax Commissioner, came together and rolled up their sleeves to develop and implement the program. In 2001 the lessons learned from the first year of the program were communicated to the Legislature, and the law was tweaked to enhance its benefits and to make it easier to use and understand. We have been able to successfully demonstrate that the program is not just for large cities and that local success is directly related to how well the program is proactively marketed. As with any new program, however, it takes awhile for people to find out how it works and how it can benefit them. The good news is that the successes of the current zones are becoming the catalyst for other cities to want to find out about the program, and we expect to see much more activity during the coming years. The cities that have a zone have indicated that they are pleased with the results and hope to see more opportunities in the future.

After we approve the designation of a Renaissance Zone, our primary activities with the program are to approve and track each city's zone projects. A zone project consists of a taxpayer who is purchasing, rehabilitating, leasing or undertaking historical preservation or renovation of residential or commercial property. This can be a taxpayer purchasing or rehabilitating residential property that is their primary residence, or a taxpayer purchasing, rehabilitating, or leasing residential or commercial property for a business or investment purpose.

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To date, we have partnered with the designated Renaissance Zone cities to approve 64 zone projects worth approximately $5.1 million dollars in tax exemptions and credits. Since the Renaissance Zone tax incentives are new to everyone, it takes awhile for each city to learn how to use them to entice investments, but their use is becoming very popular, especially the property tax exemption and the historical tax credits.

We may also approve for a city with a Renaissance Zone the establishment of a Renaissance Fund Organization. This enables a city to raise funds to invest in zone projects and in other opportunities within its designated zone area. To date, we have approved the establishment of five Renaissance Fund Organizations. Collectively, they have been able to raise $2,420,000 at a cost of $1,210,000 in tax credits. The other cities with a zone have elected to consider establishing a Renaissance Fund Organization after first finding out how much interest their respective zones attract.

To get an idea of what the program is accomplishing, let's look at some examples. The City of Fargo alone has over 30 zone projects. These include the construction of a new 12-unit condominium; the remodeling of the Donaldson Hotel, the Old Fargo National Bank Building, the Stone Building, and the eventual remodeling of the Northern School Supply Building; and the retention of several businesses in leased space in the remodeled buildings. In Valley City and Casselton, new bank buildings now exist. Valley City has four new single story apartment buildings and an old warehouse is being remodeled into apartments. Casselton helped retain a pizza business by approving the purchase and remodeling of a building. In Minot, the old Sweetheart Bakery is being remodeled for a pizza business and family fun center. In Bismarck the old Bismarck Tribune printing building is being purchased and remodeled for rental space. A taxpayer in Watford City is purchasing and renovating an old home once considered to be the most beautiful and well-maintained house in the city. A company in Jamestown received approval to purchase and remodel a historical school building into a technology center. In Grand Forks, a company purchased two floors of a historical building to create new housing units. And in West Fargo, a building is being remodeled for office and retail space, and possibly, some housing units, and a taxpayer rehabilitated her existing primary residence.

Budget Request

As far as the budget is concerned, the total Division of Community Services budget request is $48.7 million for the current biennium. Federal sources or other special funds comprise 98%, or approximately $47.7 million, of the budget (see page C-6); $979,054 is from the General Fund and most is needed as a match requirement to access the federal dollars. Funding by program area is broken down in the following manner: Community Development-51%, Energy Efficiency and Renewable Energy-32%, Self-Sufficiency 15% and Technical Assistance-2% (see page C-7). Funding request by line item involves 93% for grants, 4% for wages and 3% for operating expenses (see page C-8).

Conclusion

As you can see, the Division of Community Services is involved in a wide variety of programs and services, all of which are geared to improving the quality of life for the citizens of North Dakota and making this a good place to work and live. We can and will succeed. Thank you for your time.

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Exhibit 2

DIVISION OF COMMUNITY SERVICES
PAUL GOVIG, DIRECTOR

Good morning, Mr. Chairman and members of the committee. The goal of the Division of Community Services is to provide the people of North Dakota with effective, efficient and customer oriented administration of Federal and State programs for Community Development, Energy Efficiency and Renewable Energy and Self Sufficiency.

The Division of Community Services consists of four different program areas:

1) Community Development
   - Community Development Block Grant (CDBG)
   - HOME Investment Partnership (HOME)
   - Emergency Shelter Grant (ESG)
2) Energy Efficiency/Renewable Energy
   - State Energy Plan
   - State Buildings/Performance Contracting
   - Weatherization
3) Self-Sufficiency
   - Community Services Block Grant (CSBG)
4) Technical Assistance
   - Renaissance Zones
   - Building Codes
   - Third Party Inspection
   - Americans with Disabilities Act

It should be pointed out that many of the federal programs administered by the Division of Community Services have a primary focus of a benefit to low and moderate income residents of the state.

The Community Development Block Grant program is delivered through the Regional Council system which has offices in Williston, Minot, Devils Lake, Grafton, Fargo, Jamestown, Bismarck and Dickinson. The system has been developed to ensure that the unique development needs of each region of the state are accurately defined and are met to as great an extent as possible. The Regional Councils have been good partners of the Division for many years.

The HOME Investment program, Emergency Shelter Grant program, Weatherization program and the Community Services Block Grant program are delivered through the Community Action Agency system which has offices in Minot, Devils Lake, Grand Forks, Fargo, Jamestown, Bismarck and Dickinson. The system has been developed to assist with the locally defined social-economic needs of the regions. Everyone involved with the system has worked hard to develop a good working relationship between the Division and the Community Action Agencies to ensure that clients receive excellent service on a consistent basis.

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Accountability and performance measures are standard operating procedures for us. We have always measured results and have always been accountable for our performance. Measurements associated with the community development and housing programs include: number of rental units created, homes rehabilitated, home ownership assistance for families, jobs created, homeless shelters provided assistance, public facility projects assisted and housing projects funded. Measurements associated with the energy efficiency/renewable energy programs and low income assistance programs include: number of households weatherized, households receiving furnace repair or replacement services, individuals receiving self-sufficiency and case management services, number of persons reached with energy educational materials, state institutions/agencies assisted with energy efficiency improvements and demonstration projects promoting alternative energy production and use. In the technical assistance section some of the measures include: number of Renaissance Zones designated, Renaissance Zone projects approved and building code training provided.

As far as the budget is concerned, the total Division of Community Services budget request is $48.7 million for the current biennium. Of that amount, 98% or approximately $47.7 million comes from federal sources or other special funds (see page A-5). $979,054 is from the General Fund and most is needed as a match requirement to access the federal dollars. Funding by program area is broken down in the following manner: Community Development-51%, Energy Efficiency and Renewable Energy-32%, Self-Sufficiency 15% and Technical Assistance-2% (see page A-6). Funding request by line item involves 93% for grants, 4% for wages and 3% for operating expenses (see page A-7).

As you can see, the Division of Community Services is involved in a wide variety of programs and services, all of which are geared to improving the quality of life for the citizens of North Dakota and making our state a good place to live, work and do business. With your help, we can and will succeed.

Thank you. I would now like to turn the podium over to Jim Hirsch, Director of the Division of Workforce Development.

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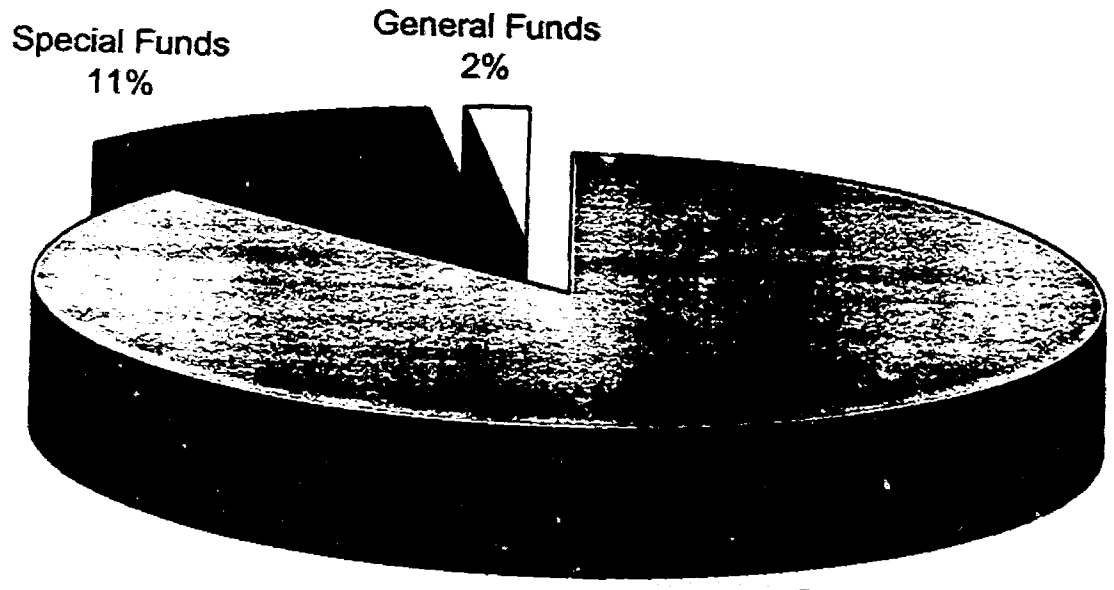
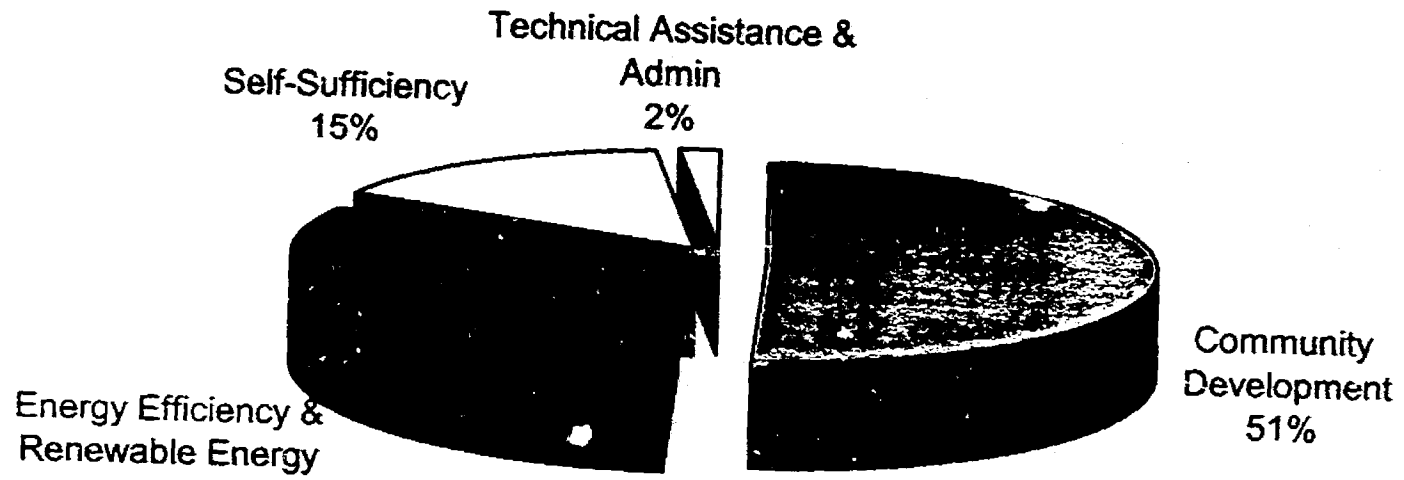
Division of Community Services
2003-2005
Funding Request by Funding Source



Division of Community Services
2003-2005
Funding Request by Program Area



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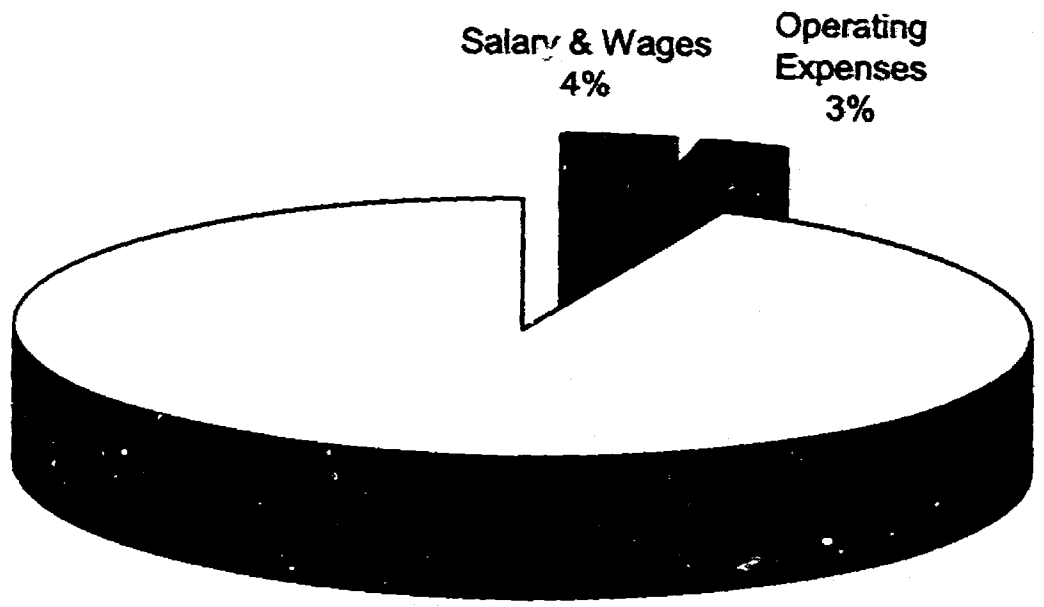
Division of Community Services
2003-2005
Funding Request by Line Item



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EXECUTIVE SUMMARY

PROPOSED USE OF FY2004 AND FY2005

COMMUNITY SERVICES BLOCK GRANT (CSBG) FUNDS

- The Community Services Block Grant is a federal block grant program that is used by states to fight poverty and address the needs of low income people – no state funds are required to match the federal funds.

- Ninety-one percent of the State's allocation will pass through from the State to the Community Action Agencies.

- All 53 counties in the eight regions of the state are served through the seven Community Action Agency offices located in Minot, Devils Lake, Grand Forks, Fargo, Jamestown, Bismarck and Dickinson.

- Each Community Action Agency is unique in providing services and programs within their region because of the various needs and the availability of other services.

- Local boards, composed of members who represent public officials, low income people and private or community organizations, administer the Community Action Agencies as they address the needs of low income people in their service area.

- Community Services Block Grant funding can be used to provide direct services, develop new programs, as well as to coordinate funding from other funding sources to deliver various programs including Head Start, Weatherization, surplus commodity food distributions, etc., that serve low income people.

- Programs provided through the Community Services Block Grant include education, employment, income management, adequate housing, emergency needs, nutrition, self sufficiency, and health services.

- Community Action Agencies are nonprofit entities that collaborate their efforts by establishing linkages with other public and private entities, including faith-based groups, in their service areas.

- Under the Community Services Block Grant, Community Action Agencies track and report to the state on their fiscal activities, performance objectives, outcomes of their service delivery, demographics of clients served and client and agency successes.

- Community Action Agencies leverage Community Services Block Grant funds with other federal, state and local resources to stretch the funding available. In 2001, $3,144,329 in Community Services Block Grant funds (15%) were used with $17,397,755 in other public and private funds (85%) to deliver services to low income individuals and families in ND.

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CDBG ECONOMIC DEVELOPMENT PROJECTS FOR THE CALENDAR YEARS 2001 AND 2002

1/14/2003

APPLICANT	INSTRUMENT	AWARD	AUTHORIZED PROJECT	PROPOSED JOBS	PROJECT FUNCTION
ASHLEY CTY.	964-SL01-ED-R	52,500.00	PURCHASE PREFERRED STOCK IN BLUMHARDT EQUIPMENT	11	EXPANSION
BENSON CO.	963-CD01SL-ED	310,000.00	GRANT FOR BTR ELEVATOR FOR BUILDING CONSTRUCTION	13	EXPANSION
BEULAH CTY.	924-CD01SL-ED	210,000.00	LOAN TO M&K WELDING FOR PURCHASE OF EQUIPMENT	6	STARTUP
BURLINGTON CTY.	800-SL00-ED-R	108,272.00	LOAN TO J'S STOP-N-GO, INC FOR CONSTRUCTION OF A BUILDING	3	EXPANSION
CASSELTON CTY.	926-SL01-ED-R	99,000.00	LOANS TO AIC MAINTENANCE, INC. FOR REMODELING, PURCHASE OF EQUIPMENT AND INVENTORY	4	EXPANSION
CASSELTON CTY.	1014-CD01-ED-R	40,356.50	LOAN TO PIZZA RANCH FOR PURCHASE OF A BUILDING	1	EXPANSION
COOPERSTOWN CTY.	806-SL00-ED	110,000.00	LOAN TO DYNAMICS 360 INC/POSI LOCK MFG FOR PURCHASE OF MACHINERY AND EQUIPMENT	5	EXPANSION
CROSBY CTY.	949-CD980102SL-ED	247,750.00	GRANT 4 INFRASTRUCTURE (SEWER LINE) TO SEMOLINA SPECIALTIES/BUSHEL 42 PASTA CO & EQUIPMENT PURCHASE	39	STARTUP
DICKINSON CTY.	792-SL00-ED-R	38,500.00	LOAN TO ULTRA TEC PRODUCTS, INC. FOR PURCHASE OF INVENTORY	1	EXPANSION
DUNSEITH CTY.	1100-SL02-ED	210,000.00	GRANT FOR INFRASTRUCTURE TO TURTLE MOUNTAIN CORP. (TMC) PEMSTAR INC.	30	EXPANSION
ELLENDALE CTY.	1132-SL02-ED-R	110,000.00	LOAN TO ELLENDALE SOUTHSIDE FOR PURCHASE OF EQUIPMENT	4	STARTUP
ENDERLIN CTY.	1173-CD9902SL02-ED	240,000.00	GRANT TO PLAINS, GRAIN & AGRONOMY FOR CONSTRUCTION	23	EXPANSION
GOLDEN VALLEY CO.	801-SL00-ED-R	88,000.00	LOAN TO BUFFALO GAP GUEST RANCH & TRAILHEAD FOR CONSTRUCTION OF A BUILDING & PURCHASE OF EQUIPMENT	4	STARTUP
GRAFTON CTY.	981-CD01SL-ED	510,000.00	LOAN TO ALCHEM FOR PURCHASE OF EQUIPMENT	28	EXPANSION
GRAFTON CTY.	958-SL01-ED	135,000.00	PURCHASE PREFERRED STOCK IN VERACITY COMMUNICATIONS	44	STARTUP
GRAND FORKS CO.	921-SL01-ED-R	33,000.00	LOAN TO GREG'S AUTO & TOWING SERVICE FOR CONSTRUCTION OF A BUILDING	1	STARTUP
HANNAFORD CTY.	845-CD00-ED-R	27,500.00	LOAN TO BALD HILL MARKET FOR CONSTRUCTION OF A BUILDING	2	STARTUP

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CDBG ECONOMIC DEVELOPMENT PROJECTS FOR THE CALENDAR YEARS 2001 AND 2002

1/14/2003

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HILLSBORO CTY.	948-SL01-ED	220,000.00	LOAN AND PREFERRED STOCK TO CLASSIC COATINGS, INC. FOR PURCHASE OF EQUIPMENT	6	STARTUP
JAMESTOWN CTY.	956-CD01SL-ED	500,000.00	LOAN TO CHOICE PROPERTIES, NEWMAN SIGNS FOR CONSTRUCTION OF A BUILDING	14	EXPANSION
JAMESTOWN CTY.	1000-CD01-ED	230,000.00	GRANT FOR AVIKO/CAVENDISH FARMS WASTEWATER TREATMENT BUY-DOWN COSTS	232	EXPANSION
LANGDON CTY.	1095-CD01SL02-ED-R	44,000.00	GRANT FOR CONSTRUCTION COSTS OF LANGDON DAY CARE CENTER	2	EXPANSION
MANDAN CTY.	1006-SL01-ED-R	106,250.00	PREFERRED STOCK PURCHASE IN MANDAN FARMERS ELEVATOR TO CONVERT TO A LOAN IN 3 YEARS	3	STARTUP
MANDAN CTY.	794-CD00SL-ED-R	82,500.00	LOAN TO BOTANICAL SILK ACCENTS FOR CONSTRUCTION OF A BUILDING	3	EXPANSION
MAPLETON CTY.	1142-SL02-ED-R	82,500.00	LOAN TO GORDY'S TRAVEL MART INC. FOR PURCHASE OF EQUIPMENT	3	EXPANSION
MEDINA CTY.	1065-CD01-ED-R	150,000.00	LOAN TO DAKOTA FRESH FOR CONSTRUCTION OF A BUILDING	14	STARTUP
MEDINA CTY.	1136-CD01-ED	22,000.00	GRANT FOR INFRASTRUCTURE FOR FARMMS, INC.	2	STARTUP
MINOT CTY.	846-CD00SL-ED	260,000.00	GRANT TO ING/RELIASTAR FOR THE PURCHASE OF EQUIPMENT	166	EXPANSION
MINTO CTY.	1059-CD01-ED-R	48,400.00	LOAN TO ABC DAYCARE INC. FOR RENOVATION & PURCHASE OF A TRAILER	3	EXPANSION
MOUNTRAIL CO.	994-CD01SL-ED	82,500.00	PREFERRED STOCK PURCHASE IN NORTHWESTERN DAIRY, LLLP FOR THE PURCHASE OF DAIRY COWS	10	STARTUP
PORTLAND CTY.	1126-CD02SL-ED	370,000.00	LOAN AND GRANT TO HEART OF THE VALLEY LLC FOR WATER/SEWER INFRASTRUCTURE & EQUIPMENT	14	STARTUP
REGENT CTY.	980-CD01-ED-R	29,700.00	LOAN TO REGENT FOR THE ENCHANTED HIGHWAY GIFT SHOP	1	STARTUP
ROLLA CTY.	838-SL00-ED-R	99,750.00	LOAN TO TIM MEARS AND JULIE PFLEGER TO PURCHASE THE GOLDEN RULE	8	EXPANSION
SHERWOOD CTY.	1175-SL02-ED	74,250.00	LOAN TO BLUELK MANUFACTURING FOR PURCHASE OF INVENTORY AND EQUIPMENT	3	EXPANSION
STANTON CTY.	1064-SL02-ED-R	33,000.00	LOAN TO STANTON GROCERY FOR	1	STARTUP

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CDBG ECONOMIC DEVELOPMENT PROJECTS FOR THE CALENDAR YEARS 2001 AND 2002

1/14/2003

APPLICANT	INSTRUMENT	AWARD	AUTHORIZED PROJECT	PROPOSED JOBS	PROJECT FUNCTION
STRASBURG CTY.	807-SL00-ED-R	23,100.00	BUILDING ACQUISITION LOAN TO STRASBURG CAFE FOR PURCHASE OF A BUILDING	1	STARTUP
STUTSMAN CO.	1134-SL02-ED	360,000.00	LOAN TO AGRI-COVER INC. FOR PURCHASE OF EQUIPMENT	15	STARTUP
TIOGA CTY.	1138-CD02SL-ED	210,000.00	GRANT FOR WATER/SEWER CONSTRUCTION & LOAN TO HEARTLAND FEEDS FOR PREFERRED STOCK PURCHASE	11	STARTUP
WAHPETON CTY.	829-CD9800SL-ED	260,000.00	LOAN TO BULLINGER ENTERPRISES TO PURCHASE WILRICH	19	EXPANSION
WAHPETON CTY.	1068-CD01-ED	1,010,000.00	GRANT TO IMATION FOR INFRASTRUCTURE AND BUILDING CONSTRUCTION	200	EXPANSION
WIMBLEDON CTY.	799-SL00-ED-R	44,000.00	LOAN TO MAIN STREET LUMBER FOR BUILDING ACQUISITION	2	STARTUP
	TOTAL AWARD DOLLARS	**6,911,828.50**	**TOTAL JOBS**	**956**	

JIM HIRSCH – DIRECTOR, WORKFORCE DEVELOPMENT DIVISION
Mr. Chairman and members of the Committee, my name is Jim Hirsch, Director, Workforce Development Division, Department of Commerce.

My testimony will cover the following areas as they relate to the Workforce Development Division.

- Overview of the Division;
- Workforce issues facing the state;
- Accomplishments; and
- Legislative position of the North Dakota Workforce Development Council.

The Workforce Development Division provides administrative support to several federally mandated boards and commissions. These boards and commissions are a requirement for the state to receive federal formula funding under the Workforce Investment Act of 1998 and the National and Community Services Act of 1990.

These Councils and Commissions include:

- The North Dakota Workforce Development Council;
- The North Dakota Youth Development Council; and
- The North Dakota Workforce Development Council – State Commission on National and Community Service.

In addition, through Senate Bill 2019, you provided the Division with $250,000 in workforce development grants to support talent recruitment initiatives.

The Councils and Commission members are appointed by the Governor and have the responsibility for making recommendations on policy and improvements to the state's workforce development and workforce training system in the context of economic development and community service needs.

The total federal formula funding available to North Dakota under the Workforce Investment Act, Title I, through the North Dakota Workforce Development Council exceeds $13 million annually.

The total federal formula funding available to North Dakota under the National and Community Service Act of 1990, through the State Commission exceeds $550,000 annually.

The Councils and the State Commission depend on strong partnership relationships. These partnerships include state and local agencies and organizations, education agencies, businesses and business associations, American Indian tribes and local communities.

It is all about the people of North Dakota and making North Dakota a better place to live, work and do business. This happens through partnerships, developing common visions, and sharing of talent and resources.

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The role of the Council's and the State Commission is:

- Being the state's *champion* for workforce and service issues;
- Being the state's *change* agent;
- Being the state's *convening* agent;
- Being the state's *accountability agent;* and
- Being the *catalyst* for creating a diverse and higher quality workforce

North Dakota faces a number of workforce issues. Some of these include:

- Worker shortages and skill gaps in a number of occupations.
- A declining number of new job entrants.
- A continued out migration of our skilled workers.
- Continued depopulation of smaller communities.
- Replacement of worker who will be approaching retirement age in the next 5 – 10 years. (40 – 50% of current workforce in many industries will be at retirement age in the next 5 – 10 years).
- Underemployment in many communities;
- Lack of access to training or resources to pay for training by the underemployed to qualify for higher skill demand occupations employers have available.
- **A shortage of training programs and training slots in many of our critical skill shortage areas.**

Worker and Skill Shortage Occupations in North Dakota.

- Health Related Occupations:
  - Nurses
    - RN
    - Operating Room
    - Critical Care
  - Clinical Research
  - Lab Technicians
  - Radiology Technicians
- Computer Related Occupations:
  - Programmers
  - Data Base Managers
  - Software Development
  - Network Administration
  - Systems Analysts
- Teaching Occupations:
  - Math
  - Science
  - Foreign Language
- Truck Driving
- Engineers
  - Electrical
  - Civil
  - Mechanical
- Skilled Trades
  - Electricians
  - Carpenters
  - Plumbers
  - Heating & Air Conditioning
- Manufacturing
  - Machinists
  - CNC Operators
- Professional
  - Managers
  - Supervisors
- Customer Service

- All of the occupations listed that are in the category of worker shortage and skill gaps provide annual average incomes of $25,000 or more.

Over the past 18 months, we have made some progress in addressing the workforce issues facing North Dakota.

One accomplishment was implementation of the **Workforce Development Grants – Talent Recruitment Initiative.**

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Matching grant funds were provided to communities to support two statewide initiatives:

- Community Labor Availability Studies; and
- Establishment of a single statewide web site for worker recruitment.

These initiatives were identified and prioritized by a workgroup of local developers, business representatives, state agencies and the Workforce Development Council.

- **Statewide Community Labor Availability Studies:**
  The workgroup identified core data elements to include in the Statewide Community Labor Availability Surveys, including standards for conducting the surveys and timeframes for keeping them current.
  - Community Labor Availability Surveys are important to show that there is an available labor pool when businesses are looking at expanding or locating to the state.
  - Prior to this process, each community was doing their own survey. There was no standardization, the surveys were not kept current and more importantly, there was no comparability across the state. Many site selectors disregarded the survey results.
- A total of 14 communities and one county participated in the Labor Availability Studies.
  - Communities included: Wahpeton, Fargo, Finley, Cooperstown, Jamestown, Valley City, Cavalier, Rolla, Langdon, Cando, Minot, Watford City, Carrington, and Devils Lake. The county participating is Walsh.
  - A total of 29 counties in North Dakota and three counties in Minnesota were included in the survey as part of the labor market area of one of the sponsoring communities.
  - Several communities who support the concept did not participated due to having just recently completed a Labor Availability Study or not being able to provide the matching funds. They have indicated an interest in participation the next time they are updated.

- **Statewide web site for workforce retention and out-of-state recruitment:**
  The workgroup identified a need for a single statewide web site for use in recruitment of out-of-state workers and alumni. The web site is also a tool to get information to our youth on employers in the state, available internships, career fairs and employment opportunities in North Dakota.
  - At the time this initiative was discussed, there were several competing web sites (Project Back Home, CareerLinkNorth, and several independent community web sites) all targeting alumni and out-of-state workers.
  - There was no coordination or linkages between the sites.
  - Resumes filed in one site did not get exposed to other sites.
  - There was a lack of marketing for the sites.

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The Workforce Development Division, with support from the various partners, negotiated an agreement with the AIM Institute, Applied Distribution Group, out of Omaha, Nebraska, for distribution rights to www.NorthDakotaHasJobs.com for the western two-thirds of North Dakota. This is a site that mirrors the www.CareerLinkNorth.com web site that is successfully operating for Fargo and Grand Forks. The two web sites look and operate seamlessly to employers and job seekers.

- NorthDakotaHasJobs.com is a cost-effective online employment and resume management system for North Dakota employers.
- The system provides employers with options to get information to students on their company, opportunities they offer and internships they provide.
- Employers pay a subscription fee for the use of the system. The Department of Commerce receives a commission on subscriptions. The commission is reinvested back into promotion and marketing of the system.
- In November 2002, the site was referenced in the *Wall Street Journal* and resulted in over 60,000 hits in a single week.

Our business plan calls for the web site to be self supporting by the next biennium. Senate Bill 2030 has been introduced to provide appropriation authority for the Department of Commerce to receive the commissions and to expend these commission fees for promotion and marketing of the web site.

In response to the shortage of nurses in rural communities, the North Dakota Workforce Development Council implemented a **North Dakota Health Related Technical Skills Training Demonstration:**

The North Dakota Workforce Development Council in cooperation with the North Dakota Long Term Care Association, the North Dakota Hospital Association, the University System, State Board for Vocational and Technical Education, State Board of Nursing and some 60 nursing facilities and hospitals developed a competitive grant application for an H 1B Technical Skills Demonstration Training Grant.

In December, 2001, the U. S. Department of Labor announced that North Dakota had been awarded a grant of $2.1 million under the H 1B Technical Skills Training Project. Funding under this project supports career ladder training options for entry-level workers in health care occupations to assist them in training to become Licensed Practical Nurses and Registered Nurses.

The grant is supporting training for individuals through the use of distance learning sites located in Rugby, Langdon, Grafton, Williston, Minot, Jamestown/Valley City, Hettinger, Devils Lake and two programs at the Skills & Technology Center in Fargo.

As of December 31, 2002, we had:

- 450 enrollments:
  - 228 certified nurse assistants
  - 141 licensed practical nurses
  - 81 registered nurses

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- To date, over $808,000 in non-federal match has been provided by the 60 plus nursing facilities and hospitals partnering with us on this grant.

This program is really about providing opportunities for our citizens in North Dakota. We are assisting employers by helping them grow a workforce locally and providing the local workforce with an opportunity to grow in their careers and remain in North Dakota.

We are working with the University System to explore expansion of nurses training slots and training opportunities to other areas of the state.

North Dakota received a $750,000 **Workforce Investment Act Incentive Award:**

North Dakota met the federal negotiated performance indicators under the Workforce Investment Act for Program Year 2000. Because of this, the state met the eligibility requirements to receive an incentive award from the U.S. Department of Labor.

- Only a handful of states met the requirements to receive Incentive Awards.
- State agencies delivering programs under the Workforce Investment Act include:
  - Job Service North Dakota – Title I (adult, youth and dislocated worker).
  - Department of Public Instruction – Adult Literacy
  - State Board for Vocational & Technical Education – Carl Perkins

Each of the state agencies had to meet the performance indicators for the programs they deliver in order for the state to be eligible for incentive awards.

The incentive funds are being used expand delivery of workforce training services to unemployed, underemployed and refugees throughout the state, using new models and new cooperative delivery techniques.

Early indications are that North Dakota met the Performance Indicators for Program Year 2001. The State should be eligible for another incentive award of $750,000 starting in July of 2003.

North Dakota created a **State Commission on National and Community Service** to provide access to additional federal funding and expertise in meeting service priorities for the state and local communities.

Governor Hoeven, under Executive Order 2002-02.3, established the North Dakota Workforce Development Council – State Commission on National and Community Service.

The purpose of the State Commission is to foster a bi-partisan, state-level commitment to advancing service initiatives in North Dakota, and to play a leadership role in developing, communicating, and promoting a statewide vision of service.

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The State Commission has responsibility for the administration of the state formula funded AmeriCorps grants and projects. State formula AmeriCorps funding available to North Dakota as a result of formation of the State Commission will be $500,000 annually. The formation of a State Commission also makes the State Education Agency, the Department of Public Instruction, eligible to receive $50,000 annually in Learn and Serve America formula funds for North Dakota.

Youth members enrolled in AmeriCorps and Learn and Serve America projects will have an opportunity to develop their leadership skills, become involved and connected with their communities, explore career opportunities and develop work experience and references for their resumes. The involvement with their community will provide them with some attachment and reason to stay in North Dakota. Youth want to help make a difference.

AmeriCorps and Learn and Serve America projects can help address service needs in the state related to provision of tutoring, mentoring, after school programs, law enforcement, services to keep our seniors in their homes and out of nursing facilities, work on environmental issues and making our communities a safer and better place to live.

The Workforce Development Division at the request of the Governor's Office and the Commissioner of the Department of Commerce participated in negotiations to help retain some **400 jobs at Motor Coach Industries in Pembina.**

- The facility was scheduled to begin shutdown in September 2002. This would have been a loss of 400 plus jobs paying $26 per hour including benefits.
- Workforce training was a major point of the negotiations. A training package of $1.0 million was provided through the use of state Workforce 2000 and federal Workforce Investment Act was negotiated.

Workforce Training was a good investment for the State. Some 400+ good paying jobs were retained. The workers are receiving valuable transferable skill training. The State would have paid out considerably more in unemployment insurance benefits and workforce training for workers had the plant closed.

The Workforce Development Council and its partners are cooperating, sharing resources, and expertise on a number of initiatives and special projects that will result in improved delivery of workforce development and workforce training services in North Dakota. Examples of some of these special projects include:

- **Information Technology Needs Assessment**
  The partners of the North Dakota workforce development and workforce training system recognize the importance of having current and accurate information on the occupation and skill requirements of North Dakota employers to support planning and the targeting of scarce resources.

  For information technology occupations there is a lack of accurate data on the number of current vacancies, projected future vacancies and the skill requirements of North Dakota businesses that hire information technology workers.

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The information will be used to help establish career ladder tracks and training opportunities for youth, adults and dislocated workers having an interest in moving into information technology occupations.

The information from the survey will be valuable for planning decisions on introduction of new programs by the North Dakota University System, courses of study by students and for state agencies in making decisions on use of scarce training resources.

The study results will be available around February 20, 2003. Returns from businesses are ahead of initial projections.

- **Youth Retention and Career Awareness Initiatives**

  The Workforce Development Division, through the North Dakota Workforce Development Council has brought together a number of state agencies, employer associations, and local education to coordinate initiatives aimed at retention of youth.

  The North Dakota Strategic Five-Year State Workforce Development Plan, the Governor's Office, the New Economy Initiative and several employer associations all have goals to retain a greater number of young people in the state.

  As a result, there are a number of initiatives, with similar goals and objectives, being separately promoted, targeting a common audience and vying for state resources. Each of the initiatives wants to provide better career information to North Dakota youth. They intend to do this through the use of CD ROMs, teacher guides, and web sites. Our goal as a Council is to facilitate coordination and support of a single initiative that will meet all of the interested parties needs.

  Initiatives Identified to Date:
  North Dakota Career Resource Network, State Board for Vocational & Technical Education, Tech Prep (State Board), New Economy Initiative (two), North Dakota Petroleum Council and Bismarck Public Schools, State Board of Nursing, and North Dakota Central Personnel.

- **Worker Shortages and Skill Gaps Assessments**
  The Division is working with a number of business associations to document worker shortages and skill gaps that they are experiencing.

Right now, it is critically important for the state's workforce development and workforce training system to develop effective strategies to help businesses continue to stay competitive.

Many industries and many individual employers are having problems with finding, hiring, training, and retaining qualified workers. This will only continue to worsen as workers begin to reach retirement age.

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North Dakota Workforce Development Council Legislative Position

Because of the workforce issues facing the state and the need to continue to keep our workforce competitive in a global economy, the **North Dakota Workforce Development Council has developed a legislative position:**

Attached is the legislative position that the North Dakota Workforce Development Council will be supporting.

The position paper provides definitions of workforce development and workforce training and an explanation of the difference between programs that provide,, training resources and training delivery.

There are five recommendations. They include:

1. State funding for the workforce development and workforce training programs is continued at the current levels.
2. Continue the workforce development and workforce training system as currently structured and administered.
3. Continue to address accessibility to training and provide access to funding to assist the underemployed with retraining for high demand and high skill jobs that exist in North Dakota.
4. Work with the legislature and the Governor's Office to develop a permanent funding source for workforce development and workforce training programs.
5. Explore options to fund a new program to provide matching funds to assist with retraining underemployed workers and youth for primary sector and high demand high skill target occupations in return for a commitment to work in North Dakota.

We want and need to make North Dakota an even better place to live, work and do business. With your support we will continue to do so.

Mr. Chairman that concludes my testimony.

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North Dakota Workforce Development Council

"Making Good Things Happen for North Dakotans"

Position on state funded workforce training and workforce development programs.

Working definitions:

Workforce Development refers to education and training whereby students or individuals are direct customers of the service delivery system. This includes education and training provided to and through: 1) K-12, post-secondary, and proprietary institutions; 2) the existing workforce that is unemployed, displaced, disadvantaged or underemployed, and; 3) the existing employed workforce served through life-long learning and continuing education.

Workforce training, or jobs training, refers to the more immediate service relationships involved in responding to short term business and industry needs. It is business and industry driven and often involves customized or contracted training. The business is usually the direct client of the services delivered.

The differentiation. The primary factor that differentiates workforce development from workforce training is the primary customer being served. Workforce development is oriented toward meeting the education and training needs of individuals, including providing continuing education and life-long learning. Workforce training is oriented toward serving the training needs of business and industry.

Within this context, the major state agencies partnering to provide workforce development and workforce training throughout the state include the North Dakota State University System, Job Service North Dakota, State Board for Vocational and Technical Education, Department of Public instruction, Department of Human Service and the North Dakota Workforce Development Council.

The North Dakota Workforce Development Council coordinates the efforts of the State Agencies administering the federal and state funded workforce development and workforce training programs in North Dakota. This current structure allows North Dakota to:

1. Maximize access to federal funding;
2. Foster more focused delivery of workforce development and workforce training services to North Dakota citizen and employers and;
3. Provide more responsive services to business, industry and economic development professionals.

North Dakota's workforce development and workforce training programs include a number of specific federally funded programs complemented by several State funded programs. The State funded programs fill 'gaps' in workforce training and are targeted toward addressing employer needs for keeping their workforce trained and competitive.

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Background:

North Dakota's 21st Century Demographics show that the State will be faced with tighter labor markets, an aging workforce, wider "skill gaps", and a replacement worker issue.

According to Peter Drucker, "The dominant factor in the next two decades is not going to be economics or technology. **It will be demographics.** Workforce is an increasingly big piece of the economic development puzzle. In the knowledge economy, our competitive economic advantage depends on the quantity and quality of our workforce". Our state, our communities, and our businesses, depend on our workforce development system.

A well trained highly skilled workforce is essential to the future economic growth and vitality of North Dakota and to the global competitiveness of the businesses and industries located in the state. Site selectors for business and industry consistently rate "the availability of a well-educated and highly-trained labor force" as one of the highest priorities in selecting a state, and in turn a community, for locating their business or industry.

The North Dakota Legislative Assembly has enacted legislation, leading to an effective workforce training system to meet the training needs of current and potential businesses and industries in the state.

- 1991 – Workforce 2000 Program
- 1993 – North Dakota New Jobs Training Program
- 1999 – Workforce Training Quadrants

There is a high level of cooperation and coordination regarding workforce development and workforce training among the organizations and agencies involved in economic development at the local and state level.

The success of the workforce development and workforce training programs are documented by the reports and tracking of participants that is being done by the agencies and colleges who have administrative responsibility for the programs.

North Dakota needs to maintain its current commitment and funding levels for State funded workforce development and workforce training programs. In addition, North Dakota needs to pursue a permanent funding source for the Workforce 2000 Program and the Workforce Training Quadrants Program., In addition, a new program is needed to provide funding to support the training of underemployed and youth in primary sector and high demand, high skill, targeted occupations having an average annual wage of $25,000 or more, in return for a commitment to work in North Dakota.

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Recommendations:

1. State funding for the workforce development and workforce training programs is continued at the current levels.
2. Continue the workforce development and workforce training system as currently structured and administered.
3. Continue to address accessibility to training and provide access to funding to assist the underemployed with retraining for high demand and high skill jobs that exist in North Dakota.
4. Work with the legislature and the Governor's Office to develop a permanent funding source for workforce development and workforce training programs.
5. Explore options to fund a new program to provide matching funds to assist with retraining underemployed workers and youth for primary sector and high demand high skill target occupations in return for a commitment to work in North Dakota.

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Prepared by the North Dakota Legislative Council
staff for Representative Carlson
February 2003

SUMMARY OF CHANGES TO WORKFORCE DEVELOPMENT AND WORKFORCE TRAINING FUNDING

This memorandum summarizes the funding included in the 2003-05 executive budget recommendation and the consolidation of funding as proposed in the amendments to House Bill No. 1019, the Department of Commerce, for workforce development and workforce training, excluding any educational training provided as general course-work by the North Dakota University System and any educational training below the higher education level.

	2003-05 Executive Budget		House Changes Increase (Decrease)		House Proposal - Department of Commerce - HB 1019	
Previous Agency	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
Department of Commerce - HB 1019						
Workforce Development Division	$313,080	$1,792,020	$0	$0	$313,080	$1,792,020
Department of Human Services - SB 2012						
Job opportunities and basic skills (JOBS)		8,225,614	0	0		8,225,614
Basic employment skills training (BEST)		398,666	0	0		398,666
Job Service North Dakota - HB 1017						
Work Force 2000	2,002,861	2,002,861	(1,000,000)	(1,000,000)	1,002,861	1,002,861
Senior community service employment		1,070,352	0	0		1,070,352
Trade adjustment assistance		99,800	0	0		99,800
Workforce Investment Act		12,735,106	0	0		12,735,106
New jobs training program		150,000	0	0		150,000
State Board for Vocational and Technical Education - HB 1020						
Workforce training contract	1,350,000	1,350,000	0	0	1,350,000	1,350,000
Total	$3,665,941	$27,824,451	($1,000,000)	($1,000,000)	$2,665,941	$26,824,451

NOTE: The amounts reported are net of duplicated federal passthrough funding.

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Exhibit 3

DIVISION OF WORKFORCE DEVELOPMENT
JIM HIRSCH, DIRECTOR

The goal of the Division of Workforce Development is to establish an effective and responsive workforce development system and support policies that will provide every North Dakotan the opportunity for self-sufficiency and a superior workforce that can compete in the global marketplace.

The Division of Workforce Development provides administrative support to several federally mandated boards and commissions

- The North Dakota Workforce Development Council;
- The North Dakota Youth Development Council; and
- The North Dakota Workforce Development Council – State Commission on National and Community Service.

These boards and commissions are a requirement for the state to receive federal funding under the Workforce Investment Act of 1998 and the National and Community Services Act of 1990.

The Councils and Commission members are appointed by the Governor and have responsibility for making recommendations to the Governor on policy and improvements to the state's workforce development and workforce training system.

Each biennium, North Dakota receives approximately $13 million under the Workforce Investment Act and $1 million under the National and Community Service Act.

The Councils and the State Commission depend on strong partnership relationships to prioritize issues and develop responses. These partnerships include state and local agencies, education agencies, businesses and business associations, American Indian tribes, and local communities.

"It is all about the people of North Dakota and making No. th Dakota an even better place to live, work and do business". This happens through partnerships, developing common visions, and sharing of talent and resources.

The roles of the Councils and the State Commission are:

- Being the state's *champion* for workforce and service issues;
- Being the state's *change* agent;
- Being the state's *convening* agent; and
- Being the state's *accountability agent.*

North Dakota faces a number of workforce issues. Some of these include:

- Worker shortages and skill gaps in a number of occupations;
- A significant level of underemployment in many communities;
- A continued out migration of our youth;

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- Replacement of workers who will be approaching retirement age. (40 – 50% of current workforce in many industries will be at retirement age in the next 5 -- 10 years).
- A lack of program supported training for underemployed to help them qualify for high demand occupations employers have available.
- A shortage of training programs and training slots in many of our critical skill shortage areas.

Worker and Skill Shortage Occupations in North Dakota.

- Health Related Occupations:
  - Nurses
    - RN
    - Operating Room
    - Critical Care
  - Clinical Research
  - Lab Technicians
  - Radiology Technicians
- Computer Related Occupations:
  - Programmers
  - Database Managers
  - Software Development
  - Network Administration
  - Systems Analysts
- Teaching Occupations:
  - Math
  - Science
  - Foreign Language
- Truck Driving
- Engineers
  - Electrical
  - Civil
  - Mechanical
- Skilled Trades
  - Electricians
  - Carpenters
  - Plumbers
  - Heating & Air Conditioning
- Manufacturing
  - Machinists
  - CNC Operators
- Professional
  - Managers
  - Supervisors
- Customer Service

- All of the occupations listed that are in the category of worker shortage and skill gaps provide annual average incomes of $25,000 or more. Many these occupations offer employment opportunities in even our smallest rural communities.
- Examples of the critical skill shortages include:
  - Over 1,000 vacancies in nursing occupations statewide
  - Over 1, 200 vacancies for truck drivers
  - 30% of businesses hiring information technology workers are experiencing recruitment difficulty.
  - The energy industry projects that 50% of the workforce, in many of their businesses, will be at retirement age in the next 3 – 10 years.

The Division's response to these issues has been in three areas:

- *Growing* our states workforce.
- *Retaining* our youth & our current workforce.
- *Recruiting* alumni and out-of-state workers.

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The following are some examples of what the Workforce Development Division and the North Dakota Workforce Development Council are doing to support these areas:

Growing North Dakota's Workforce:

In response to the shortage of nurses in rural communities, the North Dakota Workforce Development Council, in cooperation with the North Dakota Long Term Care Association, the North Dakota Hospital Association, the University System, State Board for Vocational and Technical Education, State Board of Nursing and some 60 nursing facilities and hospitals developed a competitive grant application for an H 1B Technical Skills Demonstration Training Grant.

In December 2001, the North Dakota Workforce Development Council was awarded a grant of $2.1 million under the H 1B Technical Skills Training Program. This grant is supporting career ladder training for entry-level workers in health care occupations by assisting them in training to become Licensed Practical Nurses and Registered Nurses.

The grant is supporting training for individuals through the use of off campus distance learning sites located in Rugby, Langdon, Grafton, Williston, Minot, Jamestown/Valley City, Hettinger, Devils Lake and two programs at the Skills & Technology Center in Fargo.
As of February 28, 2003, we had:

- 474 enrollments:
  - 250 certified nurse assistants
  - 3 certified medication aides
  - 144 licensed practical nurses
  - 77 registered nurses
- To date, over $850,000 in non-federal match has been provided by the 60+ nursing facilities and hospitals partnering with us on this grant.

The demonstration is about providing opportunities for our employers to grow their local workforce and providing the local workforce with opportunities to grow in their careers".

We are working with the University System to explore expansion of nurses training slots and training opportunities to other areas of the State.

Retaining our youth and our current workforce:

The Workforce Development Division at the request of the Governor's Office was involved in negotiations to help retain some 400 jobs at **Motor Coach Industries in Pembina, North Dakota.**

- The facility was scheduled to close. This would have been a loss of 400 jobs with a $26 per hour compensation package to North Dakota in a small rural community.
- Workforce training was a major point of the negotiations. A training package of $1 million was provided through the use of state Workforce 2000 and the federal Workforce Investment Act was negotiated.

Workforce Training was a good investment for the State. Some 400+ good paying jobs were retained in a small rural community. The workers are receiving valuable transferable skills training.

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If the plant had closed, the state would have paid out twice this amount in the first year in unemployment insurance benefits and workforce training.

Retaining our youth:
The North Dakota Workforce Development Council and the Workforce Development Division are partnering with several state agencies, the Governor's Office, the New Economy Initiative, and several business associations to develop career awareness products designed to inform youth at an early age about employers in North Dakota, employment opportunities that exist, and internship opportunities in the state.

Many young people are not familiar with the opportunities available in the state or have any knowledge about employers that exist in the state.

The Workforce Development Division, through the newly formed State Commission on National and Community Service, is expanding AmeriCorps and Learn and Serve America opportunities in the state.

These programs provide opportunities for youth to develop leadership skills, obtain career exposure, work experience, build their resumes and develop an attachment to their community and state through involvement in community service opportunities.

Involvement in the community and an awareness of opportunities that exist creates a reason for youth to stay in the state.

The Governor's Smart Growth Internship Initiative provides an additional tool that supports both "Growing" and "Retaining" a workforce.

"It is all about the youth and the people of North Dakota. We need to provide the tools to help inform them of opportunities that exist and services to keep them competitive in a global economy".

Recruiting a workforce to the state:
Senate Bill 2019 passed in the 2001 Session, assigned responsibility to the Workforce Development Division for development of a public/private statewide partnership for talent recruitment.

A workgroup of local developers, business representatives, State Agencies and the North Dakota Workforce Development Council met to identify initiatives and establish priorities for Talent Recruitment.

A single statewide web site to support recruitment of alumni, out-of-state workers and support retention of youth was a priority.

The workgroup had identified several specific operating requirements for a statewide web site. The web site had to provide seamless access for employers and job seekers to a job listing and resume management system. In addition, the web site needed to include the following operating features:

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- *clickable state map.*
- *up to 25 sub-sites.*
- *unique domain name for the state.*
- *resume center.*
- *logo listings of employers.*
- *industry categorization.*
- *company profiles.*
- *fully automated posting and reposting functions.*
- *applicant tracking.*
- *free listing for internships, volunteer opportunities and career fairs.*
- *advanced HR automation capabilities.*
- *capacity of handling high volume (40-60,0000 weekly hits.*
- *and many other features.*

When this initiative was discussed, there were several competing web sites (Project Back Home, CareerLinkNorth, and several independent community web sites) all targeting recruitment of alumni and out-of-state workers. These competing web sites presented barriers to effective recruitment of out-of-state workers.

- There was no coordination or linkages between the sites.
- Job seekers with resumes filed in one site did not get exposed to the job openings listed on the other sites.
- Each of the sites lacked sufficient resource to adequately market the web site.

The workgroup and the North Dakota Workforce Development Council reviewed the operating features of the existing web sites in the state:

The CareerLinkNorth web site met all the operating features identified by the local development professionals and business members of the workgroup. The issue for communities interested in the CareerLinkNorth web site was the upfront investment required.

The Workforce Development Division, with support from the various partners, negotiated an agreement with the AIM Institute, Applied Distribution Group, out of Omaha, Nebraska, the distribution rights to NorthDakotaHasJobs.com for the Western 2/3 of North Dakota. The NorthDakotaHasJobs.com is a sister site that mirrors the CareerLinkNorth web site available in Fargo and Grand Forks. The two web sites look and operate seamlessly to provide employers and job seekers access to a statewide job listing and resume management system. The Fargo Cass County Economic Development Corporation will continue distribution rights for the Eastern 1/3 of the state.

The Department of Commerce did not incur any upfront costs and does not have a responsibility for any maintenance cost for the web site.

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Our requirement is to promote the web site, designate a contact for ADG to work with, and designate the equivalent of .5 FTE's for lead development, prospecting and sales. We do not have to provide direct staff to meet this requirement. This .5 FTE equivalent could come from local communities, local development professionals, etc.

- NorthDakotaHasJobs.com is a cost-effective online employment and resume management system for North Dakota employers.
- The system provides employers with options to get information to students on their company, opportunities they offer, and internships they provide.
- Employers pay a subscription fee for the use of the system. The Department of Commerce receives a commission on subscriptions. The commission will be re-invested back into promotion and marketing of the system.

In November of 2002, the site was referenced in the *Wall Street Journal* and resulted in over 60,000 hits in a single week. This is an indication of interest in employment opportunities in the state by alumni and out-of-state workers.

Through an advisory committee representing the public/private statewide partnership, we have two account executives who are contacting employers, developing leads, and promoting subscriptions for the web site. Our marketing will include advertisements in business publications, newspapers, and direct mailing to alumni and out-of-state workers affected by layoffs or business closings.

Our business plan calls for the web site to be self supporting by the next biennium. Senate Bill 2030 has been introduced to provide appropriation authority for the Department of Commerce to receive the commissions and to expend these commission fees for promotion and marketing of the web site.

"We need to look to the future. It is all about providing the tools to keep our employers in North Dakota competitive and able to succeed. Workforce is and will continue to be an increasingly big part of their ability to succeed".

Through the Workforce Development Council and its partners, we are cooperating, sharing resources and expertise on a number of initiatives and special projects that will result in improved delivery of workforce development and workforce training services in North Dakota. Examples of some of these special projects include:

- **Statewide Community Labor Availability and Underemployment Studies;**
- **Information Technology Needs Assessment;**
- **Coordination of a youth retention and career awareness initiatives; and**
- **Worker Shortages and Skill Gaps Assessments.**

Because of the workforce issues facing the state and the need to continue to keep our workforce competitive in a global economy, the **North Dakota Workforce Development Council has developed a legislative position:**

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The Council's legislative position provides a definition of *workforce development* and *workforce training*. The position goes on to define the difference between programs that provide funding to employers *to train* their workforce, and funding to support the *infrastructure needed to deliver training services*.

There are five recommendations. They include:

1. State funding for the workforce development and workforce training programs is continued at the current levels.
2. Continue the workforce development and workforce training system as currently structured and administered.
3. Continue to address accessibility to training and provide access to funding to assist the underemployed with retraining for high demand and high skill jobs that exist in North Dakota.
4. Work with the legislature and the Governor's Office to develop a permanent funding source for workforce development and workforce training programs.
5. Explore options to fund a new program to provide matching funds to assist with retraining underemployed workers and youth for primary sector and high demand high skill target occupations in return for a commitment to work in North Dakota.

To help provide further clarification of the workforce development and workforce training programs and system in North Dakota, attached is a "Briefing Paper" for your review. The Briefing Paper contains:

a. The North Dakota Workforce Development Council's Legislative Position;
b. A copy of a Summary of Workforce Development and Workforce Training Programs prepared by Legislative Council; and
c. An explanation of the workforce development and workforce training programs in the state.

North Dakota has a strong workforce development and workforce training system at this time. We can strengthen it by filling gaps relating to targeted training for underemployed to fill critical skill shortage occupations.

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BRIEFING PAPER

NORTH DAKOTA

WORKFORCE DEVELOPMENT

AND

WORKFORCE TRAINING PROGRAMS

PREPARED BY:

NORTH DAKOTA DEPARTMENT OF COMMERCE
WORKFORCE DEVELOPMENT DIVISION
400 EAST BROADWAY, SUITE 50
BISMARCK, NORTH DAKOTA 58502-2057
PHONE: 701-328-5345

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GROWING
North Dakota

AND
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North Dakota Workforce Development Council

"Making Good Things Happen for North Dakotans"

January 24, 2003

TO: North Dakota State Senators
North Dakota State Representatives

FROM: Al Lukes, Chairman
North Dakota Workforce Development Council

SUBJECT: North Dakota Workforce Development Council legislative position.

I believe we're all aware that significant workforce issues are facing our State. Because we live in an increasingly global economy, it is more critical than ever that we keep our workforce competitive to meet the challenges of that world market. The North Dakota Workforce Development Council considers this an urgent priority, and has developed a legislative position for consideration by the North Dakota Legislature.

To put it briefly, North Dakota's 21st Century demographics indicate that the State will be faced with tighter labor markets, an aging workforce, wider "skill gaps", and a replacement worker issue.

A well-trained, highly skilled workforce continues to be essential to the future economic growth and vitality of North Dakota, and to the global competitiveness of the businesses and industries located in our state. Site selectors for business and industry consistently rate "the availability of a well-educated and highly-trained labor force" as one of the highest priorities in selecting a state – and in turn a community – for locating their business or industry.

The Workforce Development Council has taken the position that North Dakota *must maintain its current commitment and appropriation levels for State funded workforce development and workforce training programs.* In addition, to address the worker shortage and skill gaps in many existing industries, a new program is needed to provide funding to support the training of underemployed and youth. This applies to primary sector and high demand, high skill, targeted occupations having an average annual wage of $25,000 or more. In exchange, there would be a commitment to work in North Dakota.

I am enclosing a copy of the legislative position developed by the North Dakota Workforce Development Council. We have therein also provided a definition of *workforce development* and *workforce training*. These are two relatively widely misunderstood terms. In the position paper, we go on to define the difference between programs that provide funding to employers *to train* their workforce, and funding to support the *infrastructure needed to deliver training services.*

We understand there are again many diverse pressures and budget challenges facing our legislature this year. However, the issues I've outlined above, together with the points presented in the ND Workforce Council Position Paper are compelling to our State's future economic vitality – and the well-being of our workforce. I, therefore, urge you to give these comments your most sincere consideration.

Please feel free to contact me at 701-221-4401 or email at alukes@bepc.com if you have questions or thoughts I might share with the Workforce Development Council on this matter.

Thank you.
Attachment: *ND Workforce Development Council Legislative Position Paper*

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North Dakota Workforce Development Council

"Making Good Things Happen for North Dakotans"

Position on state funded workforce training and workforce development programs.

Working definitions:

Workforce Development refers to education and training whereby students or individuals are direct customers of the service delivery system. This includes education and training provided to and through: 1) K-12, post-secondary, and proprietary institutions; 2) the existing workforce that is unemployed, displaced, disadvantaged or underemployed, and; 3) the existing employed workforce served through life-long learning and continuing education.

Workforce training, or jobs training, refers to the more immediate service relationships involved in responding to short term business and industry needs. It is business and industry driven and often involves customized or contracted training. The business is usually the direct client of the services delivered.

The differentiation. The primary factor that differentiates workforce development from workforce training is the primary customer being served. Workforce development is oriented toward meeting the education and training needs of individuals, including providing continuing education and life-long learning. Workforce training is oriented toward serving the training needs of business and industry.

Within this context, the major state agencies partnering to provide workforce development and workforce training throughout the state include the North Dakota State University System, Job Service North Dakota, State Board for Vocational and Technical Education, Department of Public instruction, Department of Human Service and the North Dakota Workforce Development Council.

The North Dakota Workforce Development Council coordinates the efforts of the State Agencies administering the federal and state funded workforce development and workforce training programs in North Dakota. This current structure allows North Dakota to:

1. Maximize access to federal funding;
2. Foster more focused delivery of workforce development and workforce training services to North Dakota citizen and employers and;
3. Provide more responsive services to business, industry and economic development professionals.

North Dakota's workforce development and workforce training programs include a number of specific federally funded programs complemented by several State funded programs. The State funded programs fill 'gaps' in workforce training and are targeted toward addressing employer needs for keeping their workforce trained and competitive.

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Background:
North Dakota's 21st Century Demographics show that the State will be faced with tighter labor markets, an aging workforce, wider "skill gaps", and a replacement worker issue.

According to Peter Drucker, "The dominant factor in the next two decades is not going to be economics or technology. **It will be demographics.** Workforce is an increasingly big piece of the economic development puzzle. In the knowledge economy, our competitive economic advantage depends on the quantity and quality of our workforce". Our state, our communities, and our businesses, depend on our workforce development system.

A well trained highly skilled workforce is essential to the future economic growth and vitality of North Dakota and to the global competitiveness of the businesses and industries located in the state. Site selectors for business and industry consistently rate "the availability of a well-educated and highly-trained labor force" as one of the highest priorities in selecting a state, and in turn a community, for locating their business or industry.

The North Dakota Legislative Assembly has enacted legislation, leading to an effective workforce training system to meet the training needs of current and potential businesses and industries in the state.

- 1991 – Workforce 2000 Program
- 1993 – North Dakota New Jobs Training Program
- 1999 – Workforce Training Quadrants

There is a high level of cooperation and coordination regarding workforce development and workforce training among the organizations and agencies involved in economic development at the local and state level.

The success of the workforce development and workforce training programs are documented by the reports and tracking of participants that is being done by the agencies and colleges who have administrative responsibility for the programs.

North Dakota needs to maintain its current commitment and funding levels for State funded workforce development and workforce training programs. In addition, North Dakota needs to pursue a permanent funding source for the Workforce 2000 Program and the Workforce Training Quadrants Program., In addition, a new program is needed to provide funding to support the training of underemployed and youth in primary sector and high demand, high skill, targeted occupations having an average annual wage of $25,000 or more, in return for a commitment to work in North Dakota.

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Recommendations:

1. State funding for the workforce development and workforce training programs is continued at the current levels.
2. Continue the workforce development and workforce training system as currently structured and administered.
3. Continue to address accessibility to training and provide access to funding to assist the underemployed with retraining for high demand and high skill jobs that exist in North Dakota.
4. Work with the legislature and the Governor's Office to develop a permanent funding source for workforce development and workforce training programs.
5. Explore options to fund a new program to provide matching funds to assist with retraining underemployed workers and youth for primary sector and high demand high skill target occupations in return for a commitment to work in North Dakota.

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Attachment I

Workforce Development and Workforce Training Funding Sources and Delivery System

An effective and responsive workforce development and workforce training system has the capacity to deliver employer focused training in a timely manner and provides incentives for North Dakota businesses to invest in training for their incumbent workers. Both the delivery system and the funding sources are important and work together in providing needed training to meet employer and worker training needs.

Funding Sources:

Workforce 2000 Program. Workforce 2000 provides matching funds to assist North Dakota employers in upgrading the skills of current workers (North Dakota residents) when new technologies or new work methods are introduced. The program also provides pre-employment training when new companies located to the state or North Dakota businesses are expanding. Workforce 2000 is administered by Job Service North Dakota. Program funding is used to provide a "match" to employers to help reduce the cost of training and thereby make the training more affordable. The program is marketed by local development corporations and business services staff of Job Service.

North Dakota New Jobs Training Program. North Dakota New Jobs Training provides funding to "primary sector" business by capturing the State Income Tax Withholding generated from new jobs created by eligible businesses in the state. The program is administered through Job Service North Dakota. Administrative fees for the program are paid by businesses participating in the program. Businesses can access funding by either obtaining a loan, repayable grant or a self-finance option. Under the loan or repayable grant option, 100% of the eligible state income tax withholding each quarter would be applied to repayment of loans and repayable grants. Under the self-finance option, 60% of the eligible state income tax withholding each quarter would be reimbursed back to the business to cover cost of training individuals filling new job positions.

Delivery System:

Workforce Training Quadrants Program. Workforce Training Quadrants Program provides funding to the two year state colleges assigned primary responsibility for workforce training in their respective quadrant to develop the delivery system for needed training. The training providers include the four-year colleges and universities, tribal colleges, vocational and technical centers, comprehensive high schools and other private and public training providers. The location, time, and content of the training provided will be determined by the business and industry receiving the training. Development and support of the infrastructure is important to an effective workforce training delivery system in North Dakota.

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Prepared by the North Dakota Legislative Council
staff for Representative Carlson
January 2003

SUMMARY OF WORKFORCE DEVELOPMENT AND WORKFORCE TRAINING FUNDS

Workforce development is the education and training of individuals provided by kindergarten through grade 12, higher education, and state and federal government. Workforce training is training oriented toward serving the training needs of business and industry. The major state agencies partnering to provide workforce development and workforce training throughout the state include the North Dakota University System, Job Service North Dakota, State Board for Vocational and Technical Education, Department of Public Instruction, Department of Human Services, and the Department of Commerce. The following is a summary of the funding included in the 2003-05 executive budget recommendation for workforce development and workforce training, excluding any educational training provided as general coursework by the North Dakota University System and any educational training below the higher education level:

Agency	General Fund	Special Funds	Federal Funds	Total
Department of Commerce				
Workforce Development Division - This is funding for support of the Workforce Development Division of the Department of Commerce. The division is responsible for identifying current and emerging workforce issues in the state, developing a coordinated response to issues raised by North Dakota workforce delivery system partners, and identifying and recommending responses relating to gaps in the workforce delivery system. A portion of the funding, $209,991 of the $1,488,931, reported for federal funds are passthrough funds from Job Service North Dakota. These funds are also reflected in the amount reported for the Workforce Investment Act under Job Service North Dakota.	$313,080	$200,000	$1,488,931	$2,002,011
Department of Human Services				
Job opportunities and basic skills (JOBS) training program - This program is designed to assist individuals receiving temporary assistance for needy families (TANF) to transition from welfare to work and self-sufficiency. This program is provided under contract with Job Service North Dakota.			8,225,614	8,225,614
Basic employment skills training (BEST) program - This program is intended to expose individuals participating in the food stamp program to job seeking and retention skills. The program is operating in Cass and Burleigh Counties.		7,500	391,198	398,698
Subtotal - Department of Human Services	$0	$7,500	$8,616,812	$8,624,312
Job Service North Dakota				
Work Force 2000 - This is a state-funded job training program designed to assist North Dakota business and industry in retraining and upgrading workers' skills to meet demands brought about by the introduction of new technologies and work methods into the workplace.	$2,002,861			$2,002,861
Senior community service employment program - This is a program to foster and promote useful part-time opportunities in community service activities for unemployed low-income persons who are 55 years of age and older and have poor employment prospects.			$1,070,352	1,070,352
Trade adjustment assistance - This program provides special job training, job search assistance, relocation, and related services to workers who become unemployed as a result of increased imports or the North American Free Trade Act. The program provides for reemployment services and funds to assist workers in returning to suitable employment.			99,800	99,800
Job opportunities and basic skills (JOBS) training program - This program is designed to assist individuals receiving temporary assistance for needy families (TANF) to transition from welfare to work and self-sufficiency. This program is provided under contract for the Department of Human Services. The funding reflected is also included in the amount reported for the JOBS training program under the Department of Human Services.			6,389,292	6,389,292
Workforce Investment Act - The Workforce Investment Act is to increase occupational skill attainment, employment, retention, and earnings of participants through program activities, resulting in improved quality of the workforce, reduced welfare dependency, and enhanced productivity and competitiveness of the nation.			12,735,106	12,735,106

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Agency	General Fund	Special Funds	Federal Funds	Total
New jobs training program - This program is designed to provide incentives to business and industries that are expanding employment opportunities or locating employment opportunities within the state.		150,000		150,000
Subtotal - Job Service North Dakota	$2,002,861	$150,000	$20,294,550	$22,447,411
State Board for Vocational and Technical Education Workforce training contracts - This is funding provided to the state's two-year higher education institutions assigned primary responsibility for workforce training in their respective quadrant to develop the delivery system for needed training.	$1,350,000			$1,350,000
Total funding for workforce development and workforce training	$3,665,941	$357,500	$30,400,293	$34,423,734
Less duplicated federal passthrough funding			(6,599,283)	(6,599,283)
Net funding for workforce development and workforce training	$3,665,941	$357,500	$23,801,010	$27,824,451

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DEFINITIONS

Workforce Development (Worker Preparation)	Workforce training (Economic Development)
Education and training whereby students or individuals are direct customers of the service delivery system. • **This includes education and training provided to and through: 1) K-12, post-secondary, and proprietary institutions; 2) the existing workforce that is unemployed, displaced, disadvantaged or underemployed, and; 3) the existing employed workforce served through life-long learning and continuing education**	**Training whereby the business is the direct customer.** • **Responds to short term business and industry needs.** • **Supports business retention, expansion and start-ups.** • **It is business and industry driven and often involves customized or contracted training.**

Federal funding for workforce development programs comes directly to the Governor or to a Grant Recipient State Agency. In North Dakota, the Governor designates the grant fiscal agent and grant recipient for most of the federal funded workforce development programs.

The North Dakota Workforce Development Council has a role in coordination and making recommendations to the Governor on policy and improvements to the state's workforce development and workforce training system.

Workforce development programs and services, with the exception of the Adult Literacy Program, are delivered through the State's One Stop Career Center (Job Service North Dakota). The One-Stop system is an integrated delivery system for a host of federally-funded employment and training services. Eligible individuals are provided with seamless access to a wide array of workforce development programs and services. This supports a single point of contact and allows the leveraging of various workforce development programs to maximize client services and outcomes.

The State Workforce Training Programs are delivered through two State Agencies. The Workforce 2000 Program and the North Dakota New Jobs Training Program are administered by Job Service North Dakota. The Workforce Training Quadrant program funding that goes to the State Board for Vocational and Technical Education is a pass through to the four State Colleges to provide funding for an infrastructure to support delivery of workforce training to North Dakota employers.

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WORKFORCE DEVELOPMENT AND WORKFORCE TRAINING PROGRAMS

Workforce Development Programs Federal Funds (Individuals are the direct customers)	Workforce Training Programs State Funds (Employers are the direct customers)
Job Opportunity & Basic Skills (JOBS) Training $8,225,614	Workforce 2000 Program $2,002,861
Basic Employment Skills (BEST) Training $398,698	North Dakota New Jobs Training Open Appropriation
Workforce Investment Act $12,735,106	Workforce Training Quadrants $1,350,000
Senior Community Service Program (SCEP) $1,070,352	
Trade Adjustment Assistance $99,800	
Adult Education (WIA) Title II $1,650,000	
H 1B Technical Skills Training $2,114,313	

The programs identified under "Workforce Development Programs" are all federal funded, with the exception of $450,000 in State General Funds used as match for the Adult Education Title II Programs.

The federal funded Workforce Development Programs target specific eligible groups and segments of the population.

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Job Opportunity and Basic Skills (JOBS):

- Federal funding goes to the Department of Human Services.
  - The Department subcontracts with Job Service North Dakota for delivery of the client services.
- Eligible individuals are those receiving Temporary Assistance to Needy Family (TANF) payments.
- The funds are intended to help people transition from welfare to work and self-sufficiency.
  - The program uses a work first model that limits the time that an individual can be enrolled in a training component.

Basic Employment Skills Training (BEST):

- Federal funding goes to the Department of Human Services.
  - The Department subcontracts with Job Service North Dakota for delivery of the client services.
- Eligible individuals are Food Stamp Recipients in Cass and Burleigh Counties.
- Funds are intended to provide food stamp recipients with job seeking and retention skills.

Workforce Investment Act:

- Federal funding comes to the Governor who designates the fiscal and grant recipient agency.
  - Job Service North Dakota is designated by the Governor as both the fiscal and grant recipient agency.
- The program provides universal eligibility to unemployed and employed workers.
  - Due to funding limitations, the emphasis is on serving economically disadvantaged and unemployed workers.
- Funds are intended to provide eligible individual's access to Core, Intensive, and Training services that will lead to employment, increased retention, and earnings.

Senior Community Employment Program:

- Federal funding comes to the Governor who designates the fiscal and grant recipient agency
  - Job Service North Dakota is designated by the Governor as both the fiscal and grant recipient agency.
- Eligible individuals are low-income individuals age 55 and older with poor employment prospects.
- Funds are intended to provide part-time community service employment with communities and non-profit organizations.

Trade Adjustment Assistance:

- Federal funds come to Job Service North Dakota with Governor's approval.
- Eligible individuals are those unemployed as a result of increased foreign imports or the American Free Trade Act.
- Funds are intended to provide special job training, job search assistance, and relocation to assist workers in returning to work.

Adult Basic Education:

- Federal funds go to the Department of Public instruction.
- Eligible individuals 16 years of age and older and not enrolled in school.
- Funding provides adult education and literacy programs offered through the Adult Learning Center network.

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H 1B Technical Skills Training:

- Federal Competitive Grants: Funding goes to the North Dakota Workforce Development Council.
  - The Department of Commerce is the fiscal agent and grant recipient for this program.
- Eligible individuals are entry-level health care workers and others interested in pursing nursing as a profession.
- Funding covers tuition and books for LPN and RN students.

The workforce development programs recognize the importance of being closely aligned with Economic Development efforts that are occurring in the state. The final customer of the Workforce Development Programs is the employer. Private sector business provides the employment for individuals served under the federal workforce development programs. As such, the priorities for workforce development and workforce training programs must support the following:

BUSINESS SUPPORT	**WORKER SUPPORT**
New Job Creation	***Training for low income, unemployed and welfare recipient.***
Business Expansion	***Training for underemployed***
Business Retention	***Incumbent worker training***

Workforce Development and Workforce Training programs are intended to improve the employability of North Dakota's youth, unemployed, welfare recipients, and incumbent workers. The programs prepare the state's workforce and provide North Dakota businesses with access to an available and skilled workforce. Workforce Training programs specifically assist businesses in keeping their incumbent workforce trained and able to compete in a global economy.

Access to quality employment opportunities is important to the success of the workforce development and workforce training programs.

North Dakota must continue to maximize the use of federal funded workforce development programs to help prepare disadvantage, low income, welfare recipients, and the most vulnerable for available employment and self sufficiency.

In addition to maximizing the federal state formula funding, North Dakota must take advantage of opportunities to secure additional federal funding to address workforce issues. These additional federal funding opportunities come in the form of competitive grants and incentive funding for meeting the performance requirements under the federal programs.

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North Dakota has a track record of success in both of these categories. The state received a $2.1 million federal grant to help address the shortage of nurses in the state. The three state agencies administering programs under the Workforce Investment Act (Department of Public Instruction, Job Service North Dakota, and the State Board for Vocational and Technical Education) met the Workforce Investment Act performance indicators for PY 2000. The state received a $750,000 Incentive Award that is being used to help expand training to unemployed across the state. It appears that the state has met the performance indicators for PY 2001 and should be eligible for another Incentive Award.

The state funded workforce training programs compliment the federal workforce development programs by filling gaps due to individual eligibility through support of life-long learning, incumbent worker retraining and business retention.

The workforce development and workforce training programs in North Dakota are effectively carrying out their mission within the available resources. There are gaps that are the result of limited available funding. The level of available funding does not allow expansion to serving underemployed individuals to help them train for high demand occupations that employers are having difficulty in filling. These gaps are being partially addressed through federal competitive grant programs such as the H 1B Technical Sills Training Program.

Incumbent worker training and career ladder training opportunities are important to keep the North Dakota workforce competitive in a global economy. They are important tools in our efforts to help North Dakota businesses succeed.

The state funded Workforce 2000 and the North Dakota New Jobs Training program support Business Focused Training and are important elements in proposals to attract new business to the state. These two programs compliment federal funded programs and provide the flexibility needed to address business retention, start-ups, and expansions.

The programs have been instrumental in attracting businesses like Integrity Windows at Grafton and in proposals for PepsiAmerica in Fargo. The Workforce 2000 program has helped in business expansion at Killdeer Mountain Manufacturing and in business retention such as Motor Coach Industries in Pembina.

The Workforce Training Quadrant program provides funding to the four state colleges assigned responsibility for workforce training in their respective quadrant of the state. The Workforce Training Quadrant program supports business retention through outreach and marketing of employer focused training to businesses located in their region.

Job creation is an important goal for the state. Workforce development and workforce training programs are tools that support economic development and new job creation. Elimination of funding to support workforce training would have a negative impact on job creation, expansion, and retention efforts in the state.

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Primary sector jobs are critical to North Dakota's future. In order to position the state to expand primary jobs, we need to be concer ed about the retention and expansion of non-primary sector high skill demand occupations in the state. Many high demand occupations, although not primary sector, greatly contribute to the overall quality of life in the state and communities. Quality of life is a key selling point for business locations to the state.

Workforce development and workforce training programs must support the four dimensions of community and economic development:

- Business Retention;
- Business Expansion;
- New Business start-ups; and
- Business locations to the state.

North Dakota must have access to workforce development and workforce training funding that is flexible and responsive to meet the needs of businesses looking at North Dakota as a place to locate and for businesses who need to revamp work methods to stay competitive and avoid closing.

North Dakota must compete with other states. Scarce resources have always required prioritization. The prioritization needs to allow for flexibility to respond to changing economic and employment conditions.

It is all about the people and employers of the state. We need to insure that our citizens and employers have access to an appropriate mix of services, through a service delivery system that is accessible, responsive, convenient, efficient, and accountable.

Mr. Chairman, and committee members, that concludes this portion of my testimony. I would now like to turn the podium over to Linda Butts, Director of the Division of Economic Development & Finance.

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Exhibit 17

STATEMENT BY LEE PETERSON
COMMISSIONER, ND DEPARTMENT OF COMMERCE
REGARDING WORKFORCE DOLLAR ADDITIONS TO HB 1019
SENATE APPROPRIATIONS COMMITTEE
MARCH 11, 2003

A. We recognize the following points in regard to the Job Service dollars:

Job Service North Dakota recognizes that there are opportunities to improve and further coordinate the current delivery of workforce training, workforce development and economic development in the State of North Dakota. However, we also believe that engrossed HB 1017 is not the best way to accomplish that improvement. We respectfully request that the Senate restore Job Service's appropriation to its original form for the 2003-05 biennium.

We are a national leader in terms of service delivery. In the current biennium, North Dakota was 1 of only 12 states to receive an incentive grant from the U.S. Department of Labor for the delivery of workforce training programs.

Efficiency in the delivery of workforce training
Job Service North Dakota delivers workforce training services with tremendous efficiency. Our organizational structure is ideally suited to deliver optimal customer service.

Workforce Development Council provides coordination
With the passage of the federal Workforce Investment Act of 1998, the State of North Dakota formed a Workforce Development Council, chaired by the state's Director of Workforce Development, whose office resides in the Department of Commerce. There are nearly 30 members on the Workforce Development Council, representing all areas of the workforce development system in North Dakota. Businesses represent a plurality on the Council, which also includes six state agencies, organized labor and community groups.

There are vital links between the agencies on the Council and the Workforce Development Director provides the leadership and guidance to ensure that those links are strong and effective for customers.

Direct workforce training funds to primary sector jobs
Workforce training funds from the federal government are dedicated funds, ear-marked for certain customer groups. Appropriating them to the Department of Commerce will not change their designated purposes. So, the overriding question is not: What should the funds be used for? The question is: In what state agency should the funding be placed to provide the most effective customer service?

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Workforce 2000 and New Jobs Training Program

Job Service requested slightly over $2 million in general funds for Workforce 2000 during the 2003-05 biennium. This represented flat funding from the previous biennium. The House amendment cut the appropriation in half. The amendment also requires that Workforce 2000 funds only be spent on new businesses. This is a departure from the program's original intent, which was to provide funds for retraining and upgrading the skills of current employees due to the introduction of new technologies or work methods to the workplace to ensure that the current workforce has the skills and expertise to compete in a global economy. Funding allocations did not discriminate between new and existing businesses. We believe the original mission more effectively addresses the state's economic development goals. Encouraging growth of existing companies is just as important as, and less resource-intensive than, attracting new companies.

B. We recommend the following for the training quadrant dollars:

1. Funding for the workforce training delivery system continue to be included in the budget of the State Board for Vocational and Technical Education. We believe this funding is important because: (a) the missions of the University System and the State Board for Vocational Technical Education both focus on education and (b) this is the vehicle through which other funds to the University System for vocational and technical education and training are channeled;

2. The "three-part funding package" recommended by the Task Force for Improving Workforce Development and Training be continued: (1) revenue from training fees, (2) state funding support, and (3) support provided by the institutions assigned primary responsibility for workforce training;

3. State funding for the 2003-05 biennium remain at the current level of $1,350,000 plus an adjustment for inflation,

4. The workforce training system be continued as currently structured and administered and as recommended by the Roundtable on Higher Education;

5. Decisions regarding additional local funding support, in addition to the funding provided by the "three-part funding package" described above, be left to the discretion of the local workforce training advisory boards,

6. The workforce training quadrants continue to place a high priority on cooperation and on coordinating activities with economic development organizations at the local and state levels,

7. Continue creating an environment of "flexibility with accountability" based upon the accountability measures for workforce training which were adopted by the 2001 Legislative Session; i.e., avoid imposing additional administrative and reporting requirements which decrease responsiveness and effectiveness of the workforce training system, and

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8. The workforce training directors continue to place a high priority on making training available to the primary sector (value-added) businesses and industries in their respective regions.

B. We recognize the following points in regard to the TANF and Food Stamp funds:

DHS must receive all TANF and Food Stamp funds from the Federal government.

DHS must be the responsible agency to report the expenditure of all TANF and Food Stamp funds and assure that services were delivered to clients in accordance with federal regulations.

TANF REQUIREMENTS:

- The TANF JOBS funds purchase through contract services to assure the state meets its work requirement targets.
- The contractor must report the expenditure of these funds by client to DHS monthly.
- A report must be submitted to the federal government that these funds were spent only on eligible TANF clients for approved activities.
- Failure to meet work participation targets results in a yearly $1,320,000 reduction in the TANF block grant. These penalties are cumulative and two years of not meeting the participation targets would result in a $2,640,000 reduction the second year.
- Spending of TANF funds must be in accordance with allowable expenditures in federal rules. Not spending in accordance with these rules places the entire yearly TANF block grant of $26.4 million in jeopardy.

FOOD STAMPS REQUIREMENTS:

- The Food Stamp BEST funds are for a specific purpose based on a plan submitted to and approved by the federal office of Food and Nutrition Services.
- Spending these funds in a way other than in the approved plan will result in a loss of $383,689 for a two-year period.

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Exhibit 18

Senate Appropriations Committee
Testimony on HB 1019
March 11, 2003

Mr. Chairman and members of the committee, my name is Wayne Kutzer, Director of the State Board for Vocational and Technical Education.

I ask that you reinstate the funding for the Workforce Training funds, $1,350,000 into HB1020, which is the SBVTE budget. The Workforce Training Steering Committees from all four regions have expressed their support to continue the system as currently structured and administered. We currently are the fiscal agent for the funds and distribute the funds to the four training regions. Both the SBVTE and the two-year campuses have similar missions – we are in the business of delivering quality education and training. When the task force designed the regional training system they felt that this structure was beneficial for the system. In addition, as the interim legislative committee studied the workforce training and workforce development issues they recommended no changes to the current structure.

There is no administrative cost by our agency. The system is working well and it provides yet another opportunity for our agency to partner with two-year campuses.

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Exhibit 17

TESTIMONY ON HB 1019
SENATE APPROPRIATIONS COMMITTEE
by Donna S. Thigpen
Tuesday, March 11, 2003

Good morning Chairman Holmberg and members of the Senate Appropriations Committee. For the record, I am Donna Thigpen, President of Bismarck State College. BSC is one of the colleges that has been assigned primary responsibility for workforce training in North Dakota. BSC is responsible for the southwest region or quadrant of the state.

I am here today speaking for all the presidents who have been assigned responsibility for one of the three quadrants. They are: Dr. Sharon Etemad, President of Lake Region State College, for the northeast quadrant; Dr. Sharon Hart, President of North Dakota State College of Science, for the southeast quadrant; and Dr. Joe McCann, President of Williston State College, for the northwest quadrant.

One of the amendments added to HB 1019 moves the workforce training dollars (which are appropriated through the State Board for Vocational Technical Education and earmarked for the four two-year colleges) from the SBVTE to the Department of Commerce. The amendment also adds language stating, "*The Department of Commerce is the fiscal agent and administrator of all workforce development and workforce training funds received by the state*". We strongly oppose this amendment and urge you to remove it from HB 1019.

I had the privilege of serving on the Task Force on Workforce Development and Training, which designed the new workforce training system in 1998 (and which was implemented by the 1999 Legislative Assembly). That Task Force discussed the various options as to where the funding, as well as the administration for workforce training, should be placed. The Task Force concluded the funding should flow through the State Board for Vocational Technical Education and the administration should be with the State Board of Higher Education. The 1999 Legislature agreed.

A number of organizations appeared before the House Appropriations Committee this past month in strong support of continuing the workforce training delivery system (which is administered by the four community colleges assigned primary responsibility for the delivery of workforce training) **as currently structured and administered.** Those groups were: the local private sector workforce training boards in all four regions of the state, the Steering Committee on Workforce Development and Training, the North Dakota Workforce Development Council, the Economic Development Association of North Dakota, State Board for Vocational Technical Education, Greater North Dakota Association, the State Board for Higher Education, and representatives of the colleges which are responsible for the delivery of the training.

Every group and every individual said the same thing: The Workforce Training System which is being administered by the four community colleges is working well -- particularly from the standpoint of the businesses and industries in the state who are using the training services. Their message to that committee was very clear: It is working well. Leave it as it is currently structured and administered. In other words to use an old clique, "It ain't broke, don't fix it." These amendments are in direct contrast to what all of these groups are asking the legislature to do.

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To fully make the case that these amendments are unnecessary, a special study by the Legislative Council Interim Commerce Committee, which was chaired by Senator Andrist and on which several in this chamber served, was conducted during the 2001-03 interim. The Committee specifically looked at the structure and the administration of all of the workforce development and training programs going on in the state.

The Committee was very impressed with the progress and the success of the workforce training system as administered by the colleges and DID NOT recommend a change in the structure or the administration of the workforce training system. The Committee was also impressed with the cooperative working relationship the colleges had developed with the State Board for Vocational Technical Education and with the other agencies, including the Department of Commerce, that are involved in workforce training. In fact, at the end of testimony by business, industry and by the various groups I mentioned earlier, Senator Andrist, if I may quote you, referred to the workforce training system as "the darling" in the workforce development and training area.

The documented evidence (see the copy of the Year End Report on Implementation of Workforce Training System for FY-2002 that is attached to my testimony) shows that the Workforce Training System is working and working well. I believe when something is working very well and the clients -- the end users -- are impressed with the service and ask us to leave it as it is -- I believe we should listen to them. Moving the funding and the administration to the DOC does not save a dime in administrative costs, is contrary to what those who designed the system are recommending, and adds bureaucracy by placing another agency, administratively, between the State Board of Higher Education and its campuses and the businesses and individuals we serve.

The language in this amendment designating the DOC as the administrator for workforce training will also be problematic in that it appears to place another state agency in a position of control over this operation on the campuses. This would make effective administration of this program very difficult for the campus. This issue was also addressed in the 1999 session when similar language was introduced. The 1999 Legislature had the wisdom to defeat that amendment.

I strongly urge this committee to oppose this amendment and retain the structure you so wisely put in place in 1999.

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Donna Thygesen Exhibit 19A

NORTH DAKOTA
UNIVERSITY SYSTEM

The Vital Link to a Brighter Future

CONTACT UNIVERSITY SYSTEM OFFICE FOR COPY

Year-End Report on Implementation of Workforce Training System for FY-2002

By:

College Technical Education Council (CTEC)
And University System Campuses
Assigned Primary Responsibility
for Workforce Training

September 23, 2002

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Summary of Workforce Development & Workforce Training Programs

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Definitions

- **Workforce Development** (Worker Preparation)
- Education and training whereby students or individuals are direct customers of the service delivery system.
  - This includes education and training provided to and through: 1) K-12, post-secondary, and proprietary institutions; 2) the existing workforce that is unemployed, displaced, disadvantaged or underemployed, and; 3) the existing employed workforce served through life-long learning and continuing education.

- **Workforce training** (Economic Development)
- Training whereby the business is the direct customer.
  - responds to short term business and industry needs.
  - Supports business retention, expansion and start-ups.
  - It is business and industry driven and often involves customized or contracted training.

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Workforce Development and Workforce Training Programs

Workforce Development Programs
Federal Funds
(individual is the direct customer)

- Job Opportunity & Basic Skills (JOBS) Training
  $8,225,614
- Basic Employment Skills (BEST) Training
  $396,696
- Workforce Investment Act
  $12,735,106
- Senior Community Service Program (SCEP)
  $1,079,352
- Trade Adjustment Assistance
  $99,800
- Adult Education (WIA) Title II
  $1,669,009
- H 1B Technical Skills Training
  $2,114,313

Workforce Training Programs
State Funds
(Business/employer is the direct customer)

- Workforce 2000 Program
  2,002,861
- North Dakota New Jobs Training
  Open Appropriation
- Workforce Training Quadrants
  $1,350,000

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Priorities for Workforce Development and Workforce Training

Business support:

1. Job Creation:
2. Job Expansion:
3. Job Retention:

Worker support:

1. Training low income, unemployed, welfare recipients.
2. Training for underemployed
3. Incumbent worker training.

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Workforce Training Incentives for Business Attraction

- North Dakota has two state funded programs that support business focused training and provide key components in proposals to attract new primary sector business to North Dakota.
  - North Dakota New Jobs Training Program
  - Workforce 2000 Program
    - The programs compliment each other and provide flexibility to business to address start-up training costs.
    - The programs have been instrumental in attracting businesses like Integrity Windows at Grafton and in proposals for PepsiAmerica in Fargo.

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Workforce Training Delivery

- North Dakota has one state funded program that supports the infrastructure to deliver employer focused training.
  - Workforce Training Quadrant Program – provides the four state colleges with the administrative funding needed to provide outreach to North Dakota businesses to help them address incumbent worker training needs.

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Summary

- The state funded workforce training programs compliment the federal funded workforce development programs.
  - The state funded Workforce 2000 and North Dakota New Jobs Training support primary sector business attraction. (Workforce 2000 also supports business retention and expansion).
  - The state funded Workforce Training Quadrants provide outreach & marketing of the delivery system in their support of business retention.

Conclusion

- If job creation is the most important goal then the state funded workforce training programs should be used in full support of that goal.
  - Elimination of funding to support workforce training will impact on job creation.
  - The three state funded workforce training programs should work in concert and should share a common vision and goal in support of new primary job creation.

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LINDA BUTTS – DIRECTOR, DIVISION OF ECONOMIC DEVELOPMENT & FINANCE
Mr. Chairman, members of the committee. My name is Linda Butts. I am the Director of the Economic Development and Finance Division of the North Dakota Department of Commerce.

Two years ago, after much study, you, the legislators, created the DOC and invested tax dollars to facilitate economic development in the state. As I was preparing this testimony, I asked myself, if I were sitting in your chair today, what would I want to hear. I would want to hear what kind of a return on investment we have achieved, how we are going to be accountable to the taxpayers and what benchmarks will guide us. I would want to know how are we improving the quality of life for North Dakotans and making our state a good place to live, work and be in business.

But before I begin talking about programs, I'd first like to discuss philosophy. The Governor's direction and one of the goals of the Foundation's strategic plan is to develop a unified front for economic development. In the last 17 months, we at DOC, have worked hard to strengthen and streamline economic development efforts in the state by partnering with and supporting the existing development community. To that end, we are doing things much differently than has ever been done before. We have redesigned many of our programs with that vision in mind and the question "how can we, as a state agency, add value to the work done at the local level?"

Under the able leadership of Commissioner Lee Peterson, we have focused on those things that make a difference to your constituents. We are improving the economy of the state one business at a time.

We have focused on encouraging entrepreneurial start-ups, helping our existing businesses expand, and recruiting new businesses to the state to diversify our economy. We recognize start-ups and expansions are done at the local level and that many communities have limited resources.

To address this training need, the NDDOC and the Economic Development Association of North Dakota (EDND) have offered several courses in the past 17 months. These include beginning economic development, how to market your community and communicate your message, and how to write a response to a project request. These have been attended by professionals from many development organizations in the state.

We have reinvented our Partners in Marketing program so that many more communities may access these dollars to customize their marketing efforts. We've printed new marketing material and produced a North Dakota video, which I will show later. This is not only available to the local developers at no cost, but the video may be customized to include information on their local community. The $175,000 we originally allocated for the popular program has all been allocated to 18 counties and 29 communities. We added another $50,000 from our marketing dollars to augment this program to the end of the biennium. (Show video)

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Communities that have received marketing funds are: Beach, Binford, Cando, Carrington, Cavalier, Cooperstown, Crosby, Dickinson, Devils Lake, Finley, Grafton, Grand Forks, Hannaford, Hatton, Hillsboro, Hope, Killdeer, Langdon, Larimore, Mayville, Minot, Portland, Rolla, Rugby, Tioga, Valley City, Walhalla, Watford City and Williston. Counties include Adams, Barnes, Bowman, Cavalier, Divide, Dunn, Grant, Hettinger, McKenzie, Mountrail, Nelson, Pembina, Slope, Towner, Trail and Walsh and the Griggs-Steele Empowerment Zone.

We meet regularly with the board of the Economic Development Association of North Dakota. They have become our "defacto" board offering us insight and guidance as to what we, the agency, are doing or should be doing to support the work they do on the local level.

The director of Economic Development & Finance now represents the agency on the Higher Education Roundtable. This new seat was created with the expectation that the department would be at the table as higher education discusses the role they play in improving state's economy.

We continue to look for additional ways to strengthen our relationships with the Champion Reap Alliance board, the Small Business Administration, Small Business Development Centers, USDA and others involved in economic development efforts.

Another thing we're doing differently is reallocating resources to support industries that have the potential to strengthen our economy. The division of Economic Development and Finance invests state dollars into two programs to form a public-private partnership. This match is then leveraged with federal dollars and private fees to offer programs to your constituents.

One of those industries is manufacturing. We have nearly one thousand manufacturers in the state. Manufacturers not only bring new wealth into the state, but are major investors in new plant and equipment, in developing new skills in the workforce, and in commercializing new products and processes.

Manufacturing employees earn, on average, 25% more than employees in other industries in the state. Although they have been hurt by the recent economic recession, we believe manufacturing will continue to be a critical part of growing and diversifying the state's economy.

To assist our manufacturers, the North Dakota Manufacturing Extension Partnership (ND MEP) was formed 18 months ago to help these businesses become more competitive, productive and profitable. This public private partnership is one of 70 Centers in the national MEP system. Through this national network of Centers, the ND MEP is able to access over 3,000 service providers to offer assistance to manufacturing companies.

Service providers are sophisticated professionals with a great depth of experience in their field. They are often former company owners with skills in diverse areas, areas like human resource managers, financial managers, industrial marketers, and engineers. The feedback that we are getting from the manufacturers is one of appreciation. Through this program, they have access to sophisticated advisors offering customized consulting to their operations.

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RESULTS: During the past 18 months, ND MEP has provided assessment, training and technical assistance to nearly 160 companies and 2,500 employees in lean manufacturing, industrial marketing, information technology and management development.

For the first half of 2001 - the latest independent data we have;

- **$8.2 million in new and/or retained sales**
- **cost savings to manufactures of $2.7 million**
- **121 new and/or retained jobs.**

Here to provide you with the impact this program had on his business is Mike Hohl, President of DMI Industries in West Fargo.

Mike Hohl will present testimony on our behalf at this point.

We have an economic impact software tool in our agency. Using the fact pattern Mike just explained, we were able to determine the results. Additions to the gross state product for 2002 were $3.3 million; personal income generated $2.9 million; state tax revenues generated $480,000.

The Center for Technology & Business (CTB) is the other program in which we invest state dollars that are, in turn, leveraged with federal funds. The Center has made technology available to our rural communities, including both businesses and individuals. Their simplified computer curriculum has been offered in more than 55 communities with over 8,000 North Dakotans from 118 different communities taking the classes. Giving people the tools to become creative and add value to their lives is critical to rural areas.

RESULTS: Center for Technology and Business:

- **400 people acquired new full-time jobs, 305 people began part-time jobs and 640 increased their wages or were promoted.**
- **Graduates of this program spent $4.54 million on computers and software programs and spent in excess of $620,000 on Internet access after the class.**
- **In Rugby, Duane and Steve Nelson own the Collision Center. This small custom paint shop was experiencing problems with hardware and software compatibility. The center (CTB) worked to resolve the technical issues and repair the problems. The company has added a sign company and hired three additional employees.**
- **The 2002 Farm Bill gives farmers and landowners a one-time opportunity to update their contract base acres and farm program yields if they choose to do so. CTB assists producers in accessing online calculators to make the best long-term decisions.**

Gary Satern, Rugby economic development coordinator, will testify on our behalf at this point.

Development Fund: As you all know this fund provides gap financing that helps businesses secure additional funding. Under the able leadership of Dean Reese, this fund has now fulfilled the original legislative intent. It truly has become a revolving loan fund. Investments are up and write offs are down.

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RESULTS: From January 1, 2001, to October 31, 2002, the Development Fund invested over $7,772,000 in 47 businesses: 23 start-ups, 23 expansions and one relocation. Twenty-five were rural investments and 22 urban investments. For every dollar invested by the fund, $7 was invested from other sources.

We have been very successful in reducing the loss rate of the Development Fund.

Agricultural Products Utilization Commission (APUC): With the hiring of John Schneider, the director of APUC, the Commissioners made fundamental changes in how APUC operates. First, we hired a professional who came from an economic development background. Second, we gave him broader authority to interact with projects. He now visits every project before it comes before APUC. By visiting the projects in the field, he is better able to discern if the project is commercially viable. And last, he is given the opportunity to express his recommendations to the Commission. While the Commissioners are still very independent, this new insight is helping the Commissioners make better investment decisions.

RESULTS: Since January 1, 2001 APUC award $1,645,043 in grants to 88 value-added ag projects.

Keith Olson, CEO of Bushel 42, Crosby, and former director of Divide County JDA has accessed many of the agency's programs. He will now offer a few comments.

Keith Olson will offer testimony on our behalf at this point.

Our **Research** team continues to grow in responsibility. They offer the following services:

- Provides analytical data to the Marketing and Business Development team.
- Provides due diligence for communities and ND businesses wishing to have background information on prospective businesses. These include reports on the financial condition of the company, its principals, and a company history.
- Fills requests for targeted mailing lists, international trade assistance and identifying North Dakota companies who can supply products or services.
- Creates the Geographic Information System maps to "see" infrastructure in the state.

RESULTS:

- Responded to over 40 requests by private businesses and over 80 requests by local development organizations.
- Since December of 2001, have created many other marketing publications and 39 project-specific presentations for Business Development.
- Surveyed over 1,500 North Dakota primary sector businesses. These 1,500 primary sector companies indicated annual sales in excess of $2.45 billion
- The study enables existing and prospective companies to search for suppliers, vendors, contract manufacturers, or industry clusters.
- Gain invaluable knowledge on North Dakota's business climate, service and product needs.

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Brian Walters, president of the Fargo-Cass County Economic Development Corporation, has submitted written testimony. – written testimony

Marketing and Business Development Team: We are often criticized for spending too much of our time trying to attract new business to the state. The reality is that all the programs you have just heard about allocate approximately 95% of their resources to your constituents. As you listen to the testimony of the other three division directors, it will become clear that the vast majority of their resources are also directed to aid our citizens.

Our marketing and business development programs are aimed at diversifying our economy. While our primary efforts will always be directed at existing businesses, in order to accelerate diversification, the business development team and our marketing program have the stated goal of attracting new business to North Dakota.

As I read the recent "Saving North Dakota" series in *The Forum*, I noticed the prominent role South Dakota's marketing has played in growing their economy over the past 30 years.

We have just begun to market our state. You invested a little over $1.2 million last legislative session in our marketing program. We are using those dollars in a variety of means to showcase our state. Some of you, at your own expense, have attended trade shows with us. We target shows within the five targeted industries: Information Technology, Advanced Manufacturing, Energy, Value Added Agriculture and Tourism. Local developers and business leaders often join us as well. Leads that are generated at these shows are passed onto the local developers.

Other times, the Governor participates in small dinners with site selectors and tells of the competitive advantages of doing business in North Dakota. Site selectors are firms large businesses hire to help them decide where to place their next expansion or relocation. Site selectors make 30-40% of the expansion decisions. To put this in perspective, in a given year, there are about 1,000 large projects defined as > 400 employees and 10,000 communities competing for these projects. Site selectors now tell us that North Dakota is on their map... for the first time. In fact, communities in our state have twice had the opportunity to respond to requests from national site selectors in 2002. We were told by a site selector from Atlanta, in the past 12 months, she has had more contact and received more information from North Dakota than in the entire prior 12 years.

We are inviting site selectors to visit our state. One visited in October. Besides a tour of the state, we set up a breakfast in which we invited any agency head or state official that could potentially be involved in a project. We invited the Secretary of State, executive director of Job Service, president of the Bank of North Dakota, the Tax Commissioner and many others to visit about our business climate and the programs we offer. In critiquing the event, he said access to all these state officials at one setting was the most impressive event of his trip.

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We also conduct trade missions. The business development team develops a list of contacts within a certain community and we make "house calls" if you will. Through this face-to-face effort, we are keeping North Dakota in front of business prospects and we keep track of their expansion plans. We host a small reception for prospective businesses in conjunction with these missions. On most occasions, local developers partner with us.

The events we have hosted and that you have heard about the most are the larger business receptions. We have had three: San Francisco, Chicago and Minneapolis. Each time the Governor has accompanied us. The Office of the Governor is a tremendous draw and allows us to attract top companies. In addition to the local developers, we have private sector partners who help us underwrite a large portion of this event. The Minneapolis event was the first event in which university presidents, the University System Chancellor and other university representatives were present. The one thing that we are consistently finding is that we are best as a state when we can discuss our business climate face-to-face.

RESULTS: To date Direct Response Technologies in Beulah is the result of the San Francisco reception and we have two other projects that are being developed. Five positive stories about North Dakota were generated by Silicon Valley newspapers surrounding that visit.

The SEI Information Technology expansion in Grand Forks and the Remington Seed project in Mapleton are attributable to the Chicago reception. We also had a site visit from a technology company. While they weren't ready to expand, North Dakota will be given an opportunity to compete for the expansion when they are ready.

ND communities have twice had the opportunity to respond to requests from national site selectors in 2002.

In the past 18 months, over 1,500 contacts have been generated from these efforts. We have more than 100 projects with 67 Request for Proposals (RFPs) going to many North Dakota communities. These RFPs resulted in 21 different companies making site visits to 47 different communities.

John Philips, director of the Beulah Jobs Development Authority will present testimony on our behalf at this point.

Through all of these efforts, a consistent theme keeps surfacing. We continually exceed site selector and company expectations in what the state has to offer – from our highly educated workforce to our low energy costs; from the existence of highly sophisticated companies like Imation and Microsoft to the reality of having high-speed Internet access available to 90% of our population. They are always impressed. But the reality is we simply have no identity on the national stage and we must continue a sustained marketing campaign to educate companies about our state and entice those good-paying jobs we all seek.

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Another thing we are doing differently is leveraging our marketing efforts through a group called ambassadors. This idea evolved from our marketing efforts in San Francisco. After the San Francisco reception, we realized we have a natural resource that, to date, we were underutilizing. That resource is current and former North Dakotans, including college and university alumni. This program trains them to help us generate leads. While in its infancy, we expect this program to become quite large as we enlist the aid of our fellow and former North Dakotans.

Conclusion

As you can see, we are doing many things differently. To recap the work we have done since you last met, we listed some of the primary Dakota companies that have accessed programs at the North Dakota Department of Commerce since January 1, 2001. Tourism and Energy will be addressed by other divisions.

I would like to close my testimony with a story. On Wednesday of last week, I was interviewed by the editor of Business Expansion magazine. We discussed many issues regarding economic development: new initiatives, legislative proposals, and relative health of the state budget. We ended the conversation discussing the reality that ND has a balanced budget. I then contrasted that with our neighbor's deficits; Minnesota's 4.6 billion, South Dakota's 50 million, Nebraska's 600 million, and Montana's 230 million. She paused for a moment and then said "this is very important to include in the story. In North Dakota, the programs will still be there."

When she hung up, I thought of that statement over and over again, and realized that we have a new competitive advantage. North Dakota is positioned to compete even more aggressively for business because we don't have to cut programs. If we simply stay the course and build on the groundwork we have laid, working together with our partners, we will continue to build the economy of our state, by making North Dakota a good place to live, work and do business. With your help we will continue to succeed.

Mr. Chairman that concludes my testimony. Paul Govig, Director of the Division of Community Services will now offer his testimony.

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ND Department of Commerce
EDF Programs
January 30, 2003

Legislative Request from: Rep. Al Carlson
Specific Request: What programs do you have at ED&F and what is their general fund appropriation?

CORE PROGRAMS:

Research: This team is responsible for the design, collection, management and presentation of information. It handles DOC's MIS system and website maintenance and does industry and company due diligence. Research is the critical foundation for Business Development and Marketing.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $664,998

Business Development: This team is the primary recruiter of new business to the state. While its primary goal is to diversify the economy of the state, it will help the local developers on an as needed basis with startups and expansions. The Business Development team assisted with eight company locations in North Dakota thus far in the biennium.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $1,307,203

Marketing: This team markets the state externally to prospective businesses, site selectors national media, etc. The program allocates dollars to efforts that help identify our target industries and geographic areas, and then market the state's competitive advantages. This program is critical to the efforts of the business developers.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $1,264,894

Manufacturers Extension Partnership: This program is a public private partnership and is *funded with state, federal and private funds.* The ND MEP is charged with improving the competitiveness, productivity and profitability of our small to medium sized manufacturers. Since the 1st quarter of 2001, the program created $8.2 million in new or retained sales; cost savings to manufactures of $2.7 million occurred; and 121 new or retained jobs were realized.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $881,190

Development Fund: This fund provides gap financing to help businesses secure additional funding. From Jan. 1, 2001, to Oct. 31, 2002, the Development Fund invested over $7,772,000 in 47 businesses: 23 startups, 23 expansions and one relocation. Twenty-five were rural investments and 22 urban investments.

TOTAL GENERAL FUND BUDGET RECOMMENDATION (DV ADMINISTRATIVE): $398,625

Agricultural Products Utilization Commission: APUC's mission is to create new wealth and jobs through the development of new and expanded uses of North Dakota ag products. Since January 1, 2001 APUC award $1,645,043 in grants to 88 value-added ag projects.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $1,431,380

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PARTNER PROGRAMS:

Rural Development Council: The North Dakota Rural Development Council is part of a National Rural Development Partnership. The council brings together state, local, federal and tribal governments, and private and non-profit organizations to join forces and cooperate in new ways to strengthen rural North Dakota's economy.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $0

Director's Discretionary Fund: The original intent of the Director's discretionary budget was to have a pool of funds available to be the final funds in a project. Over the years, as cuts were made to EDF budget and programs eliminated, funds have either been legislated or voluntarily used to fill these funding these gaps.

The following programs are *funded* from the Director's discretionary budget.

1. **Partners in Marketing Program**: Local economic developers and development regions of the state may apply for grant dollars to customize their marketing efforts.
   TOTAL GENERAL FUND BUDGET RECOMMENDATION: $250,000

The following programs are funded from the discretionary budget and *leveraged* with federal funds from SBA. For every state dollar invested, $2 in federal funds is generated.

1. **The Center for Technology & Business (CTB)** The Center makes technology available to our rural communities. Their simplified computer curriculum has been offered in more than 55 communities with over 8,000 North Dakotans from 118 different communities taking the classes. This program fulfills the statutory requirement of a women's business development program.
   TOTAL GENERAL FUND BUDGET RECOMMENDATION: $99,750

2. **Small Business Development Centers**: A program of SBA that offers consulting assistance to small businesses in the form business planning, market feasibility studies, and finance packaging. It services clients from four regional offices in the state.
   TOTAL GENERAL FUND BUDGET RECOMMENDATION: $324,900

3. **One Stop Capital Centers:** An SBA program where a borrower may meet with several lenders at one time, provide loan documents to the group at one sitting and one set of due diligence is done by the various partners and shared with all funding partners to streamline the funding process.
   TOTAL GENERAL FUND BUDGET RECOMMENDATION: $23,750

4. **Business Information Centers:** A SBA program where a person wishing to start a business may go to get resources like financial information and computers programs with access to SBA programs on the internet.
   TOTAL GENERAL FUND BUDGET RECOMMENDATION: $26,600

5. **Champion /REAP Zone:** Discretionary funds are leveraged with federal funds.
   TOTAL GENERAL FUND BUDGET RECOMMENDATION: $71,250

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PROJECTED PROGRAMS:

The following program is *projected* to be funded from the Director's discretionary budget.

1. **New Economy Initiative:** A number of the NEI Talent Pool Strategies coincide with some of the Governor's Smart Growth Initiatives such as identifying career opportunities, establishing marketing programs to educate college bound students on the careers with high value potential in North Dakota, and develop and build initiatives designed to create opportunity. Funding for *IdeaFest*, another Talent Pool Strategy would come from here.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $200,000

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ND Department of Commerce
Division of Tourism

Tourism:

- Contributed $2.8 billion to the state's economy by out-of-state travelers in 2000.
- Generated $139.9 million in tax revenue due to out-of-state visitors' expenditures.
- Is the fastest growing industry in North Dakota with a growth rate of 5.7% from 1999 to 2000 and over 500% since 1990.

Program areas:

Lewis & Clark:

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $853,147

It is important to remember that although this program is a separate line item, it directly ties into our general marketing and brand campaign. The Lewis & Clark message is another hook to grab the interest of potential visitors.

Recent research shows we are gaining exposure with our leading demographic groups. North Dakota ranked 5th out of 11 states in awareness of advertising. ND was the only state that more people plan to visit (versus previously visited) and ranked above 8 other states, in potential new visitors (Alaska, Indiana, Minnesota, New Mexico, Oklahoma, Utah, Wisconsin, and Wyoming).

- Printed 95,000 North Dakota Lewis & Clark Trail Guides
- Implemented grant program resulting in 40 new signs along the trail.
- Developed Hospitality Training program.
- Developed a merchandising program to help raise funds.
- Funded a staff position.
- Spent $390,521 on media advertising.
- Developed an aggressive public relations program.

International Marketing:

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $342,000

Why Attract International Visitors?

- Spend five times the time and money traveling.
- Have an average five weeks mandated vacation.
- Are interested in the Real America, our history and culture.
- Visit off-the-beaten-path rural areas.

Our partner in the international market—Rocky Mountain International—helps us target our dollars more efficiently due to their expertise with our markets. We have changed our strategy to focus more on Scandinavian markets and less on European markets, due to performance.

- Nordic America Alliance cooperative promotions with Minnesota.
  Work several international trade shows with industry partners.
- Host tour operators and media familiarization tours.

Results: North Dakota outpaced South Dakota in total international travel: $46.4 million in direct expenditure in North Dakota versus $40.1 in South Dakota. The value of the international media coverage, including television, North Dakota received in 2001 was valued at three times what our international program costs.

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Outdoor Program:
TOTAL GENERAL FUND BUDGET RECOMMENDATION: $122,300

- Continued sports shows (attended 17 in past 2 years).
- Focus on winter experiences to extend the North Dakota Travel season.
- Promoting adventure tourism—Maah Daah Hey Trail, biking, hiking, birding, canoeing…
- Non-resident spent $65.9 million (new money) while hunting and fishing in North Dakota in 2001-2002.

General Leisure--Tour Market Segment:
TOTAL GENERAL FUND BUDGET RECOMMENDATION: $2,211,865

To reach this market beyond our ad campaign and to extend the value of our marketing dollars, we have developed new marketing tools, employed an aggressive public relations program for earned media and developed a strong message in our paid media to get the job done.

New Marketing Tools:
- Developed new web site
- Developed three publications
- New booth displays
- Matched Grant Program
- Cooperative advertising program

Public Relations Efforts:
- Developed new media kit
- Hosted writers
- Proactive news release program

Paid Advertising:

Broadcast TV:
- Lincoln/Hastings/Kearney
- Sioux City
- Sioux Falls
- Fargo
- Grand Forks

Paid Advertising (continued):

Direct Response TV:
- Minneapolis/St Paul
- Duluth/Superior
- Mankato
- Omaha
- National cable networks

Print:
- AAA Tour Guide
- AAA Home & Away
- Good Housekeeping
- USA Weekend
- American Heritage
- Lewis & Clark Planner
- Readers Digest
- Friendly Exchange
- Midwest Living

Results
- Accountability research.
- 3 million travelers are aware of our advertising.
- 286,450 incremental trips were taken in 2002 as a direct result of our advertising.
- These trips generated $29.2 million.
- 87,900 trips planned so far for 2003 due to 2002 advertising.
- Generated .73 trips for every dollar we spent on advertising.

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Group Travel Market:
TOTAL GENERAL FUND BUDGET RECOMMENDATION: $52,900

- Continued proactive sales calls to tour companies encouraging ND routings.
- Marked increase in interest at national marketplaces: American Bus Association and National Tour Association.
- Developed a Two Nations vacation group tour offering in partnership with Manitoba, South Dakota and Minnesota.
- Increased interest by new companies and new itineraries due to Lewis and Clark.

Film Commission:
TOTAL GENERAL FUND BUDGET RECOMMENDATION: $13,000

The mission of the North Dakota Film Commission is to strengthen the film and video industry in North Dakota by developing, maintaining and marketing a clearinghouse of the state's locations and services.

- Publication and distribution of the North Dakota Film Production Guide
- On-the-ground scouting for locations for shooting.
- Attendance at National Shoot Show.
- Work with local production companies and film producers for in-state movie and/or video productions.

Tourism Administration:
TOTAL GENERAL FUND BUDGET RECOMMENDATION: $1,156,521

This line item includes all basic administration, salaries and benefits for our 9.5 person staff. The salaries were kept in administration since many of our programs overlap and require more than one person during peak times. Because we all work in marketing we are proficient in various areas and work together to maximize our efficiency.

Special Revenue:
TOTAL GENERAL FUND BUDGET RECOMMENDATION: $363,000

This line represents the Legendary and Lewis and Clark merchandise we currently sell. We will no longer operate a store after our move, but will continue offering the apparel on our web site and wholesale it to other retailers statewide.

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DEPARTMENT OF COMMERCE

Division of Community Services

The mission of the Division of Community Services is to provide the people of North Dakota with effective, efficient and customer oriented administration of Federal and State programs for Community Development, Energy Efficiency and Renewable Energy and Self Sufficiency. These programs help create a quality of life that makes North Dakota a good place to live, work and do business. The Division of Community Services consists of four different program areas:

Community Development

1) Community Development Block Grant
2) HOME Investment Partnership (HOME)
3) Emergency Shelter Grant (ESG)

The Community Development Block Grant program involves approximately $6,000,000 per year. Funds are used for economic development, public facilities/infrastructure development and housing. The HOME program involves over $3,000,000 per year and is used to improve low income housing by providing down-payment assistance, rental assistance, rehab and new construction. The Emergency Shelter Grant program provides approximately $285,000 to assist in the operation of 40 homeless shelters throughout North Dakota.

Energy Efficiency/Renewable Energy

1) State Energy Program
2) State Buildings/Performance Contracting
3) Weatherization

The objective of the state energy program is to promote energy conservation and efficiency, and reduce energy demand, by developing and implementing a comprehensive state energy conservation plan. The State Buildings and Performance Contracting programs have resulted in projects in excess of $24,000,000 and yearly cost savings of over $3,000,000. Energy efficiency improvements have been made in over 300 buildings. The Weatherization program provides approximately $2,500,000 per year to low to moderate income people to improve the energy efficiency of their homes.

Self-Sufficiency

1) Community Services Block Grant (CSBG)

The primary purpose of the Community Services Block Grant program is to assist in implementing locally-designed anti-poverty programs. The program provides approximately $2,500,000 per year to support a wide range of services to low income people including money management, budget counseling, Head Start, child care, homeless services, services for the elderly, commodity distribution, educational programs, case management services and others.

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Technical Assistance

1) Renaissance Zones
2) Building Code/Americans with Disabilities Act
3) Third Party Inspections

Tax credits and exemptions from current Renaissance Zone projects total approximately $5,000,000 which has resulted in zone investments of over $27,000,000 in 64 projects in eleven different cities. The Building Code/ADA program provides technical assistance to local governments, businesses, architects, etc. concerning handicapped accessibility, fair housing design and the State Building code. The third party inspection program, mandated by the 2001 Legislative Session, will deal with the construction of modular residential and commercial structures built for siting in North Dakota. The program will become effective July 1, 2003.

The total Division of Community Services budget request is $48,700,000 for the current biennium. 98% or approximately $47,700,000 comes from federal sources or other special funds.

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $979,054

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WHAT IS WORKING?
WORKFORCE DEVELOPMENT DIVISION
NORTH DAKOTA DEPARTMENT OF COMMERCE

WORKFORCE DEVELOPMENT DIVISION
The Workforce Development Division provides support to a number of mandated boards and commissions and is responsible for the development of a public and private partnership for the recruitment of workers.

These boards and commissions are a requirement for the state to receive federal formula funding under the Workforce Investment Act of 1998 and the National and Community Services Act of 1990. ($13 - $15 million annually)

These Councils and Commissions include:

- The North Dakota Workforce Development Council;
- The North Dakota Youth Development Council; and
- The North Dakota Workforce Development Council – State Commission on National and Community Service.

Other programs under the Workforce Development Division include:

- www.NorthDakotaHasJobs.com .
- Community Labor Availability Studies.
- North Dakota Health Related Technical Skills Training Demonstration Grant.

The mix of programs available through the Workforce Development Division and though partner agencies delivering workforce development and workforce training programs are designed to compliment each other and maximize to level of service to employers and North Dakota citizens with a goal of making North Dakota an even better place to live, work and do business.

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North Dakota is facing a number of serious workforce issues. Two of the most serious issues the state is facing include:

- Serious worker shortages and skill gaps in a number of high skill demand target occupations having an annual income of $25,000 or more, and
- A problem with underemployment of 30% or higher in many of our Communities across the state.

The dilemma that employers, underemployed workers and the state's workforce development and workforce training system face is due to a lack of resources and programs to help resolve the problem. We continue to have underemployment alongside of worker shortages and skill gaps.

Worker and Skill Shortage Occupations in North Dakota.

- Health Related Occupations:
  - Nurses
    - RN
    - Operating Room
    - Critical Care
  - Clinical Research
  - Lab Technicians
  - Radiology Technicians
- Computer Related Occupations:
  - Programmers
  - Data Base Managers
  - Software Development
  - Network Administration
  - Systems Analysts
- Teaching Occupations:
  - Math
  - Science
  - Foreign Language
- Truck Driving
- Engineers
  - Electrical
  - Civil
  - Mechanical
- Skilled Trades
  - Electricians
  - Carpenters
  - Plumbers
  - Heating & Air Conditioning
- Manufacturing
  - Machinists
  - CNC Operators
- Professional
  - Managers
  - Supervisors
- Customer Service

- All of the occupations listed that are in the category of worker shortage and skill gaps provide annual average incomes of $25,000 or more.
  - The Motor Carriers Association estimates that there are over 1,200 truck driver vacancies in North Dakota.
  - The North Dakota Long Term Care Association in a January 2001, survey of their 88 members documented over 1,000 nursing vacancies across the State. 44% of the nursing facilities had discontinued admitting new residents in the previous 12 months due to the shortages.

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The Workforce Development Division and the North Dakota Workforce Development Council's response have been in three areas:

- *Grow* the states workforce;
- *Retain* a greater number of youth and current workers; and
- *Recruit* alumni and out-of-state workers.

What is working?

Growing the workforce:

North Dakota Health Related Technical Skills Training Demonstration:

A $2.1 million federal grant matched with $1.0 million in non-federal funds being provided by some 60+ partner nursing facilities and hospitals. The grant is addressing the shortage of nurses in North Dakota by providing tuition assistance to entry-level health care workers to help them meet licensing requirements to become a Licensed Practical Nurse or a Registered Nurse. The demonstration supports career ladder and registered apprenticeship training using distance learning options that allow individuals to enroll in training while continuing to work and live in their home communities.

As of December 31, 2002, the Demonstration Project had the following activities:

- 450 Enrollments:
  - 228 Certified Nurse Assistants
  - 141 Licensed Practical Nurse
  - 81 Registered Nurse
- Through the first 12 months of the project, $808.000 in Non-Federal Match has been provided by the 60+ Nursing Facilities and Hospitals partnering with us on this grant.
- There are now 10 distance learning "off campus" training programs for LPN and RN programs in both rural and urban communities across the state.

"The demonstration is about providing opportunities for our employers to grow their local workforce and providing the local workforce with opportunities to grow in their careers".

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Retaining a workforce:

Motor Coach Industries:

The Workforce Development Division was included in the negotiations to help retain some 400 jobs at **Motor Coach Industries in Pembina, North Dakota**.

- The facility was scheduled to close. This would have bee a loss of 400 plus jobs with a $26 per hour compensation package.
- Workforce training was a major point of the negotiations. A training package of $1.0 million was provided. Half from the state Workforce 2000 Program and half from the Governor's set aside federal Workforce Investment Act.

The investment in workforce training was a good investment for the State.

- Some 400+ good paying jobs were retained.
- The workers are receiving valuable transferable skill training.
- The State would have paid out more double this investment in unemployment insurance benefits and workforce training had the plant closed.

Youth Retention Initiative:

North Dakota youth are not aware of North Dakota businesses and opportunities that North Dakota businesses have to offer. The Division is working with a number of State agencies, business associations and the New Economy Initiative Champions to help coordinate the vision and support for a single initiative that meets the needs of all interested parties.

The Division is supporting the promotion of www.NorthDakotaHasJobs.com as a long term workforce development solution for North Dakota businesses. The web site www.NorthDakotaHasJobs.com has a student/adult career guidance system, assessment tools, and electronic portfolio seamlessly integrated into the site. This provides employers with opportunities to advertise internship and work based learning opportunities while giving students a tool to learn about employers that exist in the state and opportunities they have available.

"It is all about the youth and the people of North Dakota. We need to provide the tools to insure they are aware of opportunities that exist and services to keep them competitive in a global economy".

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Recruitment of a workforce;

www.NorthDakotaHasJobs.com

www.NorthDakotaHasJobs.com is single statewide web sites that provides seamless access for employers and job seekers to a job opening and resume management system that supports the efforts to recruit alumni and workers from out-of-state.

- NorthDakotaHasJobs.com is a cost-effective online employment and resume management system for North Dakota employers.
- The system provides employers with options to get information to students on their company, opportunities they offer and internships they provide.
- Employers pay a subscription fee for the use of the system. The Department of Commerce receives a commission on subscriptions. The commission is reinvested back into promotion and marketing of the system.
- In November of 2002, the site was referenced in the *Wall Street Journal* and resulted in over 60,000 hits in a single week.

"We need to look to the future. It is all about providing the tools to keep our employers in North Dakota competitive and able to succeed. Workforce is and will continue to be an increasingly big part of their ability to succeed".

TOTAL GENERAL FUND BUDGET RECOMMENDATION: $313,080

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Exhibit 4

DIVISION OF ECONOMIC DEVELOPMENT & FINANCE
LINDA BUTTS, DIRECTOR

Two years ago, you the legislators created the DOC and invested tax dollars in our agency. As I was preparing this testimony, I asked myself, if I were sitting in your shoes today, what would I want to hear. I would want to know what we have accomplished and what kind of return we have achieved on this investment. Our philosophy at EDF is to partner and support the local development community. To this end, we continually ask ourselves how we can add value to the work done at the local level. We have held classes on beginning economic development, how to market your community and communicate your message, and how to write a response to a request for proposal that have attended by development organizations from around the state. We have worked hard to create an environment of trust and now meet quarterly with the EDND board. They have become our defacto board giving us insight and advice on how we can support their efforts.

The core programs within ED&F are:

Business Development: This team's goal is to diversity the economy of the state by recruiting of new business. Although this is their primary goal, the team provides support to the local developers on an as needed basis with startups and expansions.

Marketing: This team markets the state externally to prospective businesses, site selectors, and national media. The program allocates dollars to the identified target industries and geographic areas, and then markets the state's competitive advantages to this broad audience. This program is critical to the efforts of the business developers.

Research: This team is responsible for the design, collection, management and presentation of information. It handles DOC's MIS system and website maintenance and does industry and company due diligence. Research is the critical foundation for Business Development and Marketing.

Manufacturers Extension Partnership: This program is a public private partnership and is *funded with state, federal and private funds*. The ND MEP is charged with improving the competitiveness, productivity and profitability of our small to medium sized manufacturers.

Development Fund: This fund provides gap financing to help businesses secure additional funding.

Agricultural Products Utilization Commission: APUC's mission is to create new wealth through the development of new and expanded uses of North Dakota's ag products.

We also have many 'partner' programs within ED&F:

Rural Development Council: This Council is part of a National Rural Development Partnership. The council brings together state, local, federal and tribal governments, and private and non-profit organizations to join forces and cooperate in new ways to strengthen rural North Dakota's economy.

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Director's Discretionary Fund: The original intent of the Director's discretionary budget was to have a pool of funds available to be the final funds in a project. Over the years, as cuts were made to EDF budget and programs eliminated, funds have either been legislated or voluntarily used to fill these funding these gaps.

The following program is *funded* from the Director's discretionary budget.
Partners in Marketing Program: Local economic developers and development regions of the state apply for grant dollars to customize their marketing efforts. You have the 18 counties and 29 communities that have received funds. I'm not going to read them.

Communities that have received marketing funds are: Beach, Binford, Cando, Carrington, Cavalier, Cooperstown, Crosby, Dickinson, Devils Lake, Finley, Grafton, Grand Forks, Hannaford, Hatton, Hillsboro, Hope, Killdeer, Langdon, Larimore, Mayville, Minot, Portland, Rolla, Rugby, Tioga, Valley City, Walhalla, Watford City and Williston. Counties include Adams, Barnes, Bowman, Cavalier, Divide, Dunn, Grant, Hettinger, McKenzie, Mountrail, Nelson, Pembina, Slope, Towner, Trail and Walsh and the Griggs-Steele Empowerment Zone.

The following programs are funded from the discretionary budget and *leveraged* with federal funds from SBA.

1. **The Center for Technology & Business (CTB)** The Center makes technology available to our rural communities. Their simplified computer curriculum has been offered in more than 55 communities with over 8,000 North Dakotans from 118 different communities taking the classes.

2. **Small Business Development Centers**: A program of SBA that offers consulting assistance to small businesses in the form of business planning, market feasibility studies, and finance packaging. It services clients from four regional offices in the state.

3. **One Stop Capital Centers:** An SBA program where a borrower may meet with several lenders at one time, provide loan documents to the group at one sitting and one set of due diligence is done by the various partners and shared with all funding partners to streamline the funding process.

4. **Business Information Centers:** A SBA program where a person wishing to start a business may go to get resources like financial information and computers programs with access to SBA programs on the internet.

5. **Champion /REAP Zone:** Discretionary funds are leveraged with federal funds to offer assistance to businesses with certain geographic areas in the state.

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RESULTS:

MEP: MEP results are measure by an independent 3rd party outside the National MEP system. Since the 1st quarter of 2001, the NE MEP created $8.2 million in new or retained sales; cost savings to manufactures of $2.7 million occurred; and 121 new or retained jobs were realized. Another company reported $10 M in total sales impact. All of the sales impact was in retained sales and the client reported retaining 35 jobs. The client also reported cost savings of $2,550,000 and new investment of $1,170,000 in new investment.

Marketing and Business Development: The business developers have over 100 projects with 67 Requests for Proposals (RFPs) going to ND communities. These RFPs have resulted in 47 site visits to ND communities.

Development Fund: From Jan. 1, 2001, to Oct. 31, 2002, the Development Fund invested over $7,772,000 in 47 businesses: 23 startups, 23 expansions and one relocation. Twenty-five were rural investments and 22 urban investments.

APUC: Since January 1, 2001 APUC award $1,645,043 in grants to 88 value-added ag projects.

Over 200 ND businesses have accessed programs at the NDDOC. We have helped 55 ND primary sector businesses expand, 56 primary sector businesses start up and have recruited 8 new businesses to the state. 80% of the resources of EDF and close to 100% of the resources of the other divisions are allocated to our help existing businesses expand and to nurture entrepreneurial startups. 20% of our resource are aimed at diversifying the economy of the state.

Research: Responded to over 40 requests by private businesses and over 80 requests by development organizations; completed research for all of our marketing pieces and 39 project specific presentations for the development team; completed a comprehensive primary sector survey of 1500 ND businesses.

Partners in Marketing: 18 counties and 29 cities have accessed these funds. The $175,000 allocated for this very popular program has been spent. We have added another $50,000 from the marketing funds to supplement request to the end of the biennium.

Center for Technology: After taking their classes, 400 people acquired full time jobs, 305 people began part-time jobs; 640 increased their salaries; $4.54 mil was spent on computers and software, $620,000 on internet access; have helped over 100 farmers update their contract base acres and farm program yields for the new farm program at their Rugby site.

Conclusion:
As you can see, we are doing many things differently. To recap the work we have done, we have listed the North Dakota companies that have accessed programs at the North Dakota Department of Commerce since January 1, 2001.

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I would like to close my testimony with a story. About a month and half ago I was interviewed by the editor of Business Expansion Magazine. We discussed many issue regarding economic development: new initiatives, legislative proposals, and the relative health of the state budget. I then contrasted that with our neighbor's deficits; Minnesota's $4.6 billion, South Dakota's $50 million, Nebraska's $600 million and Montana's $230 million. She paused for a moment and then said, "this is very important to include in the story. In ND the programs will still be there". **Now in no way do I mean to minimize the difficult task before you as you prioritize projects, and I do reiterate my comparison is relative to deficits in other states.**

But when she hung up, I thought of that statement over and over again....and then realized a new competitive advantage we have. ND is positioned to compete even more aggressively for business because our economic development programs will still be there, relatively speaking. If we simply stay the course, build on the groundwork we have laid the last 2 years, working together with our partners, we will continue to build the economy of the state, making ND a good place to live, work and play. And with your help we will succeed.

Mr. Chairman that concludes this portion of my testimony. I would now like to turn the podium over to Sara Otte Coleman, Director of the Division of Tourism.

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North Dakota Department of Commerce

Some of the businesses the NDDOC has assisted since its inception

Value-Added Agriculture

Agsco, Inc., Grand Forks
Aquatic Technologies, Inc., Newberg
Blue Sky Elk, Cando
Bushel 42 Pasta Company, Crosby
CandleLight Cottage, Chaseley
Cargill, Wahpeton
Catwalk System, Minto
Cavendish Farms, Jamestown
Cloverdale Foods Company, Mandan
Cloverdale Foods Company, Minot
Cloverdale Growers Alliance, Mandan
Commercial Vegetable Growers, Fargo
Dakota Free Products, Wildrose
Dakota Fresh, Inc., Medina
Dakota Frontier Seeds, Flasher
Dakota Growers, Carrington
Dakota Halal, Harvey
Dakota Hunter, Braddock
Dakota Lamb Growers, Northwood
Dakota Pride Cooperative, Jamestown
Dakota Renewable Fuels, Fargo
Dakota Territory Buffalo Co., Mandan
Drayton Enterprises, Fargo
Dry Mill Ethanol Plant, Fargo
Earth-Kind Inc., New Town
ebirdseed.com, Grandin
Equidistant Planter, Cogswell
Equine Reproduction Center, New Rockford
Executive Marketer, Fargo
FarmNet Services, Harvey
Franzen Lodge, Lakota
Golden Plains Frozen Foods, Leeds
Gumeringer Hunting Cabin, Esmond
Harvest Board, Lisbon
Hickory Hut, Langdon
High Point Kennel, Cando
Inforcer, Inc., Newburg
Keller's Pumpkin Patch, Harvey
Lakota Dairy Initiative, Edmore
Land Cattle Co., Kulm
M&W Beef Packers Co., Mandan
MAP 2002, Bismarck
Maple River Valley Winery, Casselton
Maple Valley Locker, Enderlin
Master Potatoes, Hatton
North Dakota Dry Pea & Lentil Assoc., Bismarck
Northwest Alfalfa Products, Tioga
NorthWestern Dairy, Parshall
Pioneer Hi-Bred International, Inc., Wahpeton
Pipestem Creek, Carrington
Remington Hybrid Seed Company, Inc., Mapleton
Rust Pheasant Facility, Harvey
Safflower Technologies International, Williston
Schepp's Dakota Deli, Lansford
Skandia Mills, Valley City
Sonne, Inc., Wahpeton
Southwest Feeder, Hettinger
Soybean Sprouts, Fargo
Specialty Export Productions, Inc., Hatton
Sugar Beet Tester, Hillsboro
SunGold Foods, Fargo
Superior Grains Inc., Crosby
Thornson Feed Bunks, Tappen
Tweeten's Corn Maze, Washburn
United Spring Wheat, Fargo
Valley Specialty Foods, Grand Forks
Vetter Corn Maze, Linton
West Bay Resorts, Minnewaukan
Western Star Dairy, Williston
White Rock Dairy, Towner
Whole Peel Onions, Fargo

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Advanced Manufacturing

Aaseby Industrial Machining, Wahpeton
Ag Depot, Grand Forks
AgriCover, Jamestown
All-In-One Products, Inc., Watford City
Amber Waves, Inc., Richardton
American Pallet Manufacturing, Fargo
Amity Technology, Fargo
Ashley JDA (Blumhart Manufacturing), Ashley
Automotive Safety Auto, Valley City
B.U.Z. Manufacturing, Carrington
Baker Boy, Dickinson
Bobcat, Bismarck
Bobcat, Gwinner
Botanical Silk Accents, Inc., Mandan
Buhler Industries, Inc., Fargo
Bullinger/Wil-Rich, Wahpeton
Cardinal IG, Fargo
Cirrus Design Corp., Grand Forks
Composite America, Fargo
Cook Sign Company, Fargo
Crary Company, West Fargo
Creative Industries, Kenmare
Dakota Aero, Devils Lake
Dakota Sno Blade, Linton
Dakota Spas, Fargo
Dakota Welding & Manufacturing, Bismarck
DMI Industries, West Fargo
Drug Plastics, Valley City
Duratech, Jamestown
Engine Rebuilders, Oakes
Fargo Assembly, Fargo
Fargo Assembly, Michigan
Fargo Automation, Inc., Fargo
Fargo Tank, Fargo
Fisher Industries, Dickinson
Fisher-Martin, Dickinson
Funshine Express, Dickinson
Gates Manufacturing, Lansford
GlenMac, Jamestown
Global Electric Motorcars, Fargo
Gremada Industries, West Fargo
Hauff Machine Products, Lehr
Horn Plastics, Fargo
ID Machine Shop, Hankinson
Imation, Wahpeton
Indigo Signworks, Fargo
Integrity Windows by Marvin, Fargo
Johnston Fargo Culvert, Fargo
K&K Manufacturing, New England
Killdeer Mountain Manufacturing, Killdeer
LAS International, Bismarck/Carrington
L-M Glasfiber, Grand Forks
Loegering Manufacturing, Casselton
Longview Fiber Company, Grand Forks
Mandan Steel Fabricators, Mandan
Marque Dental Laboratory, Fargo
Microlap, Rolla
Mid America Aviation, West Fargo
Midland Bi-Fold Doors, Fargo
Minnkota Windows, Fargo
Minot Vocational Adjustment Workshop, Minot
Motor Coach Industries, Pembina
National Feeding Systems, Valley City
Newman Sign Company, Jamestown
Northern Pipe Products, Fargo
Northern Plains Steele, Fargo
Northland Truss Systems, Abercrombie
O'Day Equipment, Fargo
P.S. Doors, Grand Forks
Phoenix International Corp., Fargo
Polar Ware, McClusky
Posi Lock Puller, Cooperstown
PRACS Institute, Fargo
Prairie Bilt Sleds, Page
Precision Results Manufacturing, Jamestown
Primewood, Inc., Wahpeton
Pugsley's Sandwich Company, Devils Lake
Pump Systems, Dickinson
RiteScreen, Fargo
Rommesmo Company, Fargo
Rugby Manufacturing Company, Rugby
Sabin Metal Corporation, Williston
Samsara Cues, Rugby
Sew Worthy, Bottineau
Sheldon Welding, Tioga
Sheyenne Tooling & Manufacturing, Cooperstown
Sioux Manufacturing Group, Fort Totten
SpaceAge Synthetics, Fargo
Spit 'n Image, Bismarck
Standard Industries, Fargo
Steffes Corporation, Dickinson
Steffes ETS, Dickinson
Sund Manufacturing, Newburg
Surefoot Corporation, Grand Forks
Tecton Products, Fargo
Terhorst Manufacturing, Minot
This Old Hat, Mandan
TMI Systems Design Corporation, Dickinson
Top Taste Inc., Finley
Trail King-Red River Manufacturing, Fargo
TRW Aeronautical, Jamestown
Turtle Mountain Corporation, Dunseith
Vansco Electronics, Valley City
WCCO Belting, Wahpeton

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Information Technology

Agri ImaGIS, Maddock
Amazon.com, Grand Forks
BeAtHome.com, Fargo
CADgraphics, Devils Lake
Call Solutions Inc., Garrison
CBF, Fargo
Community First Service Corp., Fargo
Contact Centers Unlimited, Grenora
Contact Centers Unlimited, Napoleon
Convoxity, LLC, Fargo
Data Tranz, Valley City
Direct Response Technologies, Beulah
FarmNet Services, Inc., Harvey
Financial Business System, Fargo
ING Minot Service Center, Minot
Intellisol, Fargo
Mandaree Enterprises, Inc., Parshall
Microsoft Business Solutions, Fargo
Minot Area Development Corp., Minot
National Information Solutions Cooperative, Mandan
Navigation Technologies, Fargo
NSX Technologies, Fargo
PPD LLLP, Fargo
Red River Software, Fargo
Rosenbluth International, Inc., Dickinson
Rosenbluth International, Inc., Williston
SEI Information Technology, Fargo
SEI Information Technology, Grand Forks
StrataCom, Fargo
TSR Parts Co., Colgate
Uniband, Belcourt
Unisys Corporation, Bismarck
Veracity Communications, Grafton
Weather Modification, Fargo
WebSmart Interactive, Minot

The Center for Technology has provided computer training to 8,000 people in 55 small towns.

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New Economy INITIATIVE

Testimony of Roger Reierson
Chairman of the New Economy Initiative
and
President of Flint Communication, Fargo
on HB 1019
January 13, 2003

Our challenge in North Dakota is for all of us to work together to revitalize our economy. I believe we have made great strides in this area and I strongly encourage you to support HB 1019, so we can continue to more forward by working together.

The New Economy Initiative (NEI), which is being coordinated by the Greater North Dakota Association, was launched by business leaders statewide in 2000. Since then, more than 1000 citizens have helped generate ideas and initiatives to invigorate our state's businesses, create new economic opportunities, recruit and retain talent, and maximize North Dakota's natural advantages including our excellent quality of life.

As we contemplate our pervasive and complicated problems, people should remember three facts. First, our problems won't be solved by a single magic bullet. Changing the future of this state will require a series of solutions implemented by business, government and education.

Second, North Dakota is in a unique position to move forward quickly. We are a small state whose financial condition is in better shape than most neighboring states. With smart use of our resources, focusing on progress not maintaining, we can make some significant advancement.

Third and most importantly, in order to develop an effective battery of solutions to attack our challenges, leaders in all levels of public and private service must embrace a degree of partnership and cooperation that has not existed in our state.

One of the greatest things NEI can do for North Dakota is to help bring together the legislative assembly, state government, the governor, the congressional delegation, higher education, and the private sector to work toward mutual goals. That has begun.

During the past two years, the consultant for the Department of Commerce (DOC) Strategic Plan spent a significant amount of time interviewing New Economy Initiative leaders to identify areas where NEI and the DOC could work together. The cluster groups identified by NEI as having the greatest potential for growth match the targeted industries identified by the DOC. NEI leaders

P.O. Box 2639 • Bismarck, ND 58502
Phone: 701-222-0929 • 800-382-1405 • Fax: 701-222-1611
www.gnda.com/neweconomy
A project coordinated by the Greater North Dakota Association

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look forward to working with DOC to not only attract new companies in these target areas, but to also grow the industries within the target areas.

We are grateful Governor Hoeven has included proposals generated by the New Economy Initiative in his executive budget to help leverage federal funding for business development. Sen. Byron Dorgan is working to secure federal funding to support NEI initiatives and has been actively involved with several NEI initiatives. In addition, the Department of Commerce, the University System and other state agencies are working with NEI to implement promising new strategies to promote entrepreneurship and develop career paths with opportunities that will attract and retain talent.

Working together we have helped generate a number of initiatives that address our key challenges. Initiatives like:

- The 100 New Economy Business Challenge, which helps start-up companies solve the many common hurdles new businesses face in becoming profitable.
- Cluster groups aimed at helping industries expand in North Dakota.
- A program to improve the availability of internships and mentorships to help business recruit young talent.
- An effort to develop a research corridor to stimulate business growth through research and development.
- A program to help young people identify careers that offer promising job opportunities in North Dakota.
- Formation of a New Economy Fund to help business start-ups.

We should not look to the Legislature to solve all of North Dakota's problems. However, state government plays a vital role. I'm optimistic that, despite the budget challenges, a strong spirit exists in the Legislature to do what must be done to create an environment that stimulates change and sets our state on a new course of economic success.

The many private sector participants in the New Economy Initiative are already engaged in developing solutions, and we stand ready to help the Legislature and state leaders in any way.

Today we ask that you would support these significant economic changes that our state needs to be vital and healthy throughout the 21st century, by passing HB1019.

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Additional testimony written Exhibit #3

New Economy INITIATIVE

Testimony of Roger Reierson
President of Flint Communication
and
Chairman of the New Economy Initiative
on HB 1019
March 11, 2003

Our challenge in North Dakota is for all of us to work together to revitalize our economy. I believe we have made great strides in this area and I strongly encourage you to support HB 1019 in its original form, so we can continue to move forward by working together.

The New Economy Initiative (NEI), which is being coordinated by the Greater North Dakota Association, was launched by business leaders statewide in 2000. Since then, more than 1000 citizens have helped generate ideas and initiatives to invigorate our state's businesses, create new economic opportunities, recruit and retain talent, and maximize North Dakota's natural advantages including our excellent quality of life.

As we contemplate our pervasive and complicated problems, people should remember three facts. First, our problems won't be solved by a single magic bullet. Changing the future of this state will require a series of solutions implemented by business, government and education.

Second, North Dakota is in a unique position to move forward quickly. We are a small state whose budget is in better shape than most neighboring states. With smart use of our resources, we can make some significant advancement.

Third and most importantly, in order to develop an effective battery of solutions to attack our challenges, leaders in all levels of public and private service must embrace a degree of partnership and cooperation that has not existed in our state.

One of the greatest things NEI can do for North Dakota is to help bring together state government, the governor, the Congressional delegation, Higher Education, and the private sector to work toward mutual goals. That has begun.

North Dakota Freedom of Enterprise Foundation
P.O. Box 2639 • Bismarck, ND 58502
Phone: 701-222-0929 • 800-382-1405 • Fax: 701-222-1611
www.gnda.com/neweconomy
A project coordinated by the Greater North Dakota Association

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During the past two years, the consultant for the Department of Commerce (DOC) Strategic Plan spent a significant amount of time interviewing New Economy Initiative leaders to identify areas where NEI and the DOC could work together. The cluster groups identified by NEI as having the greatest potential for growth match the targeted industries identified by the DOC. NEI leaders look forward to working with DOC to not only attract new companies in these target areas, but to also grow the industries within the target areas. Governor Hoeven has included proposals generated by the New Economy Initiative in his executive budget to help leverage federal funding for business development. Sen. Byron Dorgan has secured $360,000 in federal funding to support NEI initiatives and he has been actively involved with several NEI initiatives. The private sector has contributed nearly a half a million dollars to move this initiative forward and Gov. Hoeven has pledged his support. In addition, the Department of Commerce, the University System and other state agencies are working with NEI to implement promising new strategies to promote entrepreneurship and develop career paths with opportunities that will attract and retain talent.

Working together we have helped generate a number of initiatives that address our key challenges. Initiatives like:

- The 100 New Economy Business Challenge, which helps start-up companies solve the many common hurdles new businesses face in becoming profitable.
- Cluster groups aimed at helping industries expand in North Dakota.
- A program to improve the availability of internships and mentorships to help business recruit young talent.
- An effort to develop a research corridor to stimulate business growth through research and development.
- A program to help young people identify careers that offer promising job opportunities in North Dakota.
- Formation of a New Economy Fund to help business start-ups.
- Conduct High Performance Community Workshops to enhance the creativity and competitiveness of North Dakota communities.

We should not look to the Legislature to solve all of North Dakota's problems. However, state government plays a vital role. I'm optimistic that, despite the budget challenges, a strong

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spirit exists in the Legislature to do what must be done to create an environment that stimulates change and sets our state on a new course of economic success.

The New Economy Initiative is moving forward because of the strong public and private partnerships that have been developed. To be effective, we need to be able to partner with the Department of Commerce and we ask that you remove Section 15 from Engrossed HB 1019, language that was added to the original HB 1020, to exclude the Department of Commerce from partnering with the New Economy Initiative. We do not believe that this is the message you want to send to the private sector, which has invested more than $500,000 and countless hours of volunteer time into this initiative. The private sector is engaged in developing solutions to our state's challenges, and we stand ready to help the Legislature and state leaders in any way.

Today we ask for your support for the New Economy Initiative, by passing HB1019 in its original form.

Reierson testimony in support of HB 1019.

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Exhibit 13

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA

PO BOX 2639 • 2000 SCHAFER STREET • BISMARCK, NORTH DAKOTA 58502

To: Senate Appropriation Committee

From: Jim Melland, President
Economic Development Association of North Dakota

Date: March 11, 2003

Re: Testimony on HB 1019

Mr. Chairman and Honorable Members of the Committee:

The Economic Development Association of North Dakota has over 100 economic development professionals representing nearly 50 organizations in our state. Our membership is dedicated to assisting businesses to locate in North Dakota or expand existing operations in our state, thereby creating new career opportunities and enhancing our state's economic base. Two years ago, we stood before you asking you to create a new Department of Commerce to coordinate these efforts and others on a statewide basis. Today we are here to thank you for providing that legislation and to tell you that it is working.

Today there is a new level of trust and cooperation between local development professionals in our organization and our state counterparts that did not exist before. Department of Commerce staff is doing a good job of clearly identifying and implementing their role in our state's economic development efforts. More importantly, they have initiated communication with individual local developers to discuss statewide activities and ensure that those activities meet the needs at the local and regional levels. This new level of communication has become a two-way street, with local developers now initiating conversations concerning their projects and needs. The Department of Commerce Division directors meet at least quarterly with our organization's board of directors to sustain this greater trust and open dialog. In my fourteen years as a member of our organization, I have never seen such uniform cooperation between us.

It is important to our state to keep moving forward in this new spirit of cooperation. In general, we support the original bill as presented by the Governor. Recognizing that yc face difficult decisions to retain our heritage of fiscal prudence, we suggest that the investment in economic development programs is the investment in the future of our state and, as such, requires continued financial commitment. While the entire original appropriation is important to us, there are three areas that are priorities and have unanimous support.

First, Section 6 places fiscal and administrative responsibility for all workforce development and training under the Department of commerce. Many of these programs have little or nothing to do with economic development. All of these programs are housed in other existing agencies that have funding for administering the programs and experienced personnel to do so. Specifically,

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the funds for the Workforce Quadrants training contracts should be reinstated with the Board for Vocational and Technical Education. The Work Force 2000 training grants should be reinstated with Job Service North Dakota, the appropriation increased by $1,000,000 to its original $2,000,000 level, and the requirement that only new businesses may qualify for the training grants should be dropped. It is true in economic development that most new employment creation comes through the expansion of existing businesses. Having these training funds available for existing businesses creating new positions provides our North Dakota workforce with new skills for higher-paying positions.

Secondly, the North Dakota Development Fund has done an excellent job in managing its existing investment portfolio and making new investments. It has done so well, that the fund entered the session with no request for new funding, having confidence that new investment opportunities could be funded through the existing pool of loans being repaid. The Development Fund, however, did request $400,000 for operating expenses over the biennium. The amended bill deletes this funding, forcing the Development Fund cover their operating costs from the investment fund pool which is allowed under Section 9. This makes little sense to local developers. The Development Fund is an important tool for all communities in our state. We highly recommend reinstating their operating expenses to assure the entire investment fund is available for new economic development projects.

Finally, operating expenses of the research, business development, and marketing programs in the Division of Economic Development & Finance have been reduced by $200,000. These are the heart of the new business location program. The marketing program and the business development staff all identify and convince growing companies that North Dakota is a great place for their next expansion. The research department helps that effort in targeting industries and in performing due diligence on potential companies considering expansion in North Dakota. Local developers have been consistently invited and have taken many opportunities to participate with the state in these efforts. It is a tremendous way to leverage our local marketing funds with the state's efforts. Continuation of this level of funding is vital to our growth.

In closing, please accept my personal gratitude for the sacrifice each of you make to serve our state. There is no doubt that you each have a deep commitment to our state's future and the well-being of our citizens. Thank you for accepting this difficult task. Thank you for your consideration of this testimony.

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SARA OTTE COLEMAN – DIVISION OF TOURISM

Mr. Chairman and members of the committee, I am Sara Otte Coleman, Director of Tourism Division of the Department of Commerce.

The mission of the North Dakota Tourism Division is to create new wealth for North Dakotans by using a targeted marketing plan to attract in-state and out-of-state visitors. In doing this, Tourism is making North Dakota a good place to live, work, do business and play.

Tourism is big business:

- In the U.S. $537.2 billion direct travel expenditures in 2000.
- $936 more tax dollars would be paid by each U.S. household without the tax generated by tourism.

What does tourism mean to North Dakota?

- According to a study by NDSU Agribusiness, tourism is the second largest industry in North Dakota (only slightly behind agriculture).
- Contributed $2.8 billion to the state's economy by out-of-state travelers in 2000.
- Makes up 28 percent of the state's economic base.
- Employed 22,400 North Dakotans across the state.
- Generated $139.9 million in tax revenue due to out-of-state visitors' expenditures.
- Is the fastest growing industry in North Dakota with a growth rate of 5.7% from 1999 to 2000 and over 500% since 1990.

It is the responsibility of the Tourism Division to provide a strong return on investment with the dollars that we spend in our promotional efforts. In order to best develop a strategic plan to accomplish that, we engaged in extensive research. Through this research investment we:

- Identified North Dakota's image as a travel destination, North Dakota's image versus competitors, and investigated North Dakota's tourism product.
- Identified the most lucrative travel segment, primary target audience, travel motivators and compelling message to make North Dakota a destination of choice.
- Used research to develop brand positioning of North Dakota as a destination and new identity: North Dakota Legendary.
- Used research to develop marketing strategies to raise awareness of North Dakota's travel offerings and increase intent to travel.
- Used research to develop a creative ad campaign and promotional tools.
- Returned to market after campaign to measure effectiveness demonstrating positive results.

Legendary Campaign:

If one word can capture the essence of North Dakota's role in our nation's history it is: Legendary. We are not just a place of plaques and landmarks, but of legends and the stories we tell about them...Lewis and Clark, Sakakawea, Sitting Bull, Teddy Roosevelt and Custer.

North Dakota has a rich culture and heritage on a backdrop of scenic beauty with fun things to see and do throughout the state.

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Show Video of TV ads

Program areas:

Lewis & Clark:

Fifty eight people, including 18 from Three Affiliated Tribes, are departing to Monticello, Virginia, today. This is the first Lewis & Clark Bicentennial Signature Event and North Dakota is representing our role in this commemoration by having a booth to promote the travel experience and hosting a media event to capture attention of the press to tell North Dakota's unique story.

With additional appropriation in this biennium, we were able to allocate staff for the program:

- Printed 95,000 North Dakota Lewis & Clark Trail Guides.
- Implemented North Dakota Lewis & Clark Interpretive Signage Strategy. Grant program allowed for 40 new signs along the trail.
- Developed a North Dakota Lewis & Clark Hospitality Training program in partnership with Bismarck State College, Williston State College and the North Dakota State College of Science at Wahpeton.
- Developed a merchandising program to help raise funds for Lewis & Clark events.
- Provided start-up funding for North Dakota's two signature events ($10,000).
- Created partnerships to develop and publish a motorcycle brochure/map and golf trail brochure.
- Funded a Lewis and Clark coordinator staff position within the Tourism Division. Rachel Retterath serves as North Dakota's representative on several national boards including the National Ad Council and Council of State Advisors.
- Spent $390,521 on media advertising featuring Lewis and Clark and Sakakawea.
- Developed an aggressive public relations program that includes hosting domestic and international media representatives.

Diane Oster, owner, Missouri River Lodge along the L&C Trail in Stanton and Dave Borlaug, President, North Dakota Lewis and Clark Bicentennial Foundation, Washburn will present testimony on our behalf at this point.

Group Tour Market:

- Increased interest at national marketplaces: both personal travel experience and Lewis & Clark.
- Developed a Two Nations vacation group tour offering in partnership with Minnesota, South Dakota and Manitoba.

Randy Hatzenbuhler, Executive Director, Theodore Roosevelt Medora Foundation will present testimony on our behalf at this point.

Outdoor Program:

- Continued sport show program by attending 17 shows in the last two years.
- Developing a focus on winter experiences to extend the North Dakota travel season -- snowmobiling, skiing, snowshoeing, etc.
- Promoting adventure tourism: Maah Daah Hey Trail, biking, hiking, birding, canoeing.

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Kyle Blanchfield, owner, Woodland Resort, Devils Lake will present testimony on our behalf at this point.

International Marketing:
There have been strategic changes since 1998 when tourism entered the international market. We now focus on Scandinavian markets and less on European markets that have not been performing as well.

As we speak, 10 tourism industry representatives from across North Dakota are returning from a successful show in Norway. These industry partners allow us to deliver specific product options to potential visitors and extend our message. They have a vested interest and are willing to invest in a growing return.

We are experiencing success in Scandinavia. North Dakota outpaced South Dakota in total international travel: $46.4 million in direct expenditure in North Dakota versus $40.1 in South Dakota and they entered the international market 10 years ahead of us.

Why International? International visitors:

- Spend five times the time and money as domestic visitors.
- Have on average five weeks mandated vacation and 16 paid holidays.
- Are interested in the Real America.
- Visit during shoulder seasons (fall and spring).
- Are well-educated and interested in our history and culture.
- Visit off-the-beaten-path rural areas.
- Seek green and open spaces—sometimes viewed as "detriments" (low populations, rural, access) to some U.S. markets.
- Create a great international image which in turn aids in our economic development efforts.

The value of the international media coverage, including television, North Dakota received in 2001 was valued at three times what our international program costs. Last year 49 articles appeared in international publications and two television specials reached 3.1 million viewers. So far in 2002 we have estimated $172,000 as the value of international press coverage – again exceeding our costs.

General Leisure: Touring Market Segment
Research demonstrated that the overnight out-of-state leisure touring market is the most lucrative market for North Dakota and where we can realize the strongest return on investment. To reach this market beyond our ad campaign and to extend the value of our marketing dollars, we have developed new marketing tools, employed an aggressive public relations program for earned media and developed partnerships to get the job done.

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New Marketing Tools:

- Developed new web site that uses current technologies for administration and linking capabilities.
- Developed three publications to fulfill travel information requests with a cost savings of $70,000 over the previous year's publication costs.
- Designed new booth displays for trade shows.
- Established a Matched Grant Program to help regional organizations with in-state promotional efforts.
- Established cooperative ad program to extend the reach of advertising dollars.

Public Relations efforts:

- Developed new media kit including compact discs with story ideas and photos.
- Hosted several writers.
- Proactive news release program to keep the public and industry informed.

Partnerships:

- Formed a partnership with the State Historical Society and Parks and Recreation Department to share the cost of research and the image brochure.
- Formed a partnership with the State Historical Society and Parks and Recreation Department to have a 2002 in-state summer campaign with a Tourism Division investment of $20,000 compared to $80,000 the previous year.
- Formed a public-private partnership with the Department of Transportation and Buttross Interactive to provide travel information kiosks in highway visitor centers at no cost to the Tourism Division.
- Formed a partnership with the Department of Transportation to provide travel brochure racks at designated highway visitor centers and a brochure distribution system at no cost to Tourism Division.
- Formed a partnership with the Department of Transportation to improve tourism signage policy and to develop the back of the state highway map as a statewide tourism marketing tool.
- Formed a partnership with the NDSU Extension Service, Center for Technology, and our Economic Development & Finance Division to conduct marketing workshops in rural communities across the state.
- Formed a partnership with Community Services Division to provide strategic planning for rural communities wanting to develop their tourism potential.

Results

In the beginning of this testimony, we mentioned that Tourism's mission is to create new wealth for North Dakotans. With our new branding and ad campaign, we have seen positive results.

We held our own feet to the fire and went back into our markets to measure results of our ad campaign and to do accountability research. To quote the preliminary report:

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"Based on preliminary findings, it is clear that the strategic campaign is on strategy, resonating with potential visitors, and yielding positive results." Based on our media markets:

- Strong level of ad awareness given limited budget
- 3 million travelers are aware of our advertising (43%)
- Increased overall appeal of North Dakota as a destination
  - "People would enjoy visiting"
- Positive impacts: both short-term conversions and future intentions
  - 286,450 trips were taken in 2002 as a direct result of our advertising.
  - These trips generated $29.2 million in incremental travel spending as a direct result of these ads.
  - 87,900 trips planned so far for 2003 due to 2002 advertising.

North Dakota's campaign effectiveness versus other states with similar budgets ranked 2nd out of six. We generated .73 trips for every dollar we spent on advertising. For every dollar we spent in media advertising, we received a return of $75 on that investment.

John Staley, Board President, Greater Grand Forks Convention and Visitors Bureau will present testimony on our behalf at this point.

Here's what that return means at local levels:

Lodging taxes collected:

- Minot - up 8%
- Devils Lake - up 7%
- Fargo - up 6.5%
- Bismarck-Mandan - up 6%
- Grand Forks - up 3%
- Dickinson - up 5.7%
- Medora - up 3%

Bryan Schultz, Marketing Director, Fargo/Moorhead Convention and Visitors Bureau will provide testimony on our behalf at this point.

Visitation numbers:

- Fort Union - up 10%
- State parks up 9% - the highest since 1995
- Fort Totten - up 7.5%
- Lewis and Clark Interpretive Center - up 6%
- Theodore Roosevelt National Park - up 4.5% with 359,000 visitors
- Medora musical attendance - up 4% with 111,000 people
- North Dakota Heritage Center - up 3%
- 10,000 more visited the Peace Garden - the highest in five year

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Entrepreneurs:

- Lynn and Holly Dewhirst, ranchers near Grassy Butte, developed Lone Butte Ranch cabin stays five years ago to diversify their income. Last year their business increased 25%.
- Curt Brown in Valley City owns Another Time Café. Last year he added Another Time Guest Cottage. He depends on the touring market segment to be successful. His business has increased to the point that he quit his job at the Chamber to run his tourism businesses full time.
- Jim and Diane Yri who farm near Devils Lake struggle with farming. Needing to diversify their income, last summer they moved cabins onto their farmland. The cabins were barely on foundations when they had their first customers and a successful busy summer.

Budget Overview

As requested the Tourism Division came in with a 95% budget. These cuts included major program cuts in travel, paid media, design and placement, printing and general administration. We are pleased that the Governor's recommendations restored those dollars so we can continue to grow North Dakota tourism by increasing the tourism dollars spent here. Our plans are to invest those dollars into established marketing programs that will continue to produce a strong return on the state's investment.

Conclusion

We need to keep the momentum going. We have shown growth and a measurable return on your investment. Tourism is an economic engine for the state's economy. We know that the tourism industry has the ability to affect all areas of North Dakota.

What is important to know is that there is a strong correlation between where people want to visit and where they want to live and work. We have demonstrated that our Tourism ad campaign brought new people to North Dakota. We are succeeding and will continue to do so with your support. People learned about the terrific travel experiences we offer and what a great place our state is to work and play.

Thank you for your interest in Tourism and your past support.

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HB 1019

39545

Prepared by the North Dakota Legislative Council staff for House Appropriations - Government Operations

January 2003

LEWIS AND CLARK BICENTENNIAL FUNDING

The 2003-05 executive budget recommendation includes $3 million, of which $2.4 million is from the general fund for Lewis and Clark Bicentennial activities and projects. The 2001 Legislative Assembly appropriated $3.3 million, all of which was from the general fund for Lewis and Clark Bicentennial activities and projects for the 2001-03 biennium. Funding recommended for each agency for the 2003-05 biennium includes:

1. $853,147 from the general fund for the Tourism Division of the Department of Commerce for marketing and promoting Lewis and Clark Bicentennial activities in North Dakota.
2. $1,025,295 from the general fund for the Historical Society for the Double Ditch Field School, programming, and marketing for Lewis and Clark Bicentennial initiatives.
3. $183,750 from the general fund for the Council on the Arts for grants and other costs relating to Lewis and Clark Bicentennial activities.
4. $971,486, of which $321,486 is from the general fund for the Parks and Recreation Department for capital projects at state parks and other costs associated with Lewis and Clark Bicentennial activities.

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Testimony HB1019

House Appropriations Committee/Government Operations Division
Budget Hearing, Monday, January 13, 2003
HB 1019 Department of Commerce
Testimony of David Borlaug, President, North Dakota Lewis & Clark Bicentennial Foundation

Mr. Chairman and Committee Members, the North Dakota Lewis & Clark Bicentennial Foundation is pleased to support the Governor's budget request for the Commerce Department's Tourism Division. In particular, we are pleased with the continuation of Lewis & Clark enhancements, now that the Bicentennial is upon us, and extending through 2006.

Our Foundation has worked closely with Commerce and Tourism, through the special public-private partnerships that we enjoy here in North Dakota. In particular, I can tell you first-hand of the success of Commerce/Tourism joint events, such as the recent dinner in St. Paul, MN. A large group of influential business people were treated to a special evening, hosted by the Governor and Commerce Director Lee Peterson. The theme for the evening was Lewis & Clark, and our Foundation was there, working with the Tourism Division, to tell the story of Lewis & Clark and hand out special Bicentennial gifts. The reaction was entirely positive, and we are already working on future joint events.

It's time for North Dakota to sell itself to the world, and Tourism, residing within Commerce, is now positioned to do just that, with the Lewis & Clark Bicentennial. This past year at Fort Mandan, following an intense year of improvements, including bringing the Fort to life with year-around living history programming and the construction of a $1 million Visitor Services Center, visitation increased 80 percent!

Our Foundation is seeking legislative appropriations through the State Historical Society budget of $500,000 in additional Lewis & Clark enhancements. Of this amount, $300,000 will be allocated to the Fort Abraham Lincoln Foundation, for the National Signature Event in October of 2004. The remaining amount will go to our Foundation to ensure that Fort Mandan and the Interpretive Center, North Dakota's premier Lewis & Clark attractions, are providing a world-class visitor experience. Our sites have been designated by the North Dakota Legislature as North Dakota's Official Lewis & Clark Bicentennial Project.

Thank you for your consideration of the Tourism budget, and we look forward to working with you throughout the session.

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testimony -
House Bill 1019

WOODLAND
RESORT

1012 Woodland Dr. • Devils Lake, ND 58301
Phone (701) 662-5996

Appropriations Committee

Monday, January 11, 2003

Committee Members:

My name is Kyle Blanchfield and I, along with my wife, own and operate Woodland Resort, a lakeside resort on Devils Lake. I am here today to reinforce the importance of tourism in regards to our business and to the State in general. I hope after today's testimony you will understand and appreciate tourism as a dynamic catalyst for today's economy and an important opportunity for the future.

Our business had the traditional ma and pa beginnings. In 1988 we started with a small campground, 4 cabins, and a cozy restaurant tucked underneath my parents home. We started the business due to the countless calls for facilities on the now world class fishery. Our dream was earned by hard work and lots of sweat equity. Those simple beginnings were fostered by the marketing of the Department of Tourism.

Tourism is often difficult to understand. This market and industry is not always a tangible thing you see or notice, with the exeception of license plates and accents spoken at the local store. In our beginnings we had very little understanding of our market or the potential for folks traveling hundreds of miles to visit our area and resort. The Department of Tourism helped us by aggressively marketing to out of state fisherman, attending sportshows, producing publications promoting the outdoor opportunities for sportsmen and families. Our business had the chance to work markets that were inaccessible to a small business with a limited budget. Tourism assisted us in developing our own marketing game plan. As a community, Devils Lake flourishes from tourism drawing fisherman, hunters, bird watchers, outdoor enthusiasts, boaters, and winter sportspeople. Most of these markets were established through efforts of the Department of Tourism.

Today our business has over 135 campsites, 27 lodging units, a 7,000 square foot restaurant and campstore, boat and pontoon rentals, full service marina and year around guide services. We offer specialized packages for hunting, summer angling, winter icefishing, and other custom built packages for everything from family reunions to

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corporate retreats. When we started we were the only resort on the lake, today Devils Lake has 6 year round resort facilities.

Tourism equals jobs. When we started we had 2 employees, today we hire at least 30 full time equlivant positions year round and employ over 100 people throughout the year.

Tourism equals State sales tax. In 2002 our resort and restaurant will contribute over $47,000 in state sales tax. Much of this was created from the new wealth from out-of-state guests.

Tourism equals new opportunities to the residents of North Dakota. Tourism takes commitment from state, local, and private sources. As a team we can further job creation and new wealth for the State of North Dakota.

I urge you to continue to invest in our Tourism industry. Dollars invested equals jobs and new business creations. Our resort is a perfect example. We have been able to grow with the assistance of the Department of Tourism. We should be proud of the work the North Dakota Department of Tourism has done thus far, making North Dakota a destination that people from across the country want to visit. With a little work and commitment North Dakota's future can be filled with success stories like ours.

Thank you for you time.

Kyle Blachfield
Woodland Resort
Devils Lake, ND

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Diane Oster
Missouri River Lodge
140 42nd Ave. NW
Stanton, ND 58571

Testimony
HB1019

January 13, 2003

Good morning Ladies and gentlemen. My name is Diane Oster. My husband, Orville, and I remodeled our home in 1999 and opened a bed & breakfast, called Missouri River Lodge, on our 2,000 acre working ranch which is located along the Missouri River, surrounded by badland formations and only 9 miles north of the Knife River Indian Villages, NHS at Stanton, ND. We opened for business June, 2000 with 7 complete bedrooms, 10 miles of trails to hike or bike with historical sites including a George Catlin site, woodland Indian village site, a Turf Cut Turtle Effigy site, and a bald eagle nesting area.

The decision of a bed and breakfast began as an idea to diversify from ranching and to hopefully contribute monetarily to the ranch. We knew we had a lot to contribute to the Lewis & Clark Bicentennial, which was coming up in 5 years, and realized that we might be able to enhance North Dakota with lodging and share our own historical sites that we have right on the ranch for the Lewis & Clark events. Because we have miles of frontage on the Missouri River, we started researching the Lewis & Clark Journals and mappings of the actual route of Lewis & Clark. We found that the first island referred to in these references is the river bottom we now farm, and is approximately 5 miles above the Hidatsa V"lage where Sakakawea lived, and is also the furthest distance traveled by the Lewis & Clark Expedition in 1804 before building Fort Mandan.

We built our own website and connected to various entities to link to our web site. One of the requests was to the North Dakota Tourism web site. According to our Hit meter on our web site 47% have linked to our web site for information on lodging and an additional 2% for birding information from the North Dakota Tourism site for a total of 49%. Now this does not mean that 49% of our guests have come from the North Dakota Tourism web site, but that there is a request for lodging and birding information for our area in North Dakota.

In the year 2001 we noticed that a considerable amount of visitors to our lodge were coming early to the area with Lewis & Clark interests, hoping to view the area before the heavy traffic of the bicentennial. A lot of our guests commented that the requests for the North Dakota Tourism Guide were quick to their delivery, and how thorough the information in the guide helped them with their travels in our state. We are located close to the Knife River Indian Villages, NHS; Lewis & Clark Interpretive Center; Fort Mandan replica; and Fort Clark which along with our own historical sites, has given our facility considerable attention.

I feel that the Lewis & Clark Bicentennial is a chance for North Dakota to accelerate the knowledge and beauty of our state to a world of travelers which appears to be unknown to most. A comment of a large percentage of our guests is "We had no idea that North Dakota had such beautiful areas, and that the people are so courteous and genuinely kind".

We are looking forward to the next few years to a business that will encourage Lewis & Clark travelers to stop and stay awhile in North Dakota and capture the legendary history that our area is fortunate to embrace.

Signed
Diane Oster

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10/30/03
Date

Testimony HB 1019

TESTIMONY

To

THE HOUSE GOVERNMENT OPERATIONS DIVISISION

For

THE NORTH DAKOTA TOURISM DIVISION

By

JOHN STALEY

Board Chairman

Of

The Greater Grand Forks Convention and Visitors Bureau

January 13, 2003

I urge the committee to support the 2004-2005 fiscal year budget request of the North Dakota Tourism Division. I view the investment made in tourism as a method of reviving the state's economy.

Unfortunately, we are at a time and place in our state's history (in comparison with all other states in the union) where we are losing population and economic base at a dramatic pace. In North Dakota, K-12 enrollment declines are expected to top 3 percent annually for the foreseeable future. This equates to an overall loss of over one-fifth of the current student body within ten years. (Rathge, 2002)

Why are young people leaving? In a recent survey conducted by the Fargo Forum the most often cited reason (29%) was the lack of employment opportunities. As a comparison, the second most often cited reason was health at 15%. The issue is simply, the economy. The technological advances in agriculture has doubled the per acre productivity of those working the land over the last century of statehood. Unfortunately, North Dakota has not developed other forms of employment that pay well enough to hold our young people.

To prosper, North Dakota will need to develop a diverse economy that includes a variety of industries. One very promising industry is tourism. Leisure travel makes up approximately 46% of our American business and 89% of our Canadian business. In

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year 2000, out-of-state visitors brought $2,829.7 million into North Dakota's economy, and that was up 5.71% from the year before. (F.L. Leistritz & R.C. Coom, Dept. of Agribusiness & Applied Economics, NDSU) At the Marketplace of Ideas workshop, that is held every year in North Dakota, a variety of success stories of rural investment holdings being converted from agriculture to tourist enterprises (such as hunting and fishing resorts) are reported.

We are finding, however, that while we have valuable attractions in our state, outsiders are unaware of them, causing us to loose a great deal of business. While the North Dakota Tourism Division recently launched an out-of-state marketing campaign funded at $500,000, adjacent states are spending $2,000,000, plus. In my opinion we are simply not doing enough to; "spend a dime to make a dollar."

In a travel survey recently conducted in Grand Forks, we found that once tourists found what we had to offer, they were excited to return. (Eight-eight percent (88%) of Canadians and 70% Americans stated that they returned to Grand Forks for rest and relaxation.) The "conversion rate", however, was too high at 59.58% compared to other tourist locations, meaning not enough outreach was being done to cash in on our existing attractions. (Randall Travel Marketing, Inc., 2002) The researchers went on to conclude that we need to grow the number of potential visitors who otherwise indicate they enjoyed the amenities (restaurants, shopping, beautiful parks in the downtown, sports, arts, and even antique shopping, etc.) that Grand Forks had to offer. I imagine that other parts of the state are also lacking in communicating the tourist potential of their communities.

It seems to me the role the state tourism division can play in forwarding North Dakota's economy is very important. Programs in the department should be of two kinds. First, as discussed before, they need a healthy budget to attract tourist to our state so the local communities can further attract them to their specific attractions. Second, the division can assist local communities in their effort to organize and build their local tourist programs. If the many communities in North Dakota collectively build their local economies, the state's economy as a whole will improve.

Over the last year I am pleased to report that the tourism division provided our community with assistance to improve our tourist economy. Last January when we were reorganizing our convention and visitors bureau, Deputy Director Joanne Olson made several trips to meet with our board and assist with some very crucial policy decisions. The advantage of her experience with other convention and visitor bureaus around the state was very helpful. Later in the spring the department held it's "spotlight on tourism" in Grand Forks, which helped bring media attention to highlight the value of our tourist attractions. This last fall, the division provided a much needed grant for our First Night Festival.

Finally, the advance that we are most proud of is the Sister City program that Grand Forks teamed with the community of Dickinson. The goal of the program was to highlight the tourist potential in both communities. A busload of Grand Forks community

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leaders visited the Dickinson – Medora area in August, which will be followed with a busload of Dickinson community leaders visiting Grand Forks attractions this spring. The state tourism division assisted with this project as well.

In summation, our state's economy needs diversifying if we are going to hold our young people. The role of the state tourism division is very important in developing this promising economy by attracting out-of-state tourist and providing resources to the local communities so they can collectively build their own programs. Funding the North Dakota Tourism Division should be considered an investment rather than an expense.

Thank you for your consideration.

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10/30/03
Date

BILLINGS COUNTY EMERGENCY MANAGEMENT
Hallie Lavelle, Coordinator
PO Box 247
Medora ND 58645-0247

January 24, 2003

HB 1019

Dear Representative Wald

Billings County is host to the greater portion of the popular Maah Daah Hey Trail and is the major tourist destination for visitors to North Dakota. While the majority of visitors do not need county assistance for a search & rescue effort, those who do cost the county thousands of dollars annually in man hours, equipment and overtime. There is presently no policy for reimbursement to the county from the ND Parks & Recreation Dept, the Forest Service, or the Commerce Department.

The following Billings County departments urge you to vote Yes for the amendment to the Commerce Department Tourism Budget for a Visitor Rescue Fund:

- Rural Fire Protection District - Don Heiser, Chief
  Station's #1, #2, #3
- Sheriff's Department - Dave Jurgens, Sheriff
- Emergency Management - Hallie Lavelle, Coordinator
- Medora City Fire Department - John Hild, Chief
- County Commission - Jerry Redmond, Chair
- City/County Ambulance - Jason Kastrow, Squad Leader
- Medora Police Department - Bob Roggenbuck, Chief
- Technology Department - Lynn Arthaud, Director

Several sheets of signatures attached - we just kept one

Office: 701-623-4876 Fax: 701-623-4761 e-mail: emerg@midstate.net

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Billings County bears the financial burden of search and rescue efforts on the Maah Daah Hey trail without reimbursement from either of the two main project founders; the Forest Service and the ND Parks & Recreation. The proposed Visitor Rescue Fund amendment to House Bill 1019 would provide help with the funding of emergencies involving visitors to the Badlands and Lewis & Clark Centennial visitors. We strongly support the Visitor Rescue Fund amendment and urge our legislators to vote in favor of passage.

Name	Department/Agency	Address
Dennis Hardy	Medora Volunteer Fire Dept.	12175 HWY 10 W. South Heart, N. DAK. 58655
Neil Bullinger	Medora Volunteer Fire Dept	Box 303 Medora ND 58645
Jim Lohnes	Medora VFD	PO Box 131 Medora ND 58645
Alan Hetty	MEDORA VFD	PO BOX 124 MEDORA ND 58645
Randy Dentsch	Billings County Rural Fire Protection District	PO Box 437 Medora, ND 58645
Matthew W. Cook	Billings County Rural Fire Protection District	P.O. Box 352 Medora, ND 58645
Jason Kastner	Billings County Rural Fire Dept.	Box 242 medora ND 58645
Tim Solberg	Billings Co. Rural Fire Dept	Box 151 Belfield ND 58622
Dave P. Gordon	BCRFD	3727 Hwy 85 SE. Belfield
Larry Tennis	BCRFD	Box 946 Belfield
Tom Tennis	BCRFD	4249 Hwy 85 South Belfield
Kevin Hunt	BVFD	407 8th St SW Belfield
Ryan Hafele	BVFD	Box 938 Belfield
Ken Solberg	Belfield Vol. Fire Dept	Box 95 Belfield, N.D.
Thomas L Stehr	Belfield Vol Fire Dept	Box 386 Belfield
Lee Roy Keller	Belfield, City of.	Box 682 Belfield
Ed Keller	Belfield	Box 241 Belfield
Cooper Bogar	Belfield	Box 990 Belfield
Roger Seiler	Belfield	Box 562 Belfield
Ed Rau	Belfield	Box 547 Belfield ND
Dave Rubischko	Belfield	Box 414 Belfield N.D
Jerry Redmond	B County	Box 771 Belfield N.D.

Dated at Medora January 14, 2003

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January 23, 2003

To: House Appropriations Committee
Government Operations Division

Re: Amendment to House Bill 1019

I support the passage of HB 1019 with the amendment pertaining to the Visitor Rescue Fund. At present, our county absorbs the full impact of expenses for all search and rescue efforts; most of which are associated with the Maah Daah Hey Trail. The main Trail project founders, the Forest Service and the ND Parks & Recreation do not reimburse the county for these expenses, which involve volunteer man hours, equipment and overtime for county employees.

Signed, Allan Richard

Address Box 783

Belfield N.D. 58622

Many of same sheet with different signatures turned in - we just kept one sample

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Bryan K. Schulz Testimony
Fargo-Moorhead Convention & Visitors Bureau

Mr. Chairman and members of the committee, my name is Bryan Schulz and I am the Director of Marketing for the Fargo-Moorhead Convention & Visitors Bureau. And I am in favor of House Bill 1019.

In the past year and a half I have had the opportunity to work very closely with North Dakota Tourism on several projects including the North Dakota Tourism Conference that was held in Fargo in 2002, the matching grant program and being able to give input into their marketing efforts.

I believe the marketing efforts that North Dakota Tourism has made over the past year have assisted in the 6.5% increase in lodging taxes collected in the Fargo-Moorhead area. These additional dollars allow us to become even a bigger player in the promotion of our region area and North Dakota as a whole.

I also believe that the joint advertising opportunities that have been created will allow CVB, attractions and lodging facilities to be in the forefront along with the states advertising.

We are taking advantage of this joint opportunity by advertising with the state in three publications.

Fargo is the Gateway to North Dakota and the more that we can work together as a team, the more prosperous we will all become.

Thank you

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Exhibit 5

DIVISION OF TOURISM
SARA OTTE COLEMAN, DIRECTOR

The mission of the North Dakota Tourism Division is to create new wealth for North Dakotans by using a targeted marketing plan to attract in-state and out-of-state visitors. In doing this, Tourism is making North Dakota a good place to live, work, do business and play.

It is the responsibility of the Tourism Division to provide a strong return on investment with the dollars that we spend in our promotional efforts. In order to best develop a strategic plan to accomplish that, we engaged in extensive research. Through this research investment we:

- Identified North Dakota's image as a travel destination, North Dakota's image versus competitors, and investigated North Dakota's tourism product.
- Identified the most lucrative travel segment, primary target audience, travel motivators and compelling message to make North Dakota a destination of choice.
- Used research to develop brand positioning of North Dakota as a destination and new identity: North Dakota Legendary.
- Used research to develop marketing strategies to raise awareness of North Dakota's travel offerings and increase intent to travel.
- Used research to develop a creative ad campaign and promotional tools.
- Returned to market after campaign to measure effectiveness demonstrating positive results.

Legendary Campaign:

If one word can capture the essence of North Dakota's role in our nation's history it is: Legendary. Our North Dakota legends set us apart from our regional competitors. We can offer Legendary travel experiences across North Dakota. From the research, we developed our positioning strategy: North Dakota has a rich culture and heritage on a backdrop of scenic beauty with fun things to see and do throughout the state. All of our advertising supports that positioning strategy.

Program areas:

<u>Lewis & Clark:</u>
With additional appropriation in this biennium, we were able to allocate staff for the program:

- Printed 95,000 North Dakota Lewis & Clark Trail Guides.
- Implemented North Dakota Lewis & Clark Interpretive Signage Strategy.
- Developed a North Dakota Lewis & Clark Hospitality Training program.
- Developed a merchandising program to help raise funds for Lewis & Clark events.
- Created partnerships to develop and publish a motorcycle brochure/map and golf trail brochure.
- Funded a Lewis and Clark coordinator staff position within the Tourism Division.
- Spent $390,521 on media advertising featuring Lewis and Clark and Sakakawea.
- Developed an aggressive public relations program that includes hosting media representatives.

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Group Tour Market:

- Increased interest at national marketplaces.
- Continued development of statewide itineraries.
- Developed a Two Nations vacation group tour offering.
- Hosted FAM tour for qualified group tour operators.

Outdoor Program:

- Sport show program included attending 17 shows.
- Developing a focus on winter experiences to extend the North Dakota travel season.
- Promoting adventure tourism: Biking, hiking, birding, canoeing.
- Assist development of more nature-based tourism offerings.
- Sponsorship/advertising package with Tony Dean Outdoors.

International Marketing:

- We now focus on Scandinavian markets and less on European markets, due to the success we are experiencing there.
- North Dakota outpaced South Dakota in total international travel: $46.4 million in direct expenditure in North Dakota versus $40.1 in South Dakota and they entered the international market 14 years ahead of us.
- The value of the international media coverage, including television, North Dakota received in 2001 was valued at three times what our international program costs.
- Attend trade shows.
- Host media and trade brokers.

General Leisure: Touring Market Segment

Research demonstrated that the overnight out-of-state leisure touring market is the most lucrative market for North Dakota and where we can realize the strongest return on investment. To reach this market beyond our ad campaign and to extend the value of our marketing dollars, we have developed new marketing tools, employed an aggressive public relations program for earned media and developed partnerships to get the job done.

New Marketing Tools:

- Developed new web site.
- Developed three publications to fulfill travel information requests with a cost savings of $70,000 over the previous year's publication costs.
- Designed new booth displays for trade shows.
- Established a Matched Grant Program to help regional organizations.
- Established cooperative ad program.

Public Relations efforts:

- Developed new media kit including compact discs with story ideas and photos.
- Hosted several writers.
- Proactive news release program.

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Partnerships:

- Partnership with the State Historical Society and Parks and Recreation Department to share the cost of research and the image brochure.
- Partnership with the State Historical Society and Parks and Recreation Department to have a 2002 in-state summer campaign with a Tourism Division savings of $60,000 over the past year.
- Partnership with the Department of Transportation to provide travel brochure racks at highway visitor centers and a brochure distribution system at no cost to Tourism Division.
- Partnership with the Department of Transportation to improve tourism signage policy and to develop the back of the state highway map as a statewide tourism marketing tool.
- Partnership with the NDSU Extension Service, Center for Technology, and our Economic Development & Finance Division to conduct marketing workshops in rural communities across the state.
- Partnership with Community Services Division to provide strategic planning for rural communities wanting to develop their tourism potential.

Results

North Dakota's new branding and ad campaign has seen positive results.

We held our own feet to the fire and went back into our markets to measure results of our ad campaign and to do accountability research. The after campaign research measured the direct expenditures that resulted from our $393,000 2002 advertising buy.

- 3 million travelers are aware of our advertising (43%)
- Positive impacts:
  - 286,450 trips were taken in 2002 as a direct result of our advertising.
  - These trips generated $29.2 million in incremental travel spending as a direct result of these ads.
  - $1.8 million new tax dollars were generated for the State due to this campaign.
  - 87,900 trips planned so far for 2003 due to 2002 advertising.
  - For every dollar we spent in media advertising, we received a return of $75 on that investment.

This research was based on regional markets and does not include the trips generated by national cable TV ads or national magazine ads. Based on this research, we can expect that for every $500,000 we invest in image marketing for North Dakota, we will get a $37.5 million return within 8 months.

Local lodging taxes collected (up state-wide):

- Minot - up 8%
- Devils Lake - up 7%
- Fargo - up 6.5%
- Bismarck-Mandan - up 6%
- Grand Forks - up 3%
- Dickinson - up 5.7%
- Medora - up 3%

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Visitation numbers (strong increases for 2002):

- Fort Union - up 10%
- State parks up 9% - the highest since 1995
- Fort Totten - up 7.5%
- Lewis and Clark Interpretive Center - up 6%
- Theodore Roosevelt National Park - up 4.5% with 475,574 visitors
- Medora musical attendance - up 4% with 111,000 people
- North Dakota Heritage Center - up 3%
- 10,000 more visited the Peace Garden - the highest in five years

Conclusion

We have shown growth and a measurable return on your investment. Tourism is an economic engine for the state's economy. We know that the tourism industry has the ability to affect all areas of North Dakota.

There is also a strong correlation between where people want to visit and where they want to live and work. We have demonstrated that our Tourism ad campaign brought new people to North Dakota. People learned about the terrific travel experiences we offer and what a great place our state is to work and play.

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TOURISM DIVISION
DOC

ODNEY - HOURS - 2001

PROJ #	PROJECT NAME	DEC	NOV	OCT	SEPT	AUG	JULY	JUNE	MAY	TOTALS
1000	Acct Mgmt Time	17.75	23.75	19.00	26.25	28.50	17.25	20.50	136.25	289.25
3815	Motorcycle Brochure			19.00	49.25	22.25	17.25	34.00	41.50	183.25
4157	L&C Direct mail						12.75	9.75	10.25	32.75
4158	in-state print ad/state parks							20.25	12.75	33.00
4159	in-state print ad/outdoor/water							15.00	9.75	24.75
4165	in-state print ad/western/L&C								35.75	35.75
4166	in-state :60 radio/outdoor/parks							0.75	6.75	7.50
4167	in-state :60 radio/L&C/Western							1.00	5.75	6.75
4174	out-of-state :60 radio fishing							0.25	7.00	7.25
4175	Public Relations	41.25	43.50	55.75	49.25	84.25	167.50	122.50	141.50	705.50
4176	out-of-state print/western/l&c							0.75	39.75	40.50
4177	out-of-state :60 radio/western							0.50	7.75	8.25
4187	web site-vac guide mtg								4.50	4.50
4189	Research/Planning mtg		7.50	27.25		4.00			2.50	41.25
4192	L&C visual aids							0.50		0.50
4315	Logo & tag for ESPN2					2.50				2.50
4330	print ad for L&C tab in Tribune								21.25	21.25
4359	Biking/Hiking brochure					8.25	23.75	8.00		40.00
4360	Norw. Pub. Print ad				2.50	6.50	26.75	4.00		39.75
4364	Wooly Boys premier invite							1.50		1.50
4551	Revise radio scripts							6.00		6.00
4552	Special events mrktng/pr plan							7.00		7.00
4553	Revise history ad for REC							14.50		14.50
4555	State Fair PSA script						1.00	3.75		4.75
4556	Tony Dean web 2X2 ad				21.75	1.25	5.75	0.25		29.00
4557	Tony Dean full web ad			0.25	4.75	0.25	3.00	0.25		8.50
4558	Fishing TV ad				20.75	73.65	0.50	0.25		95.15
4559	L&C Brochure	47.00	35.75	39.50	39.75	65.00	12.00	0.50		239.50
4560	Minn Airport Signage		0.50	12.50	5.75	3.75	3.25	2.25		28.00
4565	More Dak Day Trips		3.25	94.25	61.25	5.00	3.25			167.00
4566	Rev. Sak ad for AAA				1.50	8.00	3.75			13.25
4567	2002-3 ND Map			0.25	84.00	23.00	0.50			112.75
4571	Rev TD fishing radio scr				1.75					1.75
4573	Travel Guide recomm				13.00					13.00
4574	Travel Guide cover design		39.50	5.25	11.75					56.50
4576	L&C Logo street banners		0.75				4.50			5.25
4579	Group travel print ad					41.50	0.75			42.25
4580	Group Travel direct mail	0.25	5.75	23.00	7.00	23.75	1.75			61.50
4581	L&C Golf Logo		11.25	15.50	18.75	2.00				47.50
4584	E-mail L&C photo file					1.25				1.25
4585	L&C ed video script edit			22.00	5.00	1.25				28.25
4588	Broadcast comp analysis			1.50	0.25	1.75				3.50
4589	ND Product moving sale ad				2.75	6.00				8.75
4590	Revise Group Travel Manual	35.50	3.75	0.75						40.00
4592	Riverboat Invitation				10.00					10.00
4658	Revise in-state "history" ad						2.50			2.50
4783	Norsk Hostfest banner recom.				11.50					11.50
4784	Est. for bandanas				0.50					0.50
4798	Minot Airport Signage			4.00						4.00
4799	Brand positioning recommend.		56.75	115.25						172.00
4800	More Dak Day Trips postcard			2.75						2.75
4809	Color logo for Wooly boys				2.50					2.50

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ODNEY - HOURS - 2001

PROJ #	PROJECT NAME	DEC	NOV	OCT	SEPT	AUG	JULY	JUNE	MAY	TOTALS
5110	Group Travel Print ad-Destinations			4.00						4.00
5112	Horizons magazine print ad			5.75						5.75
5114	Video cover design - L&C		0.25	13.75						14.00
5117	L&C lapel pin		2.50	3.25						5.75
5118	E-mail logo--world curling			1.75						1.75
5122	Advertising/Communications Plan	18.75	6.75	12.75						38.25
5123	Marketing Workshop meetings	0.50	1.75	0.25						2.50
5126	PDF of Minn Airport Signage		0.25							0.25
5186	Annual Travel Guide Fixing									-
5216	TV dubs for ESPN/Football game	2.50								2.50
5222	Save L&C logo	2.00								2.00
5268	L&C logo printouts		1.00							1.00
5269	Norwegian ad to Spl'n		3.50							3.50
5271	Map artwork from L&C trail guide		2.75							2.75
5273	Logo development	26.25	71.00							97.25
5274	Image campaign		2.00							2.00
5275	E-mail state map cover		2.50							2.50
5278	Revise Norwegian ad	2.25	7.50							9.75
5279	Mrktng wkshp postcard design	12.75	27.25							40.00
5281	E-mail ND Tourism logo		0.25							0.25
5313	EPS of Minn airport on PC		2.00							2.00
5315	Winter photography recom.									-
5316	American Heritage L&C print ad	17.75	1.75							19.50
5317	Web site design-home page/temp	9.00	2.00							11.00
5319	L&C golf brochure	9.00								9.00
5322	Annual Summary	8.25								8.25
5323	L&C planner print ad	10.00								0.00
5460	Image Television Ads									-
5461	$10 million for Tourism Plan									-
5462	USA Weekend Ad Copy									-
5463	L&C Video Fact Sheet									-
5464	L&C Video Brochure									-
5465	Friendly Exchange Print Ad									-
5466	Good Housekeeping Print Ad									-
5467	AAA Home & Away Print Ad									-
5468	Readers Digest Print ad									-
5469	American Heritage Print Ad									-
5470	Tourism Conference Postcard									-
										-
										-
		260.75	367.00	499.25	451.50	418.65	307.75	274.00	483.00	3,061.90

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TOURISM - DNEY HOURS - 2002

PROJ #	PROJECT NAME	OCT	SEPT	AUG	JULY	JUNE	MAY	APRIL	MAR	FEB	JAN	TOTALS
1000	Acct Mgmt Time	48	16.75	12.25	22.00	18.75	21.75	17.00	14.50	63.50	44.50	279.00
4175	Public Relations	54.75	66.25	73.25	70.50	42.75	125.00	75.75	59.50	265.00	29.50	862.25
4189	Research/Planning mtg										4.25	4.25
4590	Revise Group Travel Manual			2.75	0.25	0.50	5.00	4.75	14.50	6.25	33.50	67.50
4799	Brand positioning recommend.							0.25				0.25
5114	Video cover design - L&C							12.00	7.75		1.00	20.75
5122	Advertising/Communications Plan										1.50	1.50
5123	Marketing Workshop meetings							6.00		32.00	30.00	68.00
5188	Annual Travel Guide Fixing										7.00	7.00
5279	Mrktng wkshp postcard design										2.00	2.00
5315	Winter photography recom.										43.50	43.50
5317	Web site design-home page/temp										94.00	94.00
5319	L&C golf brochure									2.00	78.75	80.75
5322	Annual Summary									28.00	91.25	119.25
5323	L&C planner print ad									1.00	5.00	6.00
5460	Image Television Ads								1.25	270.00	112.25	383.50
5461	$10 million for Tourism Plan										10.75	10.75
5462	USA Weekend Ad Copy										5.25	5.25
5463	L&C Video Fact Sheet									1.00	1.50	2.50
5464	L&C Video Brochure							13.50	15.75	0.75	1.25	31.25
5465	Friendly Exchange Print Ad										10.50	10.50
5466	Good Housekeeping Print Ad										15.25	15.25
5467	AAA Home & Away Print Ad										31.75	31.75
5468	Readers Digest Print ad										29.50	29.50
5469	American Heritage Print Ad									10.25	1.50	11.75
5470	Tourism Conference Postcard									2.25	19.50	21.75
5732	TV ad web link							0.50	3.50			4.00
5749	Hunting/Fishing Guide Template	0.25		0.5				13.50				14.25
5750	Podium Sign - ND Legendary							1.75				1.75
5751	Podium Sign - Lewis & Clark							1.00				1.00
5752	Poster of L&C video brochure							2.25				2.25
5759	L&C Hospitality Training Print Ad							12.25				12.25
5789	L&C Hospitality Training Print ad							0.25				0.25
5790	ND Logos in all colors on CD			0.25				1.50				1.75
5797	Revise AAA Home & Away Print ad							1.00				1.00
5799	Mercury Awards Prep						21.75	0.75				22.50

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TOURISM - SYDNEY HOURS - 2002

PROJ #	PROJECT NAME	OCT	SEPT	AUG	JULY	JUNE	MAY	APRIL	MAR	FEB	JAN	TOTALS
5800	Print ad for Horizon Magazine							4.00				4.00
5804	Footage/Letter to Grand Prix Prod.						3.25	0.25				3.50
5806	LC Participants Manual Cover						6.50	0.50				7.00
5807	LC Facilitator Manual Cover						5.75	0.50				6.25
5952	Photography Recomm/Coordination	41.5	35.25	261.25	56.75	171.75	38.25	8.00				612.75
5956	Press Kit Recommendations				0.75	3.25	3.25					7.25
5958	TV Footage Recommendations					36.75	27.25					64.00
5961	Email "More Dakota Day Trips" cover						1.00					1.00
5970	Legendary Lapel pin recommendations					3.00						3.00
5971	Display booth recommendations booth	53.75	2.25	1.25	5.50	4.00						66.75
5973	Travel Guide Icon Design			0.25	1.75	19.75						21.75
5974	LC Banner Sign artwork on CD					3.50						3.50
5975	Lewis & Clark Poster				2.00	20.50						22.50
5979	LC Print ad - Friendly Exchange				9.25							9.25
6100	BETA for Good Morning America						1.50					1.50
6204	L&C Data for Website				2.50							2.50
6242	Email LC Hospitality Print Ad				2.25							2.25
6248	PDF of motorcycle map				0.50							0.50
6250	Cover of Facilitators Manual				3.50							3.50
6251	CD to K2 Interactive w/LC Artwork				3.00							3.00
6280	Branding/TV Preview mtgs								15.25			15.25
6281	Posters of print ad/Home & Away								8.00			8.00
6282	Logo/Brand banners/conference								4.75			4.75
6283	Apparel recommendations								7.50			7.50
6285	Curling Sponsorship print ad								3.00			3.00
6286	Branding PowerPoint template							0.50	7.75			8.25
6287	2003 Travel Guide TF mtg/recomd	10.25		0.75	0.75	1.00	3.75	6.25	6.50	7.25		36.50
6288	Dakota Day Trips on CD									2.75		2.75
6289	Print ads on CD									3.25		3.25
6290	Curling sponsorship signage									5.00		5.00
6291	Motorcycle map components on CD									6.75		6.75
6293	Golf brochure on CD								1.50			1.50
6294	Revise Lewis & Clark logo								4.25			4.25
6295	Television ad on DVD								0.50			0.50
6296	VHS dubs of TV spot								0.50			0.50
6299	Footage to USCS							0.25	1.00			1.25

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TOURISM - SYDNEY HOURS - 2002

PROJ #	PROJECT NAME	OCT	SEPT	AUG	JULY	JUNE	MAY	APRIL	MAR	FEB	JAN	TOTALS
6324	L&C-A ND Adventure Logo w/Bic. Tag							2.00				2.00
6390	Copy for Website Pages	0.25	14.00	15.25								29.50
6391	Cover Letter Template for Media Kit			0.75								0.75
6392	Design Envelope	5.75	0.25	0.75								6.75
6393	Story Pitches for Media Kit	2.00		0.75								2.75
6394	Gov. Letter for Travel Guide			11.00								11.00
6396	CD Label template for Media Kit	3.50		0.25								3.75
6397	Folder for Media Kit	17.75	0.25	3.00								21.00
6398	Content for Media Kit CD		0.25									0.25
6399	Email Legendary Logo to DOT			1.25								1.25
6400	Monticello Direct Mail to Media		0.75	4.00								4.75
6401	Email LC logo			0.25								0.25
6402	Resize Friendly Exch Ad for Horizons			2.25								2.25
6403	TV Ad storyboard			3.50								3.50
6408	2003 Planning	9.50	39.15	11.75								60.40
6409	PDF's of Amer Herit Ads/AAA tour			1.50								1.50
6411	Info. For Benchmark Research			4.50								4.50
6435	6X9 envelope w/return address									2.00		2.00
6436	Fulfillmnt/postage for annual summary									0.25		0.25
6437	E-mail logo to Newman for conf sign									1.00		1.00
6443	Categorize film footage/master dubs							7.75				7.75
6461	Print ad reprints/Home & Away									2.00		2.00
6462	Print ad reports/Good Housekeeping									2.00		2.00
6463	Logo/positioning printouts									1.25		1.25
6464	Media Kit CD			0.5						8.50		9.00
6465	Pullout TV scene printouts									2.00		2.00
6466	Media kit TV dubs									1.25		1.25
6467	Copies of Longwood Research									1.75		1.75
6468	Copies of Marketing/Media plan								2.50			2.50
6469	Copies of PowerPoint presentation									1.50		1.50
6470	L&C video brochure for conference									11.50		11.50
6471	Group Travel - Courier print ad								21.50			21.50
6472	Group Travel - LC Planner Print ad								24.00			24.00
6473	Two Nation Vacation Name Dev.							7.50	19.50			27.00
6474	Two Nation Vacation Logo Dev.			5.25		28.25	8.25		2.00			43.75
6475	ND logo standards guide							3.00	0.25			3.25

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TOURISM - SIDNEY HOURS - 2002

PROJ #	PROJECT NAME	OCT	SEPT	AUG	JULY	JUNE	MAY	APRIL	MAR	FEB	JAN	TOTALS
6476	7 second script - Sioux City								1.50			1.50
6477	2003 Travel Guide cover	5.75						24.00	0.75			30.50
6478	2003 Travel Guide intro/branding sect.	37.0	20.75	9.00	7.50	1.25	4.75	47.00	20.50			147.75
6479	2003 Travel Guide template for REC					4.25		13.75	0.75			18.75
6508	Redesign L&C Planning report cover	4.75										4.75
6786	Negs for 2003/4 Map		1.00									1.00
6827	Letter to Editor of Forum re: advertising	3.25										3.25
7091	LC Planning Report			3.50								3.50
7092	Monticello PR Recommendations	1.50		1.00			1.50					4.00
7095	Revise Fishing ad	3.75										3.75
7103	Golf Brochure estimate		4.50									4.50
7105	LC Print ad - AAA Tour book	18.75	27.75									46.50
7106	International Print Ad for Aftenposten	29.00	2.25									31.25
7110	Revise LC Banner - Stanton		1									1.00
7114	Web site Category photos	0.75										0.75
												-
												-
												-
		351.75	232.40	432.50	188.75	359.25	278.50	288.75	224.75	788.25	704.75	3,849.65

5958	Spotlight on Tourism			14.5	31.50	50.25	61.75					158.00

LEGISLATIVE COUNCIL REQUEST
Request Date: Thursday, Jan. 9, 2003
Delivery Date: Friday, Jan. 10, 2003

Request For: Department of Commerce, ED&F Division, Marketing Program
Contact: Tracy Metzger

REQUEST: How much of the marketing budget has been spent? On what? For example, how much money was spent on each specific event?

RESPONSE:

I. The total budget allocation for marketing economic development opportunities in North Dakota for the 2001-03 biennium is $1,225,937 in General Funds (this number was $1,260,937 before the mandatory turnback), and $110,500 in Special Funds. These are broken down as follows:

Salary:	$122,748
Operating:	$1,203,989
Equip	$9700

II. As of Dec. 31, 2002, $440,783 of General Fund and $83,300 of Special Fund expenses had been incurred. These are broken down as follows:

Salary:	$74,459
Operating:	$449,624

III. Operating expenses include:

A. Booth and Room Rental	$42,000*
B. Business Receptions	$170,000**
C. Contractual Services	$103,000***
D. Printing	$19,500
E. Promotional Supplies	$29,000
F. Travel	$30,000
G. Mailing Services	$13,000
H. Office Supplies	$7,500
I. Advertising Services	$25,500
J. Professional Development	$7,000
K. Miscellaneous	$3,100

IV. Explanation of operating expenses:

*A. Booth and Room Rental: This includes renting exhibit space at trade shows such as Power Gen International ($10,000); Northwest Food Processors Show ($4,500); National Manufacturing Week ($8,500); Corenet Global ($9,500 - two events, site selectors); Outsourcing World Summit ($5,000); and Supercomm ($4,500 - telecommunications).
**B. Business Receptions: This includes both general and special funds that were used to host out-of-state business events in Seattle, WA ($40,000); San Francisco, CA ($36,000); Minneapolis, MN (01/02 - $6,500); Orlando, FL ($3,500); Chicago, IL ($30,000); Salt Lake

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City, UT ($5,000); San Jose, CA ($7,500); Minneapolis, MN (07/02 - $10,000); St. Paul, MN ($25,000); and San Diego, CA ($6,500). Special Funds comprise $71,500 of this total.
***C. Contractual Services: This includes contracted services with vendors who provided communications ($10,000), graphic and design services ($25,000), video production ($50,000); client prospecting ($13,000); and third-party research ($5,000) to support marketing activities.

The remaining General Fund Operating budget of $727,165 is allocated in the following way:

A.	Booth and Room Rental	$35,000
B.	Business Receptions	$65,000
C.	Contractual Services	$360,000*
D-H.	See above	$12,500
I.	Advertising Services	$250,000**
J-K.	See above	$4,500

Explanation of allocated expenses:
*C. This includes previously mentioned services, as well as target market tax analyses, web site upgrades, national image campaign, and target market business and industry analyses.
**I. We plan to launch a marketing campaign in the Twin Cities, to include a variety of media.

RESULTS

One business location was originated from the November 2001 San Francisco business reception, in which $36,000 was spent from the Marketing budget.

Direct Response Technologies, Inc. has announced intentions to open an office in Beulah, ND. Employment is expected to be 10 initially, 30 by the second year and 100 in the third year. Wages will range from $25,000/yr. to $45,000/yr.

Impact Analysis
Based on the employment figures following through, we used our REMI impact model to analyze the state tax revenue this project will create in three years. An assumption was made that 25% of employment will be at $45,000/yr. and 75% at $25,000/yr.

At the end of three years of operation for Direct Response Technologies in Beulah, ND, it is estimated that the State of North Dakota will receive over $1.2 million in tax revenues from an original investment of $36,000 – over a 3000% return on investment.

The SEI Information Technology expansion in Grand Forks and the Remington Seed project in Mapleton are attributable to the Chicago reception. We also had a site visit from a technology company. While they weren't ready to expand, North Dakota will be given the opportunity to bid on the expansion.

In the past 18 months, over 1,500 contacts have been made from trade shows, direct calling events, dinner receptions, email and phone calls received at the office. From these contacts, several leads were made that have evolved into more than 100 projects with 67 Request for Proposals (RFP's) going to many North Dakota communities. These RFP's resulted in 21 different companies making site visits to 47 different communities.

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Exhibit 6

MARKETING PLAN AND PROMOTIONAL EFFORTS
SARA OTTE COLEMAN, DIRECTOR -- DIVISION OF TOURISM
LINDA BUTTS, DIRECTOR – DIVISION OF ECON DEV & FINANCE
TRACY METZGER, VP OF MARKETING – DIVISION OF ECON DEV & FINANCE

SARA OTTE COLEMAN – DIVISION OF TOURISM

2003 Advertising and Media Plan

Situation Analysis

The Tourism Division's brand position was unveiled in February of 2002. The new brand identity for North Dakota, "Legendary," was derived from research. The most compelling attributes that North Dakota can offer the target audience is the state's rich history and culture on a backdrop of scenic beauty with fun things to see and do. "Legendary" is a unifying brand message that ties together all of our overall efforts whether they are Lewis and Clark, Outdoor, Group Travel or International. The use of this brand message is a very efficient way to maximize the effectiveness and create synergy among all of the efforts of ND Tourism.

Research indicated that North Dakota's primary target audience was the overnight touring market because they showed the greatest potential for growth for ND. The demographics of this group are: adults age 35-54, slight female skew for the general visitor, married, high school education, employed and a household income of over $35,000.

Our 2002 media strategy focused on expanding the audience exposed to the ND message. Extensive analysis was conducted to compare the total number of overnight trips in relation to the media costs within a 500-mile geographic target and with a focus on markets where North Dakota's product offering was most unique. The best return on our investment was to invest the advertising dollars primarily out-of-state with a television and print media mix. A partnership with other ND state agencies was developed to promote travel within the state.

The direct response television aired in the DMAs of Minneapolis-St. Paul; Duluth-Superior; Mankato; Omaha; and on national cable networks including: History Channel, Discovery Channel, Fox News Channel, Travel Channel, Outdoor Life Network, DISH Network, International History Channel, A&E, and Biography Channel. ND Tourism had 2,671 spots air over a 156-day period to generate 7,260 leads. North Dakota would have expended $1,193,832 or 12.5 times more than the actual per inquiry budget ($94,017.00). ND Tourism decided to conclude the television campaign at the end of July with the recommendation to carry-over 2,740 leads ($41,757.60) into the 2003 season campaign.

The broadcast television schedule aired six weeks in the DMAs of Lincoln-Hastings-Kearney; Sioux City; Sioux Falls; and four weeks in Fargo-Grand Forks. These television ads generated 687 inquiries for a free Travel Guide from March through July of 2002. The cost of the broadcast schedule was $145,000.

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Print advertising was used to implement a very targeted approach to reach the target audience. Publications that were distributed within our geographic target area and publications that target our audience by interest were primarily chosen. Publications were prioritized based on their cost-efficiency. In 2002 print advertising was placed in the following publications: AAA Tour Guide, AAA Home and Away, Good Housekeeping Travel Section, USA Weekend Travel Service, Reader's Digest Midwest Vacation Directory, Lewis and Clark Planner, and American Heritage. From February through July, these ads generated 9,824 inquiries for a free Travel Guide. The cost of the print advertising schedule was $69,632.80 from the General Marketing budget and $60,338.60 from the Lewis and Clark budget.

2002 Abbreviated Advertising/Media Plan
Media Recommendations

Television Advertising

Television is the best medium to effectively motivate a potential visitor to respond to a call to action. It is the only media that combines sight, sound, motion and emotion. Television will be especially effective in those markets that have limited awareness of North Dakota.

Odney Advertising is recommending both broadcast television and direct response television. Broadcast television is a traditional media recommendation to reach the target audience and is based on targeted rating points (TRPs). Direct response television is an untraditional approach that allows us to cost-efficiently buy expensive markets with guaranteed results because we pay based on the number of leads generated.

Broadcast Television

Odney Advertising recommends that a 30-second ad run on broadcast television in the following DMAs at 250 targeted rating points per week for a total of six weeks.

DMAs

- Lincoln-Hastings-Kearney 1,500 TRPs
- Sioux City 1,500 TRPs
- Sioux Falls 1,500 TRPs

Recommended Flight Dates:

- March 25 – April 14, 2002 (3 weeks)
- April 22 – May 05, 2002 (2 weeks)
- May 13 – May 19, 2002 (1 week)

Odney Advertising also recommends that broadcast television run in the following DMA at 250 targeted rating points per week for a total of four weeks.

DMA

- Fargo-Grand Forks 1,000 TRPs

Recommended Flight Dates:

- March 25 – April 21, 2002 (4 weeks)

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Direct Response Television

Odney Advertising recommends using Marketing & Media Services, Inc. (MMSI) for a per-inquiry program that generates leads through television exposure on spot television stations and national cable networks. Thirty- and sixty-second spots will run with the MMSI toll-free number displayed for tracking/fulfillment. This recommendation is based on a delivery of 10,000 inquiries. We propose that this program begin on March 11, 2002, and end when 10,000 inquiries have been delivered.

DMA and station mix:

- Minneapolis-St. Paul:
  WCCO-TV (CBS), KMWB-TV (WB), WFTC-TV (FOX)
- Duluth-Superior:
  KDLH-TV (CBS), KBJR-TV (NBC), KQDS-TV (FOX)
- Mankato:
  KEYC-TV (CBS)
- Omaha:
  KMTV-TV (CBS)
- National Cable Networks: History Channel, Discovery Channel, Fox News Channel, Travel Channel, Outdoor Life Network

Print Advertising

Print advertising allows us to implement a very targeted approach to reach the audience. We are able to choose publications that are distributed within our geographic target area. This is a much more cost-efficient approach than placing ads in national publications.

Print advertising allows us to choose publications and sections of a publication that target our audience by interest. For example, by placing ads in a travel section, we are able to narrow the audience to those looking for travel information. Because 65% of our travelers come to North Dakota by car, auto club publications have merit. In addition to traditional display advertising, Odney Advertising recommends travel planner ads that are designed for a response to an offer. They have a high penetration in our geographic targeted area and will generate calls. Recommended print advertising is outlined below.

Print Publications / Display Ads

- **AAA Tour Guide** ***(North Central Region includes IA, MN, NE, ND, SD)***
  Full Page, 4 Color
  April 2002 Issue

- **AAA Home & Away Magazine** ***(Full Circulation includes IL, IN, OH, WI, MN, IA, KY, OK, KS, MT, WY, NE SD, ND, WV)***
  Back Cover, 4 Color
  March/April 2002 Issue

- **Good Housekeeping Travel Section** ***(North Central Region includes WI, IA, MO, KS, NE, SD, ND, MN, MT, WY, CO)***
  Half Page, 4 Color
  April 2002 Issue

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Print Publications / Travel Planners

- **USA Weekend Travel Service *(Heartland Region includes ND, SD, NE, KS, MN, IA, MO)***
  1 ½" W x 3 ¼" H, 4 Color
  March 10, 2002

2002 ADVERTISING BUDGET

<u>GENERAL MARKETING</u>		
TELEVISION	$	169,400.00
PRINT	$	69,632.80
TONY DEAN SPONSORSHIP	$	63,283.94
TOTAL	$	302,316.74
6% MEDIA REBATE	($	18,139.00)
TOTAL	$	284,177.73
PLUS PRODUCTION	$	25,000.00
GRAND TOTAL	$	309,177.73
<u>LEWIS AND CLARK BICENTENNIAL</u>		
DIRECT RESPONSE TV	$	52,400.00
COOPERATIVE PRINT	$	64,190.00
6% MEDIA REBATE	($	12,995.40)
GRAND TOTAL	$	203,594.46
<u>GROUP TRAVEL</u>		
TOTAL PRINT:	$	12,135.00
6% MEDIA REBATE:	($	728.10)
GRAND TOTAL:	$	11,406.90
<u>INTERNATIONAL TRAVEL</u>		
TOTAL PRINT:	$	14,474.37
6% MEDIA REBATE:	($	868.46)
GRAND TOTAL:	$	13,605.91

ND TOURISM GENERAL MARKETING	$ 309,177.73
LEWIS & CLARK BICENTENNIAL	$ 203,594.46
GROUP TRAVEL	$ 11,406.90
INTERNATIONAL TRAVEL	$ 13,605.91
2002 GRAND TOTAL:	$ 537,785.14

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2003 Advertising and Media Plan – Condensed Version

For 2003, the goal is to build on the success of 2002 and continue our creative strategy of communicating our compelling brand message to our target audience with a call to action.

Odney Advertising used an unconventional approach to our media negotiation process instead of following the standard rate cards. With the understanding of the tight tourism budgets and the competitiveness among the publications, Odney sent out an RFP to each of the print publications. This made the media compete for the business and resulted in more cost-efficient media plan with many added-value components.

Odney Advertising is recommending the use of broadcast television and outdoor sponsorship for General Marketing advertising and the use of direct response television, broadcast television and print advertising for Lewis and Clark advertising

General Marketing

- ***Broadcast Television***

Television is the best medium to effectively motivate a potential visitor to respond to a call to action. It is the only media that combines sight, sound, motion, and emotion. Television will be especially effective in those markets that have limited awareness of North Dakota.

Odney Advertising recommends that we continue broadcast television advertising in key DMAs that were targeted in 2002. These visitors are in the geographic target area, have the most propensity to travel, and can be reached through television the most cost-efficiently. The research determines our greatest return on our investment would be to advertise in the Lincoln-Hastings-Kearney, Sioux City and Duluth-Superior DMAs for four weeks each. The reach and frequencies that will be achieved through the television schedule in each market are:

- Lincoln-Hastings-Kearney: Reach of 88% and a frequency of 12
- Sioux City: Reach of 93% and a frequency of 11
- Duluth-Superior: Reach of 96% and a frequency of 11

The broadcast schedule begins March 31st and runs through April 27th. Media plan worksheets are attached at the end of this plan.

- ***Sponsorship***

Odney Advertising recommends that ND Tourism continue its sponsorship with Tony Dean. The value of the relationship with Tony Dean is more than the monetary value. Tony Dean is very generous with editorial content in his programming. Due to budget reductions, we are recommending a lesser sponsorship level than in 2002. In 2003, the sponsorship will include the television editorial and advertising as well as the web site exposure.

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Lewis and Clark

- ***Direct Response Television***

Direct response advertising is a way to communicate our brand message and leverage the appeal of Lewis and Clark to a larger, national audience. The goal of the television advertising is to promote the new brand message, emphasize Lewis and Clark as America's greatest legends whose trail is right here in North Dakota, and motivate potential visitors to choose North Dakota as their next vacation destination.

Odney Advertising recommends using Marketing & Media Services, Inc. (MMSI) for a per-inquiry program that generates leads through television exposure on spot television stations and national cable networks. Thirty and sixty second spots will run with the MMSI toll-free number displayed for tracking/fulfillment. We are basing our recommendation on a delivery of 7,000 total inquiries (includes the 2,740 carry over from 2002). We are proposing that the program begin on March 3, 2003, and end when 7,000 inquiries have been delivered. We are recommending continuing the program with the same DMAs as 2002 and challenged MMSI to pursue the program with additional broadcast markets within our geographic target market. This strategy allows us to have more of a regional presence. The DMAs and stations that are a part of our direct response program include:

Minneapolis-St. Paul DMA:
Spot Television on WCCO-TV (CBS), KSTP-TV (ABC), KSAX-TV (ABC), WFTC-TV (FOX), KSTP-TV (IND), AT&T Media (Minnesota), Charter Media North Central (MN & WI)
Duluth-Superior DMA:
Spot Television on KDLH-TV (CBS), KBJR-TV (NBC), KQDS-TV (FOX)
Mankato DMA:
Spot Television on KEYC-TV (CBS)
Omaha DMA:
Spot Television on WOWT-TV (NBC), Cablerep of Omaha
Rochester DMA:
Spot Television on KTTC-TV (NBC), KXLT-TV (FOX)
Cedar Rapids DMA:
Spot Television on KWKB-TV (WB), ON Media (Cedar Rapids)
Des Moines DMA:
Spot Television on KDSM-TV (FOX), WHO-TV (NBC)
Sioux City DMA:
Spot Television on KCAU-TV (ABC)
Lincoln DMA:
Spot Television on KWBL-TV (WB)
Sioux Falls DMA:
Spot Television on KTTW-TV (FOX)
National Cable Networks:
History Channel, Discovery Channel, Fox News Channel, Travel Channel, International History Channel, A&E, Biography Channel, Lifetime Movie Network, TV Food Network, Fine Living and Court TV.

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- ***Broadcast Television***

Television advertising is the best medium to promote the new brand message, emphasize Lewis and Clark as America's greatest legends whose trail is right here in North Dakota, and motivate potential visitors to choose North Dakota as their next vacation destination. The research shows that people in the DMAs we are recommending are most likely to visit North Dakota. Not only do we want to motivate them to come to North Dakota, we also want these visitors to experience the Lewis and Clark Trail in North Dakota.

- ***Print Advertising***

Odney Advertising is recommending a strong print advertising media plan to complement the television advertising. With the print advertising, we are targeting both the touring audience as well as the history buff. We have a two-tiered print strategy that includes placement in publications with Lewis and Clark features and placement of Lewis and Clark creative in travel sections of publications that are distributed within our geographic target and appeal to our touring audience.

The creative strategy for these print ads will be to communicate our brand message with an emphasis on the legends of Lewis, Clark and Sakakawea. Several of the CVB's have taken advantage of the cooperative advertising plan and will be included as partners in the creative.

The publications with special Lewis and Clark features where we are recommending the placement of advertising include: AAA Home and Away, American Heritage Magazine, Midwest Living, American History Magazine, and the Lewis and Clark Travel Planner and Guide. Placement in travel sections of publications to target our touring audience in our geographic target include: AAA Tour Guide, Friendly Exchange, Midwest Living, and Good Housekeeping. USA Weekend Travel Service is a travel service brochure type ad that is recommended to generate inquiries.

2003 Advertising Budget Recap

<u>General Marketing</u>

BROADCAST TELEVISION:	$ 60,150.00
SPONSORSHIP:	$ 46,236.45
TOTAL:	$106,386.45
6% MEDIA REBATE:	($ 6,383.19)
GRAND TOTAL:	$100,003.26

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Exhibit 7

Lewis and Clark Bicentennial

D.R. TELEVISION:	$ 72,343.65
BROADCAST TELEVISION:	$ 33,750.00
PRINT:	$ 159,611.70
TOTAL:	$ 265,705.35
6% MEDIA REBATE:	($ 15,942.32)
GRAND TOTAL:	*$ 249,763.03

* $291,520.63 is the actual value – includes MMSI responses carried over from 2002.

ND TOURISM GENERAL MARKETING	$100,003.26
LEWIS & CLARK BICENTENNIAL	$249,763.03
GROUP TRAVEL	$ 0.00
INTERNATIONAL TRAVEL	$ 5,600.00**
(**Print ad placed by Rocky Mountain International)	
SLUSH FUND	$ 12,900.51
(Dollars still available for placing media in the 2001-2003 biennium)	
GRAND TOTAL	$368,266.80

Mr. Chairman, members of the committee, that concludes this portion of my testimony. I would now like to turn the podium over to Linda Butts, who will brief you on ED&F marketing.

LINDA BUTTS – DIVISION OF ECONOMIC DEVELOPMENT & FINANCE

Mr. Chairman, members of the committee. What I would like to do is specifically walk through the marketing efforts of our Division and highlight some of the results that we have seen up to this point.

Marketing and Business Development Team

We are doing things differently at the DOC. For the first time we have dollars to project ND onto the national stage and market our competitive advantages.

Our marketing and business development programs are aimed at diversifying our economy. While our primary efforts will always be directed at existing businesses, in order to accelerate diversification, the business development team and our marketing program have the stated goal of attracting new business to North Dakota.

Prior to our current biennium, North Dakota never had an economic development marketing budget. In 2001, you invested a little over $1.2 million in our marketing program. We developed a two-year marketing plan that was reviewed by a focus group including legislators, and members of the Economic Developers Association of North Dakota and the North Dakota Economic Development Foundation. This plan has been followed, modified where necessary and implemented throughout the biennium.

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We are using a variety of means to showcase our state. Some of you, at your own expense, have attended trade shows with us. We identify shows within the five targeted industries: Information Technology, Advanced Manufacturing, Energy, Value Added Agriculture and Tourism. Local developers and business leaders often join us as well. Leads that are generated at these shows are passed onto the participating local developers.

Other times, we host small dinners with site selectors and discuss the competitive advantages of doing business in North Dakota. Site selectors are professionals that businesses hire to help them decide where to place their next expansion or relocation. Site selectors make 30-40% of the expansion decisions. To put this in perspective, in a given year, there are about 1,000 large projects defined as > 400 employees and 10,000 communities competing for these projects. Site selectors now tell us that North Dakota is on their map... for the first time. We were told by a site selector from Atlanta, in the past 12 months, she has had more contact and received more information from North Dakota than in the prior 12 years.

We also conduct trade missions. Our research and business development teams develop a list of contacts within a certain community and we schedule business meetings with them. Through this face-to-face effort, we keep North Dakota in front of business prospects and we keep track of their expansion plans. We host a small reception for prospective businesses in conjunction with these missions. On most occasions, local developers partner with us.

We also have hosted three larger business receptions in the targeted markets of San Francisco, Chicago and Minneapolis. Thus far, the Governor has accompanied us and is a strong draw that allows us to attract top companies. In addition to the local developers, we have private sector partners who help underwrite these events. The Minneapolis event was the first event in which university presidents, the University System Chancellor and other university representatives were present. The one thing that we are consistently finding is that we are best as a state when we can discuss our business climate face-to-face.

Another thing we are doing differently is leveraging our marketing efforts through a group called "Ambassadors". We have come to realize we have a natural resource that, to date, we were under utilizing. That resource is current and former North Dakotas, including college and university alumni. This program trains them to help us leverage our marketing efforts and generate leads. While in it's infancy, we expect this program to become quite large as enlist the aid of our fellow and former North Dakotans. To date we have cells in San Francisco, Chicago, Mpls, Williston, Bismarck, and Fargo

These five activities – trade shows, business receptions, small dinners, face-to-face meetings, and ambassadors – in conjunction with market research and our Partners in Marketing program, comprise the majority of our efforts to date. Each of these activities is designed to target specific industries, specific geographic areas and specific companies. Here are the results:

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Eight company locations in North Dakota:

- CBF Group, Inc.
- Remington Hybrid Seed
- Heartland Feeds
- Specialty Export
- Buhler Industries
- SEI Information Technology
- Integrity Window
- Direct Response Technologies

The SEI Information Technology expansion in Grand Forks and the Remington Seed project in Mapleton were developed and enhanced at the 2002 Chicago business reception. We also had a site visit from a technology company following that event. While they weren't ready to expand, North Dakota will be given an opportunity to compete for the expansion when they are ready.

In the past 18 months, over 1,500 contacts have been generated from these efforts. We have more than 100 current projects with 67 Request for Proposals (RFPs) going to many North Dakota communities. These RFPs resulted in 21 different companies making site visits to 47 different communities in 2002.

Through all of these efforts, a consistent theme keeps surfacing. We continually exceed company expectations in what the state has to offer - from our highly educated workforce to our low energy costs; from the existence of highly sophisticated companies like Imation and Microsoft to the reality of having high-speed Internet access available to 90% of our population. They are always impressed. But the reality is we simply have no identity on the national stage and we must continue a sustained marketing campaign to educate companies about our state and entice those good-paying jobs we all seek.

Your goal and our goal is the same, to keep our youth, grow our economy and increase the standard of living for all of our people. Working together we will succeed.

Mr. Chairman that concludes my testimony. Lee Peterson will now cover the ND Economic Development Foundation.

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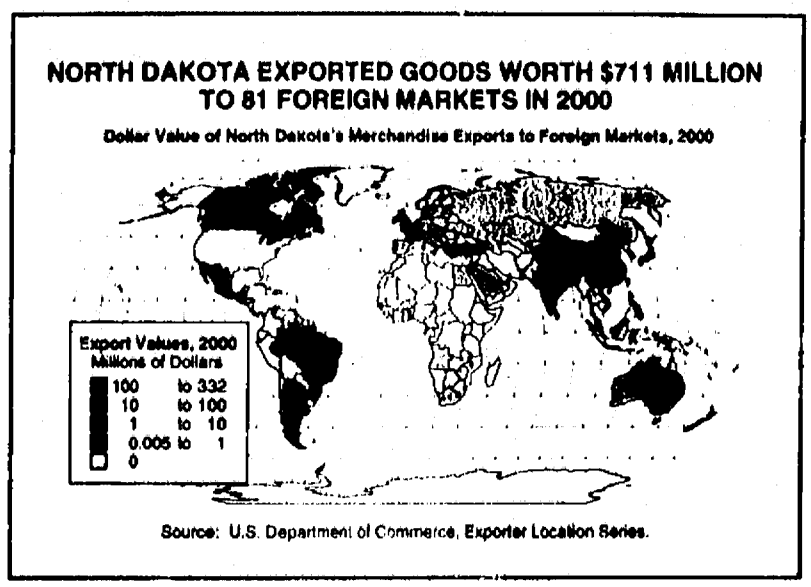
U.S. DEPARTMENT OF COMMERCE
International Trade Administration
August 2001

North Dakota

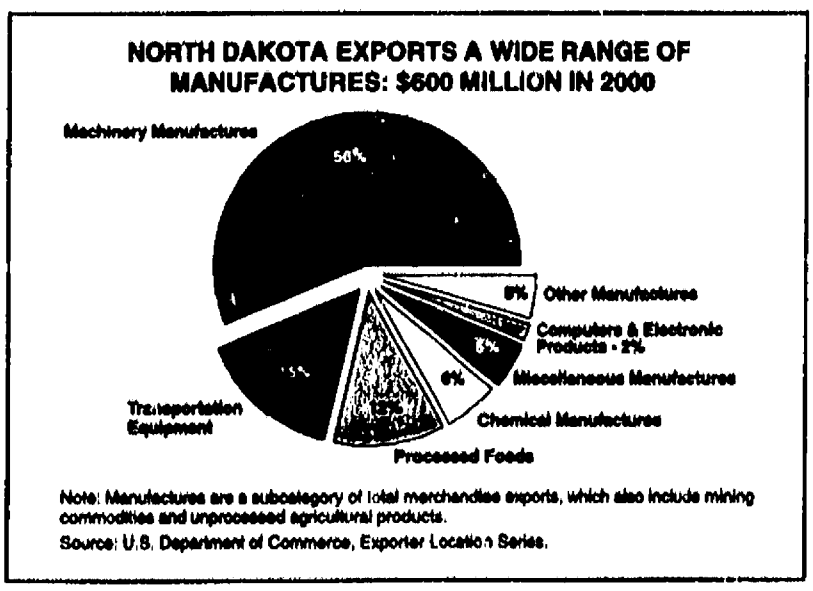
Benefits From Exports

Despite the small size of its manufacturing sector, North Dakota's export sales of merchandise expanded from $344 million in 1993 to $711 million in 2000, a 107 percent increase that was well above the 68 percent rise in the nation's merchandise exports. North Dakota was one of only 11 states that more than doubled sales abroad during 1993–2000.



North Dakota exported globally to 81 foreign markets in 2000, up from 78 markets in 1997. Canada—our partner in the North American Free Trade Agreement (NAFTA)—was by far the state's largest market in 2000, accounting for $332 million, or nearly 47 percent, of total export sales. Canada's share of North Dakota's exports has been declining as the state has boosted exports to other destinations. The second-ranked market in 2000 was Belgium ($190 million), followed by Germany, Italy, Mexico, Japan, Australia, and Spain.

North Dakota's biggest growth market, in dollar terms, is Belgium. From 1997 to 2000 exports to Belgium rose by $134 million, more than tripling from $56 million to $190 million. The state also posted sizable dollar gains in sales to Italy, Germany, and Japan.



The state's leading manufactured export category, by far, is machinery manufactures. These products alone accounted for $338 million, or 48 percent, of North Dakota's total merchandise exports in 2000. Other major manufactured exports include transportation equipment ($91 million), processed foods ($70 million), and chemical products ($34 million).

Apart from exports of manufactures, North Dakota is also an important exporter of farm products—a fact not apparent from official U.S. export statistics because North Dakota's agricultural exports are often sold indirectly, through wholesalers and other vendors located outside the state. The U.S. Department of Agriculture estimates that exports contributed, both directly and indirectly, about $918 million to the state's farm cash receipts in 1999.

Within North Dakota, the Fargo-Moorhead metropolitan area (partly located in Minnesota) posted merchandise export sales of $137 million in 1999. This was up 29 percent from $112 million in exports recorded in 1993.

Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range

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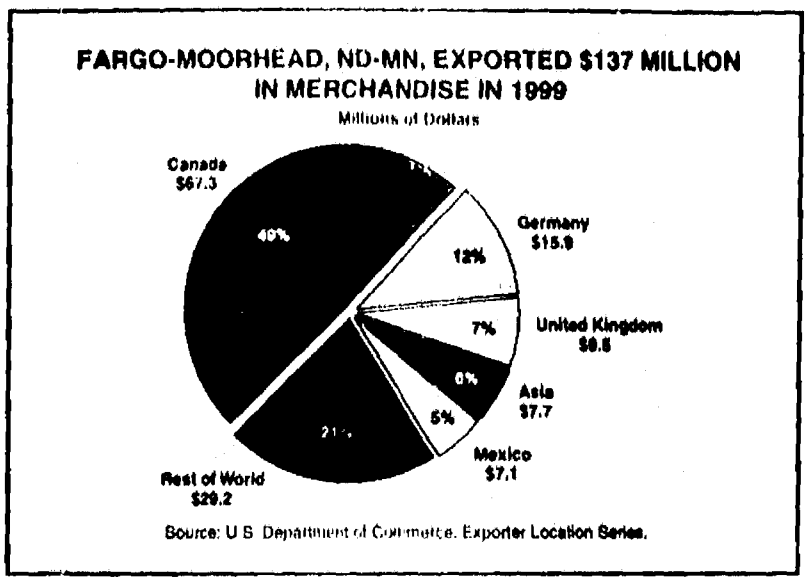
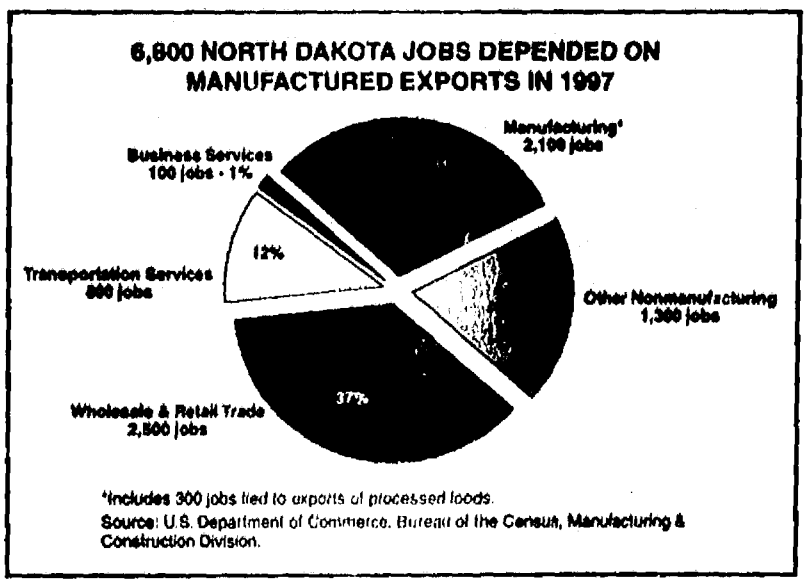
13–18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), North Dakota depended on manufactured exports for some 6,800 jobs. Export-supported jobs accounted for an estimated 2.4 percent of North Dakota's total private sector employment.

Manufactured exports supported about 2,100 jobs in North Dakota's manufacturing industries. This was 9.8 percent of the state's manufacturing work force—roughly one in every ten manufacturing jobs. An estimated 1,100 export-related jobs—more than half the state total—were in the machinery sector. Another 300 export-sustained jobs were located in the processed foods sector.

Exports of manufactured goods also indirectly supported 4,700 jobs in the state's nonmanufacturing industries. These industries supply manufacturers with a wide variety of inputs needed to produce goods for export.





Exports Help Small Business

Exports have broadly benefited North Dakota businesses, both large and small. A total of 941 companies exported from North Dakota locations in 1998. More than 76 percent of these companies were small and medium-sized firms that had fewer than 500 employees.

In fact, about 65 percent of all North Dakota exporters were small firms with fewer than 100 workers.

Small and medium-sized companies were responsible for some 35 percent of North Dakota's exports in 1998. This was significantly above the U.S. average of 29 percent.

TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

TPA preserves the ability of the United States to protect public health, safety, and the environment.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our

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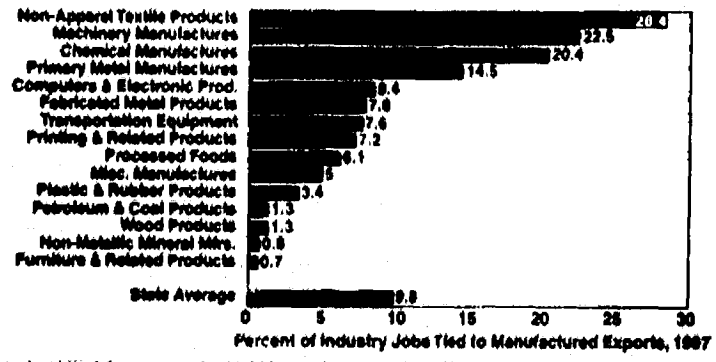
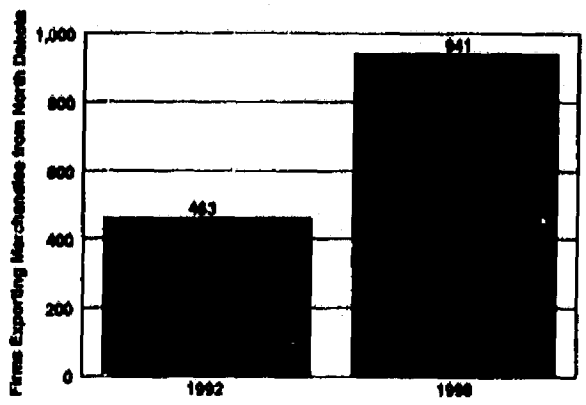
ABOUT ONE-TENTH OF MANUFACTURING JOBS IN NORTH DAKOTA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 9.8 percent of the 22,000 manufacturing jobs in North Dakota were tied to manufactured exports—some 2,100 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM NORTH DAKOTA ROSE 103 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

North Dakota Industries Can Gain From Trade Negotiations

North Dakota's exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit North Dakota's businesses across many industrial sectors.

Agricultural machinery. North Dakota exporters of agricultural machinery have reaped benefits and increased foreign sales as a result of tariff reductions agreed in past trade negotiations. Expanded markets in Asia and Latin America have contributed significantly to U.S. exports. However, high tariffs still constitute significant barriers in many countries that did not participate in the Uruguay Round "zero-for-zero" tariff agreement on agriculture machinery. For example, tariffs on agricultural machinery are as high as 21 percent in Argentina and 30 percent in India. Restrictive government procurement practices and discriminatory licensing and inspection requirements also hinder agricultural machinery exports.

Construction machinery. North Dakota's exporters of construction machinery have benefited from past trade negotiations, such as the Uruguay Round, in which key developed countries agreed to eliminate tariffs on construction equipment. While progress has been made, Brazil and India (for example) still maintain high tariffs of 19 percent and 50 percent, respectively, on the industry's products. Other barriers to the industry include discriminatory licensing and inspection requirements as well as lack of transparency for both import licensing and import and export fees.

Chemicals. North Dakota exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries, most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian coun

NORTH DAKOTA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of North Dakota goods and services.

North Dakota exporters still face major trade barriers in such sectors as agricultural machinery, construction machinery, and chemicals.

With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

North Dakota's economy is export-dependent, with export sales of $1,108 for every state resident.

Nearly 7,000 North Dakota jobs depend on exports of manufactured goods.

941 companies—including 724 small and medium-sized businesses—export from North Dakota.

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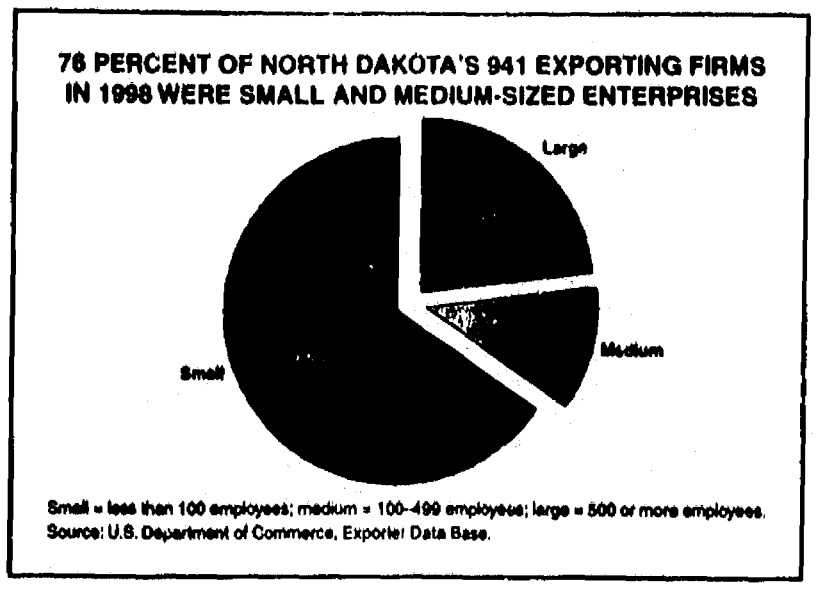
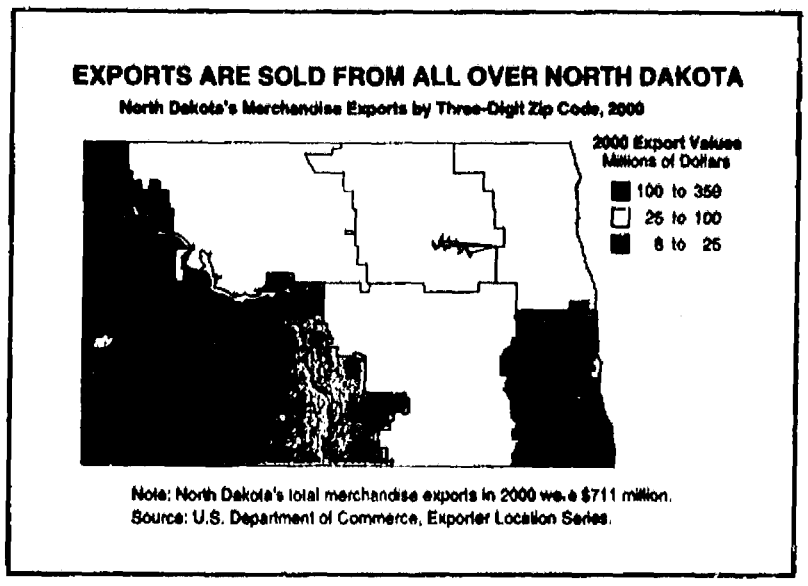


tries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry, including discriminatory product registration, testing/certification, and import licensing requirements.

Agriculture. North Dakota is an important producer and exporter of agricultural products. According to the U.S. Department of Agriculture, North Dakota's agricultural exports totaled $918 million in 1999 (including processed foods). Since 1991, the state's reliance on agricultural exports has ranged from 32 percent to 51 percent, as measured by export's share of farm cash receipts. North Dakota's top agricultural exports are wheat and products, sunflower seed and oil, vegetables and products, soybeans and products, and feed grains and products. North Dakota already benefits from past trade agreements. Under the Uruguay Round, limits were set on subsidized wheat exports, and Mexico eliminated import licensing for wheat and is phasing out tariffs under NAFTA. Also under the Uruguay Round, Japan reduced its tariffs on sunflower oil by 50 percent, and South Korea is phasing in a 40 percent reduction on its sunflower oil tariffs by 2004. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.



Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled $296 billion; the United States ran a surplus of nearly $80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to North Dakota

While exports generate clear benefits for the North Dakota economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with "lost" jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in North Dakota, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in North Dakota with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

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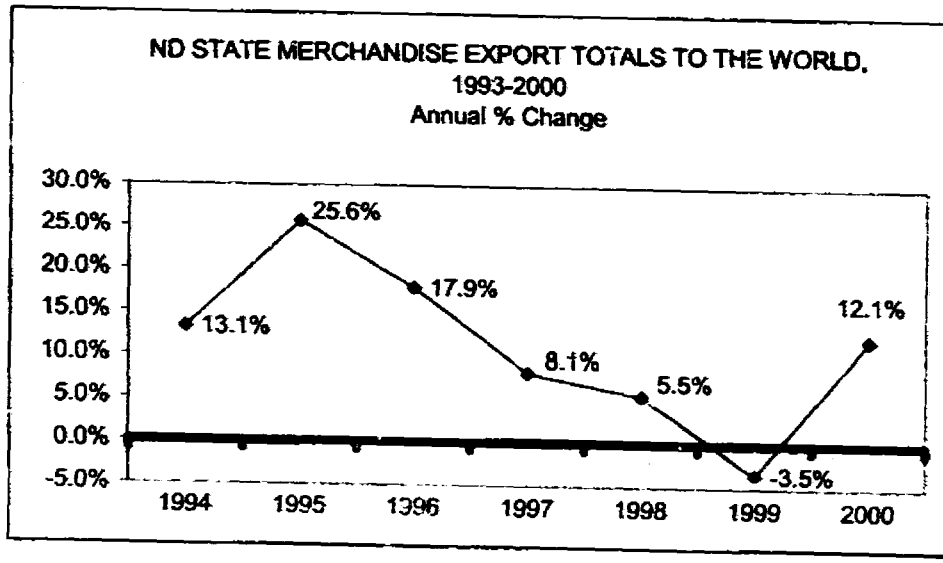
STATE MERCHANDISE EXPORT TOTALS TO THE WORLD, 1993-2000
(Thousands of Dollars)

	1993	1994	1995	1996	1997	1998	1999	2000	% Change 1999-2000	% Change 1993-2000
North Dakota	343,707	388,870	488,594	576,232	623,085	657,417	634,608	711,496	12.1%	107%
Annual % Change		13.1%	25.6%	17.9%	8.1%	5.5%	-3.5%	12.1%		
South Dakota	213,811	263,888	348,556	397,332	435,264	373,541	1,143,374	497,493	-56.50%	132.70%
Annual % Change		23.4%	32.1%	14.0%	9.5%	-14.2%	206.1%	-56.5%		
Minnesota	9,974,369	10,011,066	12,404,328	13,884,051	13,793,273	13,499,436	14,400,804	17,538,500	21.80%	75.80%
Annual % Change		0.4%	23.9%	11.9%	-0.7%	-2.1%	6.7%	21.8%		



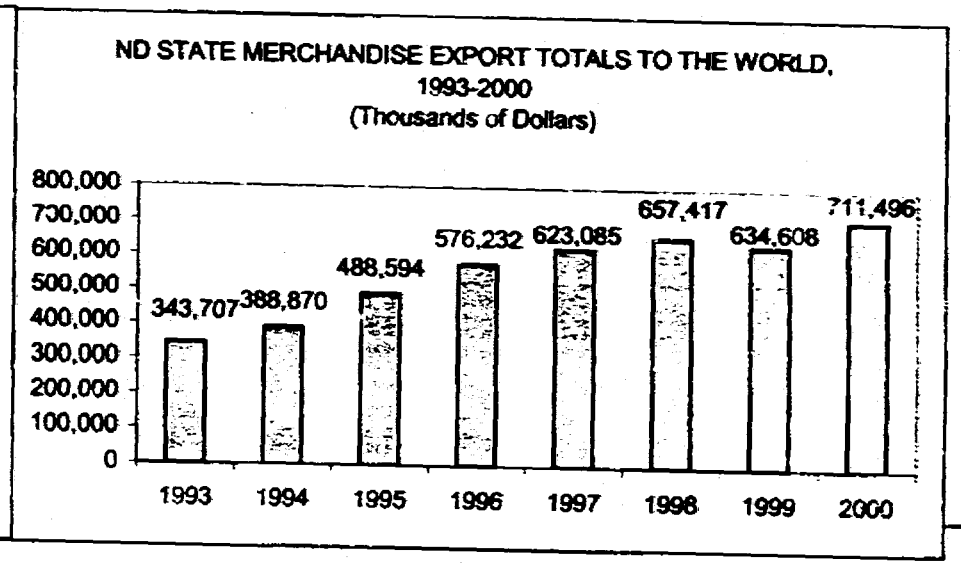


Exhibit 12

EVALUATION OF DEPARTMENT'S IMPACT AND EFFECTIVENESS
LEE PETERSON, COMMISSIONER
SARA OTTE COLEMAN, DIRECTOR – DIVISION OF TOURISM

LEE PETERSON

The Foundation's Strategic Plan has provided all of us within the state a common vision and mission that we can cooperatively use toward the betterment of North Dakota's economy. One of the most profound results of the plan and its entire process of evolvement, is evidenced by the sense of unity that we have amongst a variety of different people and entities from all across the state. What follows is some background on how this cooperative attitude has come about, and the key vision and mission that resulted from the Foundation's plan:

In a proactive effort to accelerate North Dakota's economic growth rate, Governor John Hoeven proposed, and the General Assembly legislatively enabled, the creation of a new Department of Commerce (DOC) uniting formerly disconnected efforts tasked with economic growth initiatives. The DOC is charged with designing, coordinating and implementing a productive economic growth effort. The enabling legislation also mandated the establishment of the North Dakota Economic Development Foundation, a council of accomplished professional and corporate executives from a broad expanse of geography and constituency. The purpose of the Foundation is clearly defined in the Mission Statement. North Dakota is known for several strengths, most notably education, talented workforce, and quality of life. These factors build the launch pad for North Dakota's re-invigorated economic development program and provide the basis for continuing the reversal of the challenges identified in the Economic Assessment.

Without a doubt, North Dakota has a great many assets. Educational attainment is high. Workforce productivity is strong. Both of these enviable characteristics are displayed by the efforts non-resident companies make to recruit workers from North Dakota. In addition, the bold leadership currently in both the executive and legislative branches of state government demonstrates a commitment to address shortfalls in the state's traditional economic growth patterns. State leaders from both the public and private sectors repeatedly tout the state's quality of life including family values, four season recreational opportunities, environmental purity, the pioneer spirit and this almost universal commitment to address issues and promote the state' strengths is a unique display of unity that is often not seen in other states.

By the same token the Foundation and North Dakota must continue the slow, but positive growth trends outlined in the Economic Assessment section if the state is to fully realize its potential. For example, in the 1990s the state was able to reverse its population and employment growth declines that occurred in the 1980s and post modest growth. It is clear that North Dakota faces challenges in continuing its recent population and employment growth, however, the forward thinking gubernatorial administration and legislature have placed the state on a path to economic expansion with the adoption of this plan.

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Clearly, the Foundation Board members hold no fantasies about the difficulty and duration of the challenges ahead. They know full well that economic problems of fifty years cannot be cured overnight. They also recognize that progress will be incremental with the wisdom that every success breeds opportunities for further success.

Vision:
With respect for North Dakota values and quality of life, the North Dakota Economic Development Foundation will be a catalyst in creating quality employment opportunities making North Dakota a competitive partner in the global economy.

Mission:
The Foundation will advise and support the current and future Governors of North Dakota and the Department of Commerce by:

- Establishing aggressive, yet realistic performance goals for the state's economic development;
- Creating a system to monitor and evaluate the state's performance in meeting its economic development goals; and
- Facilitating productive collaboration among the state's legislators and economic development partners both public and private.

These statements clearly reflect the comprehensive and aggressive approach the state's political and business leadership is taking with regard to expanding economic opportunities for all current and future North Dakota residents. Consequently, the Foundation adopted a plan of goals and strategies that would redefine North Dakota's approach in a distinct and courageous way. The plan's uniqueness is depicted in four important points:

1. For this first time in North Dakota's history, all of the pertinent organizations have united in common purpose. The Executive and legislative branches of government, the Foundation, the newly organized North Dakota Department of Commerce, the Greater North Dakota Association, higher education and local economic development professionals and their organizations have agreed on the direction of the strategic plan and committed to carry out their respective assignments in the plan.
2. The plan sets measurable, practical, yet ambitious benchmarks to reverse demographic and economic trends in existence since the 1950s. Equally important, this plan suggests that 10 years of aggressive and continuous effort can reverse this 50-year trend. The pioneering spirit and work ethic that contributed to North Dakota's early settlement remains strong and vibrant even today. It is those strengths that make the progress possible.
3. This plan requires a broad approach to economic growth. North Dakota will be driven by opportunity and strategy, not react to outdated opportunities. Business recruitment, business formation, and business expansion are all new formidable parts of this comprehensive strategy.
4. To develop more career path opportunities for emerging talent, North Dakota will build on the existing "centers of excellence" in the state university system to create a more fertile climate for entrepreneurial development.

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A key component to the success of the Foundation's Strategic Plan is the involvement of a wide variety of stakeholders (i.e. local developers, NEI, Higher Ed). The implementation of the plan will require a great deal of coordination amongst the various players. Therefore, an RFP has been put together for the management of implementation, and that RFP will go before the Foundation at their next meeting (March 24th) for approval.

In terms of measuring the impact and effectiveness of the Department of Commerce, the Foundation's Strategic Plan outlines a variety of goals and strategies that our Department is actively involved in pursuing. To the extent that it is currently possible, we are working on a daily basis to implement these goals and strategies.

I would now like to walk through those goals and strategies with you.

		Responsibility	Responsibility	Timeline
Goal 1	**Develop a unified front for North Dakota based on collaboration, accountability, and trust.**			
Priority	*Strategies:*	*Strategy Leader*	*Participate*	
1	Expand Foundation membership to include greater representation from the North Dakota university system, agriculture industry, and rural communities while maintaining private sector influence.	Governor, ND Assembly	The Foundation	Winter 2003
2	Coordinate with GNDA's New Economy Initiative to enhance the state's economic development outcomes.	GNDA, DOC	The Foundation	Ongoing
3	Expand communication and coordination between the Department of Commerce and local economic development organizations to create more economic opportunities.	DOC	EDND	Summer 2002
4	Expand the Department of Commerce role as a lead generator for North Dakota communities and provide a menu of services to support locally generated leads.	DOC	Governor,ND Assembly	Summer 2002

Goal 2	**Increase linkages between the university system, private sector, and economic development.**			
Priority	*Strategies:*	*Strategy Leader*	*Participate*	
1	Locally promote the workforce development programs of Williston State College, Lake Region State College, Bismarck State College, and the North Dakota State College of Science to local employers.	University system, EDND, GNDA	DOC	Summer 2002
2	Connect state and local economic developers with business incubator programs to encourage greater knowledge and support of emerging companies.	ND University system, EDND	DOC	Fall 2002
3	Develop a website that offers information about how North Dakota Universities meet the workforce needs of the state's target industries.	North Dakota university system	DOC,Commerce Cabinet	Fall 2002
4	Recommend the continuation of the North Dakota university system roundtable.	Governor, ND Assembly	The Foundation, Commerce Cabinet	Fall 2002
5	Recommend university system advisory boards to take a greater role in economic development.	ND University System	The Foundation, Commerce Cabinet	Fall 2002

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Goal 3	Create quality jobs to retain North Dakota's current workforce and attract new higher skilled labor.			
Priority	*Strategies:*	*Strategy Leader*	*Participate*	
1	Develop business expansion initiatives.	EDND	SBDC,DOC	Winter 2003
2	Create and enhance workforce training programs that provide the skills needed by target industries.	University System	Workforce Division, DOC	Fall 2003
3	Expand state government job training incentives for technical skills.	Governor, ND Assembly	DOC	Winter 2005
4	Create an information clearinghouse for new business that provides financing, market intelligence, and incentives information.	Bank of North Dakota	EDND, DOC	Spring 2003
5	Build a publicly and/or privately funded seed stage or early venture capital fund.	GNDA	The Foundation, DOC, ND Assembly, Bank of ND	Winter 2003
6	Actively market entrepreneurial development successes.	DOC	University System, EDND	Spring 2003

Goal 4	Create a strong marketing image to build on the state's numerous strengths, including workforce, education, and quality of place.			
Priority	*Strategies:*	*Strategy Leader*	*Participate*	
1	Measure North Dakota's image in various in-state and out of state constituencies.	DOC	GNDA	Fall 2002
2	Develop a statewide internal marketing effort to improve North Dakota's self image.	DOC, Commerce Cabinet	EDND	Summer 2003
3	Continue and expand volunteer participation in external marketing trips.	The Foundation	DOC	Ongoing
4	Improve the common portal that presents the state's marketing message and include demographic, economic, and cultural information about the communities in the state.	DOC	EDND	Summer 2003

Goal 5	Accelerate job growth in diversified industry targets to provide opportunities for the state's long-term economic future.			
Priority	*Strategies:*	*Strategy Leader*	*Participate*	
1	Encourage industry cross selling through an import substitution campaign.	GNDA	EDND	Fall 2002
2	Recruit industries that complement supply chains for target industries and encourage entrepreneurial growth.	DOC	EDND,GNDA.	Ongoing
3	Focus state tax incentives to support target industry development.	Governor, ND Assembly	Commerce Cabinet, DOC	Winter 2003

Goal 6	Strengthen North Dakota's business climate to increase global competitiveness.			
Priority	*Strategies:*	*Strategy Leader*	*Participate*	
1	Conduct annual business climate surveys of private sector leaders to identify strengths and weaknesses.	GNDA	DOC	Summer 2003
2	Benchmark cost of doing business and quality of life indicators against regional and national competitors every two years.	DOC	GNDA	Fall 2003

Key: The Foundation = North Dakota Economic Development Foundation
DOC = Department of Commerce
EDND = Economic Development Association of North Dakota
GNDA = Greater North Dakota Association
SBDC = Small Business Development Center

Additionally, the Division of Tourism has some specific measurements that they work with and Sara Otte Coleman will address those now.

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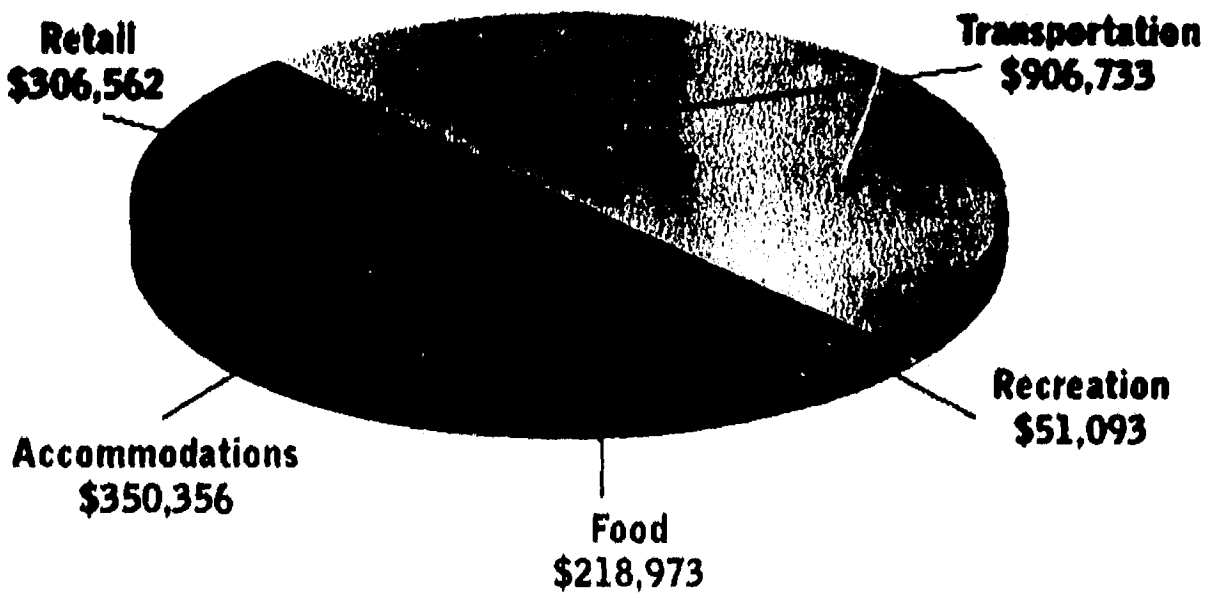
Sara Otte Coleman Exhibit 6

North Dakota Tourism Division Advertising Making Financial Impact

- A new strategy and a $393,000 investment in advertising by the North Dakota Tourism Division returned $29.2 million in increased visitor spending to the state in 2002.
- The return on investment includes $1.8 million in new sales tax revenue.
- Tourism's advertising expenditure resulted in 206,450 trips taken as a direct result of the advertising.
- The study also shows that 87,900 additional trips are planned this year due to the 2002 advertising.

Sales Tax Dollars Generated From 2002 Tourism Advertising



Estimates based on Longwood International's North Dakota Visitor and Accountability Studies Travel expenditures by sector		
Accommodations	24%	$7,887,136
Retail	21%	$6,131,264
Food	28%	$5,899,280
Recreation	7%	$2,043,748
Transportation	28%	$8,174,992

Assumptions used:

75% of food sales taxable

50% of recreation sales taxable

75% of transportation costs are gasoline purchases

Average 2002 cost of gasoline in ND $1.42 per gallon

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North Dakota Tourism Research Results

- The state's investment in tourism marketing is making a financial impact.

- The Tourism Division's new marketing strategy and a $393,000 investment in advertising returned $29.2 million in increased visitor spending to the state in 2002.

- The return on investment includes $1.8 million in new sales tax revenue.

- Tourism's advertising expenditure resulted in 286,450 overnight and day trips taken as a direct result of the advertising.

- The study also shows that 87,900 additional trips are planned this year due to the 2002 advertising.

- The Tourism Division's efforts, combined with the work we do at the local level, made a significant impact in 2002.

- Despite a sluggish economy and a downturn in tourism nationally, North Dakota's tourism industry continued to show growth in 2002.
  - Visitor numbers are up across the state.
  - Lodging taxes collected showed increases statewide in 2002.

- Gov. Hoeven's proposed budget for the Tourism Division is $5.1 million – the same level as the current biennium.

- The House cut $200,000 in marketing funds. We would like to see those restored in the Senate.

- Tourism is big business for North Dakota

  According to a study by NDSU Agribusiness:
  - Tourism contributed $2.8 billion to the state's economy in 2000.
  - Tourism generated $139.9 million in tax revenue.
  - Tourism employs 22,400 North Dakotans
  - Tourism is North Dakota's 2nd largest industry and the fastest growing.

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FORT
ABRAHAM
LINCOLN
FOUNDATION

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Mandan, ND 58554
701-663-4758
Fax: 701-663-4751
E-mail: falf@tic.bisman.com

April 14, 2003

Dear Representative Carlisle,

This is in response to your request for information on how the Fort Abraham Lincoln Foundation (FALF) would use $100,000 in support from the Department of Commerce. Let me begin with the briefest synopsis of what FALF is and does.

FALF Leads:

* $3 Million restoration of 7th Cavalry Post Historic Buildings;
* $2 Million restoration of On-a-Slant Mandan Indian Village;
* Created and operates finest living history program on the Plains;
* Coordinating North Dakota's first Lewis & Clark National Signature Event, a commemoration in Bismarck with lasting legacies reaching from Fargo to New Town.

FALF Educates:

* Hosts 5,000 students on class field trips every year;
* Hosts 35,000 visitors per year, 2/3rds from out-of-state;
* Hires, trains and funds a $100,000 annual interpretive staff.

FALF Preserves:

* Maintaining the historic structures it has built and donated to the state.

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What $100,000 means to FALF: Security and Growth

Funds would help cover three responsibilities of the foundation, insuring that FALF will stay financially healthy and able to continue to provide valuable service to North Dakota.

1. 7th Cavalry Stable Reconstruction.

Being funded by grants obtained by FALF from TEA-21, the City of Mandan and private donations, the stable is being built this summer by the North Dakota National Guard. Costs associated with hosting the Guard at Fort Lincoln are being covered by FALF and are not eligible to use as match for the federal funds. Same story with required archeological, architectural and construction management services. Finally, if the Guard is unable to complete the project within their schedule, FALF has pledged, contractually, to fund completion.

2. Maintenance.

The historic structures reconstructed were built very historically accurately in 1989-93, that is, they were built without caulking windows and with actual dimension lumber. The fort's original buildings lasted less than twenty years and now we know why. In the last two years maintenance needs have become critical. In 2002, FALF's maintenance budget doubled, an increase of $35,000 in one year. A serious effort is being made to catch-up with maintenance needs (and use caulk!) before the buildings are too far gone. This is straining FALF's budget.

3. Lewis and Clark National Signature Event.

The October 22-31, 2004, Lewis and Clark National Signature Event has a million dollar budget, which is definitely not being blown all on a ten day commemoration, but is clearly leaving legacies behind. One of those is a "Virtual Village" a high-tech 3-D visit to an 18th Century Mandan Indian village being developed by NDSU, which will be a permanent part of Fort Lincoln's museum offerings. Other legacies are four earthlodges which will appear at the University of Mary during the event and then be moved to New Town and Mandan to help develop tourism infrastructures there. FALF has raised $150,000 in federal funds; $175,000 from the City of Bismarck; $80,000 from the City of Mandan; $50,000 from the Bismarck Tribune and will raise hundreds of thousands more from federal and private sources. This is the state's lone opportunity and only vehicle to participate in funding the development of these legacies.

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Exhibit 14

NDesign Center

North Dakota Design Center:
Funding Request Testimony

Background

North Dakota benefits from two major universities in the Red River Valley: North Dakota State University and the University of North Dakota. These two institutions have remarkable research expertise in a wide range of areas including technology, agriculture, energy, environment, medicine, and aerospace sciences.

Senator Dorgan has been working with the two universities to ensure that they can fairly compete for Federal research grants and has also helped to direct research dollars to these schools. UND and NDSU have created research partnerships with other state universities, which has increased the capacity for the state to conduct research and has increased the expertise of our students and professors across North Dakota.

Over the past two years alone, Senator Dorgan has helped to direct nearly $100 Million of funding to UND and NDSU Centers of Excellence.

When the University conducts industry sponsored or directed research, the jobs created by the research can be continued. For example, Alien Technologies is seeking a $50M funding package from the state to develop a new facility in Fargo. Clearly that level of support can only be provided to very few firms. AG Science and Polymers & Coatings produce research that is readily consumed by industrial partners.

But what about the research that was not sponsored or directed by a large industrial partner?

What happens to the jobs created by those funds?

They exist only until the grant funding runs out. The duration of each research job is known even before the money comes in. The money comes in,staff are hired, the work is done, the report is written and project is over. - unless you go get more research dollars.

If the researcher DOESN'T get more dollars, the project ends and the researcher goes off to work on the projects that DO have funding. > *(see graph 01)*

What about the technology that worked on a lab bench? ... it sits on a shelf.

Q: How does $100M of valuable research funding create jobs and economic growth throughout the state?

A: *Research Commercialization!*

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Suppose, there was an organization that had funding that wasn't tied to the research grant that started the work.

And this organization could:

> *pick up that research project off the shelf,*

> *bring it to a commercial prototype form,*

> *work with ND industrial partners and federal programs to acquire comm. funding (i.e. r&D - heavy on the (D)evelopment)*

> move the tech. into a startup company

> and create licensing revenue for the University from that company's commercial products and services

What would happen with those research jobs that would have terminated at the end of the grant? They sprouted up in this new startup company and MULTIPLIED.

Where are the industrial partners that would participate in the commercialization? - All over the state. e.g. Manufacturing. (*see graph 02*)

Where would you put such an organization? - Right in those university tech parks.

What would you call such an organization?
The North Dakota Design Center (NDC).

NDesign Center

NDesign Center

Q: Isn't this already being done?
A: Yes. In NDSU Polymers & Coatings, Ag Science, EERC and UND Aerospace. In the other engineering and sciences - NO.

There are several organizations that promote Economic Development - some even on campuses. They write business plans, conduct marketing studies and counsel entrepreneurs and they provide a valuable service ***after*** the technology risk has been mitigated and a company has been created.

Q: Would Faculty run these companies??
A: In general No. they're too busy doing teaching, research, publications and community service. If they don't have tenure they're too busy trying to get tenure. If they do have tenure, would they start a company? Why should they? They have tenure! They're trained to research, not develop.

Yes, there are exceptions. Many of you have probably heard of Dr. Leon Osborne with Meridian Environmental Technologies and Dr. Greg Gillispie with Dakota Technologies. What about the other 99% of the faculty?

Q: So what happens to the technology that was developed?
A: It's still sitting on that lab bench waiting....

It's time to break this cycle by addressing the task the University was never designed to do in its traditional form. Commercialization is not central to the University's traditional mission and its researchers are not trained to do it. So let's bring stop trying to make the university faculty do something they're not supposed to do and provide resources dedicated to bringing about commercialization.

Q: So what will the NDC do to provide continuity to convert concepts into companies?
A: Combine the North Dakota University System's (NDUS) strong talent pool via internships with decades of industrial, design and engineering expertise to focus on research commercialization.

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NDesign Center

What is the NDC?

The NDC is a new inter-university program created specifically to bridge the gap between academic research results and industry expectations. The NDC will provide a vital service in ND's emerging science and technology sector.

The NDC will initially focus on NDUS research in the fields engineering and computer science. It's staff, *(co-founders Jonathan Gelfman and Darryl Sale,)* will apply their 25+ years of design, engineering and business development experience to remove commercialization issues impeding the conversion of technology into commercial prototypes.

The NDC is NOT a one-stop-shop; it is the missing link in a series of essential steps in the process of converting university research into a commercially viable products or services.

Who will work with NDC?

The NDC's Research & Development (r&D) lifecycle incorporates existing entities such as UND's Research Office, Center of Innovation, and NDSU's IBID, Technology Park, and Technology Transfer Office. All of these entities play important roles in the success of commercialization. Although, these entities concentrate on the latter half of the commercialization lifecycle. The NDC focuses all its energies on risk reduction to ensure only viable projects are presented to these resources.

The wisdom of this approach was clearly articulated by: Scott Augustine, of Augustine Medical, a $64,000,000 medical device company:

" Producing innovations is an expensive game. Particularly in a market like technology that requires extensive experimentation, testing, and plowing of regulatory ground. By itself, R&D costs Augustine Medical about 11% of annual revenues. But prelaunch development is a bargain compared with the cost of selling an innovation. 'Missionary selling' - imposing an unprecedented (or undeveloped) product on uneducated customers - is significantly more expensive than touting incremental improvements to something familiar."

The NDC defined its methods based on a best practices survey and identified two successful research commercialization programs already in existence: KTEC in Kansas and the Research Triangle Park (RTP) in North Carolina. KTEC works with Kansas Universities to provide greater financial returns from research conducted at their Center of Excellence. By following a systematic methodical approach over the last 18 years, the RTP has grown into a geographical "city" nestled in the center of 3 major NC universities that holds 100 companies that employ 42,000 people.

What is the NDC's objective?

Create a sustainable infrastructure for commercializing research and use it to advance economic development and create long term hi-tech jobs in the state and region.

What will the NDC do?

Year 1:

a) Assessment

Assess research portfolios of NDSU/UND to build a web based infrastructure for reporting and cataloging commercially promising projects

b) Get the word out.

Assist researchers, faculty and departments in publicizing their work through NDC Design Services.

> these services are expected to become self sustainable by generating income from other departments (ie: branding, print and digital design)

> NDC has already proven success in providing these valuable services to a diverse group of private and public entities including: UND Nursing School, UND Women's Center, UND Aerospace Foundation, UND Space Studies, UMAC, Friends of the Greenway, Denet Labs LLC, Norstan Telecommunications and Boston Scientific / Scimed

Year 2: Commercialize

In it's second year, the NDC will launch its research commercialization program using NDUS student interns and research advisors. This program will involve commercial partners with specific experience in developing and commercializing early stage technology projects.

North Dakota Design Center | 701-777-6543 | info@ndesigncenter.com

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NDesign Center

How will the NDC be funded?

A multi-source funding approach is underway with private and public funding sources for the initial two years.

2yr Project Cost:	$563,000
Budget Request:	
City of Grand Forks	
State Appropriations (attached to HB1019, DOC)	$100,000
Federal Appropriations	
Federal Grants	
Private Investment / Donations	

How do we know it will work?

It's already happening on a small scale. The first commercial partner, Denet Labs LLC is already participating in the program with the UND Computer Science Department utilizing 4 students, 1 professor and a number of projects. With your support for NDC funding in the amount of $100,000 the NDC will become firmly established and sustainable to broadly support ND's emerging science and technology sector. That success will provide economic opportunity for our students, high income jobs for our residents and a vital complement to our primary industries of agriculture and tourism.

Who else is supportive of this program?

We have brought together a diverse but focused group of partners to leverage the success of University commercialization.

The NDC advisory board consist of:

Phil Boudjak, *NDSU VP of RCATT*
Tony Grindberg, *Director of the NDSU Tech. Park*
Pam Gulleson, *ND House Representative*
Bob Valeu, *State Coordinator for U.S. Sen. Dorgan*
Peter Alphonso, *UND VP of Research*
Delore Zimmerman, *President of CEO Praxis*
Roger Reierson, *President of Flint Communication*

Private Partners:
GF EDC, *Jim Melland, VP*
CEO Praxis, *Delore Zimmerman, President*

University Partners:
UND Office of Research, *Peter Alphonso, VP*
UND JDOSAS, *Bruce Smith, Dean*
NDSU Office of RCATT, *Phil Boudjak, VP*
NDSU IBID, *Wally Elde, Director*

Community Partners:
Turtle Mountain Tribe, *Rob Monette, Tribal Member*
GF Chamber of Commerce, *SmartCity Committee*
ExportND NDDEC, *Amanda Butcher, Director*

Conclusion

As I said above, the NDC is NOT a one-stop-shop. It is the missing link in a series of essential steps in the process of converting university research into a commercially viable products and services. To successfully leverage our universities' extensive research efforts into long term job creation requires the NDC's focus, continuity and collaboration.

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Testimony HB 1014

NDesign Center

Executive Summary

In spite of North Dakota's population outmigration, and low wages, the state enjoys increases in federally funded research in its universities, a culture that produces an earnest and dedicated work force and an educational system that consistently produces nationally ranked students.

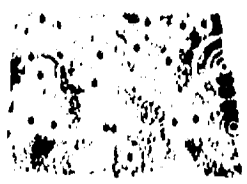
Is there way to build on these strengths to resolve ND's economic woes?
The answer is an emphatic Yes!

The solution is to combine NDUS's strong talent pool with industrial design and engineering expertise to create an organization dedicated to university research commercialization. **The North Dakota Design Center (NDC) is that organization.**

The NDC is a new inter-university department created specifically to commercialize NDUS research in the fields of engineering and computer science. Its staff will apply their 25+ years of design, engineering, and business development experience to augment NDUS researchers by resolving commercialization issues impeding the transfer of technology to the private sector. The NDC will initially be housed at UND and report to an advisory board comprised of NDSU and UND Research Directors as well as representatives from NEI and the RRV Research Corridor. The NDC will leverage North Dakota's investment in its educational system by utilizing federal funding for its commercialization activities.

The NDC has conducted a best practices survey and identified two successful research commercialization programs already in existence: KTEC in Kansas and the Research Triangle Park (RTP) in North Carolina. KTEC works with Kansas universities to provide greater financial returns from research conducted at the Centers of Excellence. RTP is a non-profit corporation that has built a colossal technology park over the last 18 years, which now holds 100 companies that employ 42,000 people and taps the collective expertise of 3 nearby universities. The NDC has scaled these successful examples down to a form that can work in North Dakota with our available resources while complementing successful commercialization programs already in place at UND's EERC and NDSU's Schools of Ag Sciences and Polymers & Coatings.

In its first year, the NDC will assess the research portfolios of the NDSU/UND and assist researchers in publicizing their work through NDC visual communication services. In its second year, the NDC will launch its research commercialization program using NDUS student interns and research advisors. The infrastructure created during these two years will instantiate a system for increasing technology licensing revenue and creating spinoff companies as well as provide opportunities for NDUS students to create their own future careers here in North Dakota.



Furthermore, NDC spinoff companies will utilize ND companies across the state for manufacturing and prototype development assistance and thereby share the commercial successes occurring in the RRV Research Corridor with smaller ND towns. Revenues generated by NDC spinoff companies will increase research funding for the RRV Research Corridor and help the Corridor to become self-sustainable.

NDC Advisory Board:
Phil Boudjouk*, NDSU VP of RCATT
Tony Grindberg, Director of the NDSU Research Park
Pam Gulleson, Legislative Analyst for Senator Dorgan
Bob Valeu, State Coordinator for Senator Byron Dorgan
Peter Alfonso, UND VP President of Research
Delore Zimmerman, President of CEO Praxis, NEI
Roger Reierson, President Flint Comm., NEI Chairman

(*chair of the NDC Advisory Board)

NDC Location:
UND Odegard School of Aerospace Sciences

Funding:
The NDC is requesting initial funding from state appropriations in the amount of $563,000 for the initial 2 years. These dollars will establish and build the commercialization infrastructure. Federal funding will be introduced to build operational capacity and statewide outreach capabilities.

North Dakota Design Center | 4300 Dartmouth Dr. | Grand Forks, ND 58201 | 701.777.6543 | info@ndesigncenter.com

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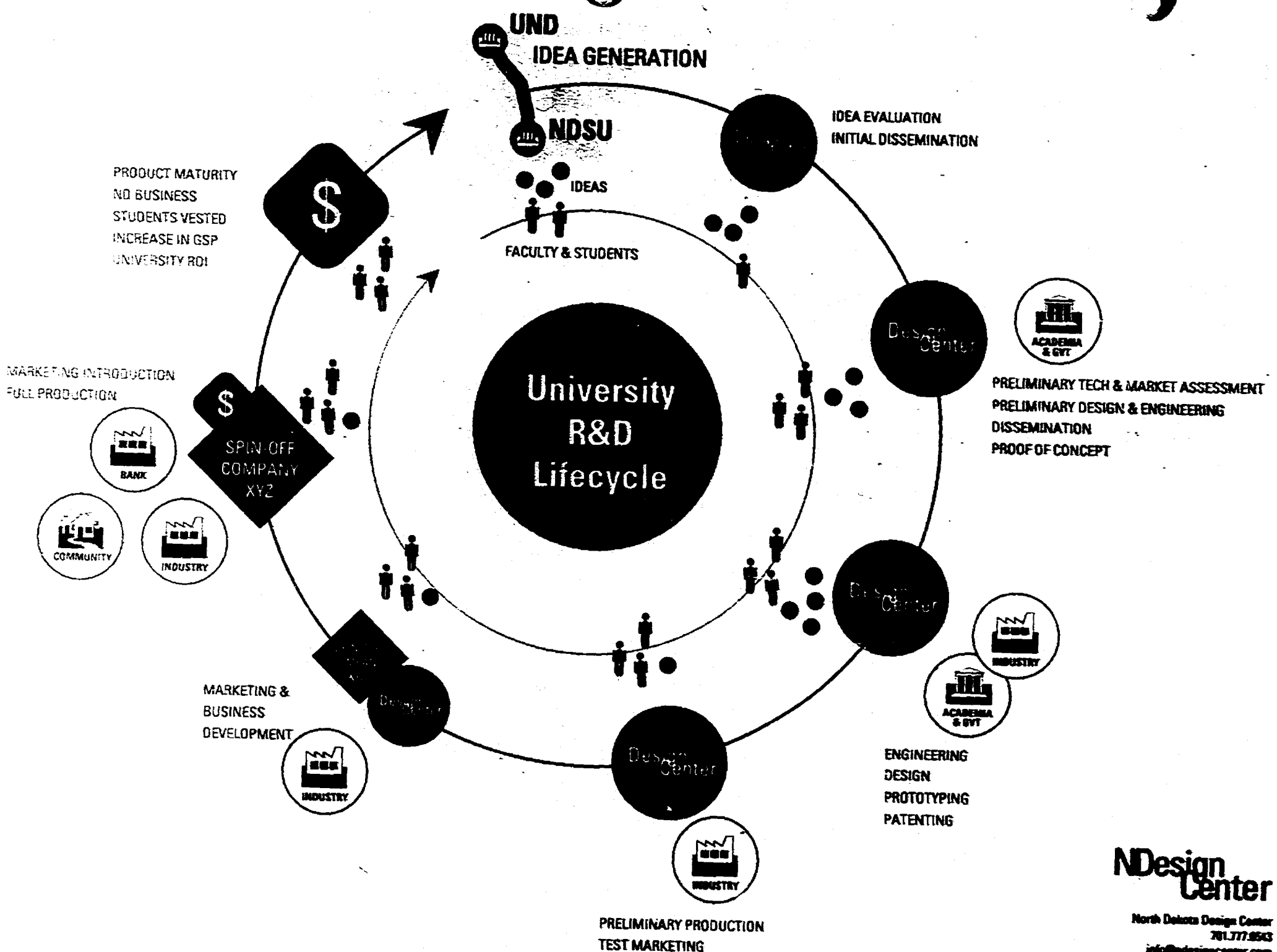

NDesign Center

North Dakota Design Center
701.777.6543
info@ndesigncenter.com
4300 Dartmouth Dr., Grand Forks, ND 58203

North Dakota
MANUFACTURING
EXTENSION PARTNERSHIP *Inc.*

Key Points for North Dakota Legislators

ND MEP - A SOUND INVESTMENT IN THE STATE'S INDUSTRIAL BASE

- The North Dakota Manufacturing Extension Partnership (ND MEP) is a non-profit partnership of federal, state and private sector resources - one of 70 Centers in the national MEP whose mission is to increase the competitiveness, productivity and profitability of manufacturers.

- Financial resources for the North Dakota Manufacturing Extension Partnership come from the national MEP, the State of North Dakota (through the North Dakota Department of Commerce) and from the state's manufacturers (in the fees they pay for services). For the 2003 – 2005 biennium, the Department of Commerce has committed about $475,000 of its budget per year in cash and in-kind support to the ND MEP. State support is matched by federal support and makes up about one third of the total ND MEP budget.

IMPORTANCE OF MANUFACTURING

- Manufacturing is a critical part of the national economy and in growing and diversifying North Dakota's economy. Manufacturers compete in regional, national and international markets bringing new wealth into the country and our state. They are major investors in new plant and equipment and in developing new skills in the workforce. Manufacturers are also the means to commercialize innovation and technology - according to the National Science Foundation, 62% of the nation's research and development dollars in 2000 were by the manufacturing industry.

- During the 1990's, North Dakota manufacturers contributed 30% of the state's economic growth and generated about 7,900 net new jobs. The state's manufacturing employees earn on average 25% more than the average employee wage for all other industries combined.

- Although manufacturers have been deeply hurt by the recent recession, North Dakota has been fortunate to experience a decrease in manufacturing jobs of less than one percent in 2002 as compared to 2001 while the U.S. manufacturing workforce declined over six percent. North Dakota has competitive advantages of great benefit to manufacturers - starting with a employable workforce with good basic skills.

IMPORTANCE OF NATIONAL MEP AND ND MEP

- The MEP system provides technical and business assistance to America's manufacturers - from food processors to machine shops to electronics. Since it's inception the national MEP has provided services to over 150,000 manufacturing companies. According to a U.S. Census Bureau study, MEP assisted companies report productivity increases 4 times greater than companies not helped by MEP.

- Through the national network of MEP Centers, the ND MEP is able to access over 3,000 service providers in 400 field offices with a deep understanding of manufacturing – who provide assistance daily to manufacturing companies. Service providers include former company owners, HR managers, bankers and financial managers, industrial marketers,

Additional Information on Back of Page

GROWING North Dakota
a NIST MEP | Network Affiliate
701-328-7259 FAX: 701-328-7254
400 E. Broadway, Suite 616 • P.O. Box 2057 • Bismarck, ND 58502-2057
www.ndmep.com • *Offices in Bismarck and Fargo, ND*

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engineers, quality and safety specialists, product designers, researchers and information technology managers.

- During the past 18 months, North Dakota MEP has provided assessment, training and technical assistance services to nearly 200 companies and about 2,000 employees in lean manufacturing, industrial marketing, information technologies and management development.

- Each MEP is accountable – project work with companies is followed up on and measured by an independent third party. For North Dakota here are some of the results for the first half of 2001: manufacturers realized $8.2 million in new and/or retained sales; cost savings of $2.7 million and 121 new and/or retained jobs.

- If the North Dakota MEP succeeds in completing 40 projects equal in size to other projects in the national system - the Commerce Department conservatively estimated the following benefits to the state's economy; (1) an increase of $39 million in the state's gross product, (2) an increase of $23 million in personal income, (3) an increase of $5 million in state tax receipts and (4) the creation of 800 new jobs in North Dakota.

- In addition to reporting projects to the national system, each MEP must submit one Success Story per quarter. To date, North Dakota MEP Success Stories including DMI Industries in West Fargo; Cloverdale Meats in Mandan; Baker Boy and Funshine Express in Dickinson; Engine Rebuilders in Oakes; and Minnkota Windows in Fargo.

- **To learn more about how the North Dakota MEP can help manufacturers in the state and/or in your community feel free to contact the North Dakota MEP offices in Bismarck (701-328-7259) or Fargo (701-271-9410 or 701-271-0311). You may also be interested in visiting the ND MEP Web site at: www.ndmep.com or the national MEP at: http://www.mep.nist.gov/.**

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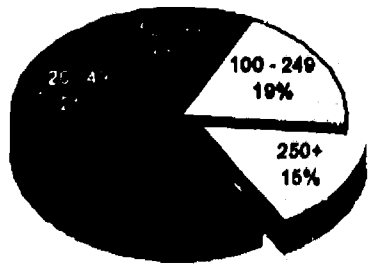
What is MEP?

- NIST Manufacturing Extension Partnership, a nationwide network of resources to assist smaller manufacturers in becoming more competitive
- Authorized by President Reagan in the Omnibus Trade Act of 1988
- MEP centers provide technical and business assistance to smaller manufacturing establishments (SMEs - firms under 500 employees), 149,000 manufacturers worked with since 1989.
- Partnership of private sector and federal, state, and local governments
- Continues to earn strong bi-partisan Gubernatorial and Congressional support

MEP fills a critical service gap.

Limited financial resources, shortages of in-house expertise and time, and lack of access to the latest technologies slow the productivity growth of smaller manufacturers. Traditional sources of assistance—customers, private consultants, and vendors— do not adequately support the performance and capabilities of small manufacturers. (National Research Council, 1993)



Size of firms served, by number of employees

Source: *NIST MEP Activity data, 1998*

MEP is accountable.

Since 1996, independent follow-up surveys have been conducted with MEP client firms. The project outcomes at right are as reported by the clients themselves. They contain no economic multipliers, extrapolations for non-respondents, or estimations of the *long-term* impacts of MEP assistance.

MEP results from projects completed in FFY 2000

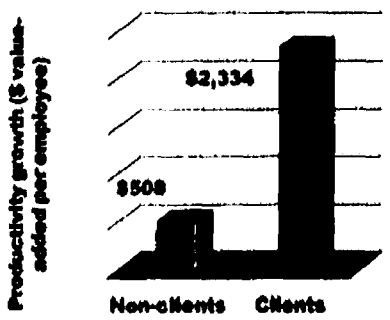
Increased/retained sales	**$2.3 billion**
Cost savings	**$482.6 million**
New client investment in modernization	**$883.3 million**
Jobs created	**9,097 jobs**
Jobs retained	**16,472 jobs**

Source: Independent follow-up survey of over 4,890 clients with projects completed between October, 1999 and September, 2000.

Evaluation studies confirm MEP's positive impact on businesses and the economy.

A Census Bureau study published in 1999* determined that over a five year period, MEP clients experienced productivity gains more than four times greater than comparable firms that did not receive MEP assistance.

In addition, a 1995 GAO report concluded that 73 percent of MEP clients improved business performance as a result of MEP assistance.



Source U.S. General Accounting Office Report GAO/GGR-95-216BR

Source: Jarmin, R.S. "Evaluating the Impact of Manufacturing Extension on Productivity Growth." Journal of Policy Analysis and Management, 18(1), 1999

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Putting North Dakota on the MEP

A sound investment in the region's industrial base

North Dakota's manufacturers are joining their peers nationally in leading a non-profit organization called the North Dakota Manufacturing Extension Partnership (ND MEP).

The ND MEP is part of a national network of more than 70 Centers including 400 locations that are providing technical and business assistance to America's 355,000 small and mid-size manufacturers. These firms cover all industry sectors from food processors to machine shops to electronics.

Randy Schwartz

Since the ND MEP is linked to other Centers through the U.S. Department of Commerce's National Institute of Standards and Technology (NIST), manufacturers are using and applying the knowledge network that connects 2,000 specialists with extensive experience in manufacturing operations and business consulting.

As with other MEP Centers, the ND MEP is committed to help manufacturers ... who may lack the resources; in-house expertise and access to the latest technologies ... to become more productive, profitable, and competitive.

Since it's inception in 1988, the MEP has worked with over 150,000 manufacturers. Just in fiscal year 2000, MEP projects were responsible for client firms' reported sales of $2.3 billion, cost savings of $483 million and creation or retention of more than 25,000 jobs.1 Independent studies confirm that over a five-year period, MEP clients experienced productivity gains more than four times greater than comparable firms that did not receive MEP assistance.2

Manufacturers pay for the services they receive from MEP centers while investment by the federal government and state governments help offset the very large client development costs required to reach small manufacturing companies.

"The Manufacturing Extension Partnership is a successful partnership of private and federal, state, and local resources," says North Dakota Governor John Hoeven. "It's a cost-effective network that fills a critical service gap faced by our manufacturers."

According to North Dakota Senator Kent Conrad, "The MEP plays an important role in helping existing businesses that wish to expand their operations."

Since it's October 2000 re-introduction in North Dakota, the ND MEP has provided Lean Enterprise and Industrial Marketing services to over 130 manufacturers reaching over 1,500 employees in the Dakotas. Lean Enterprise (see related article) helps companies realize increases in productivity, improvements in delivery, and reductions in defects and lead times while Industrial Marketing helps them get more profitable sales through targeted marketing efforts.

The breadth and depth of services available vary by Center but a nine-member Board of Directors helps to insure that the ND MEP is responsive to manufacturer needs.

"The most successful MEP Centers are operated as client-led and client-driven public-private partnerships," said Randy Schwartz, director of ND MEP. "The ND MEP Board is comprised of manufacturers across the state who are responsible for the future and success of the program."

Michael Hohl is chairman of the newly formed ND MEP board. He is also president of DMI Industries in West Fargo. He is joined on the board by Sally Bosh of Phoenix International, Fargo; Bob Maeyaert, Baker Boy, Dickinson; Mac McPherson, Glenmac, Jamestown; Don Morton, Microsoft Great Plains, Fargo; Dick Shorma, WCCO Belting, Wahpeton; Michael Vig, IR/Bobcat, Bismarck; Carl Wendelbo, Composites America, Fargo; and Bob Wilmot, Turtle Mountain Corp., Dunseith.

"The MEP program is extremely important to North Dakota," says Hohl. "Our state's manufacturers added 6,500 net new jobs and provided one third of the growth in North Dakota's economy in the last decade. Our 811 manufacturers employ over 25,000, with each job averaging $30,600 per year. Our diverse and dynamic manufacturing companies now make up nine percent of the state's gross product."

Bob Wilmot, vice president of quality assurance, Turtle Mountain Corporation, has witnessed the value of ND MEP first-hand. "Turtle Mountain Corporation is a contract manufacturer of electronic assemblies and employs 400 people. I used ND MEP to train our employees in Lean Manufacturing concepts," he says. "As a result, we improved product flow. Also, we reduced costs, expanded business, and created new jobs."

Douglas Sitzler, co-owner of Engine Rebuilders in Oakes, ND, is another believer in what ND MEP can do to grow manufacturing in the state.

"We produce remanufactured engines for light agricultural and industrial applications and employ 20 people in our small town. As a result of ND MEP's training, support and advice, we are creating methods to become more efficient in our production and more results-oriented in our advertising," Sitzler says.

Specifically, since being exposed to ND MEP and successful manufacturing principles, Engine Rebuilders increased sales from 789 engines in 1998 to 1031 engines in 2001. There's another dramatic result. They manufactured 901 engines in 2000 and increased production to 1031 engines in 2001.

Schwartz is excited about the future of ND MEP. "Having seen how effective this program has been in other states, we believe the ND MEP can help our companies experience the same positive impacts. By helping our existing manufacturersexpand their businesses, we will have a positive impact on this region's economy," he says.

1 Independent follow-up survey of over 4,890 clients with projects completed between October, 1999 and September, 2000.

2 Source: Jarmin, R.S.; "Evaluating the Impact of Manufacturing Extension on Productivity Growth", Journal of Policy Analysis and Management, 18(1), 1999

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Thinking lean and growing business

By Ann Reich

There is an energetic cheer spreading among the Dakota manufacturers that's gaining volume in short order. The cheer is simple: "Run faster, run smarter, run lean".

All across North Dakota and parts of South Dakota over 100 manufacturers and over 1,000 employees have been exposed to "lean thinking" thanks to the North Dakota Manufacturers Extension Partnership (ND MEP). The word about the benefits of running lean has taken less than two years to spread and the results are remarkable.

Take DMI Industries in West Fargo as an example. DMI Industries is one of the four largest wind tower manufacturers in the United States. As DMI recognized the potential of the wind tower market and made the strategic decision to focus on this industry, they also realized they were ill equipped to meet these new demands with their current manufacturing practices, according to Mike Hohl, CEO of DMI Industries.

Mike Hohl

In January 2001, DMI made a commitment to send all of its employees through a Lean Manufacturing 101 workshop. After that, DMI teamed with the ND MEP to fundamentally change their method of manufacturing. These changes have allowed DMI to more than triple their production capabilities in a 12-month period and position itself as a leader in the industry.

"It was a big commitment for us to do the all-employee training. We weren't making a lot of money at the time," recalls Hohl. "Dan Hoefs, industrial engineer by trade and our director of operations, had seen an introductory seminar publicized. He attended and was really intrigued. He came back and said we need to send every employee. We did."

Dan Halverson

Since its commitment to becoming a Lean enterprise, DMI has gone from producing 6 sections of wind towers a week to 22 sections. Labor hours to produce a section have gone from 450 hours to 220 hours per section.

It's no wonder Hohl is a cheerleader for lean thinking. On June 14, DMI celebrated the completion of a new $5 million capital expansion with a ribbon cutting ceremony. The expansion began October 2001.

Two years ago, DMI had 60 employees. Today, they are at 170. With the plant expansion, they plan to have 220 by the end of the year.

DMI doubled its sales revenue in 2001, according to Hohl. They anticipate 80% growth in 2002.

"We are seeing phenomenal growth," says Hohl. "Lean principles have created a remarkable change in our culture. It gave us an appreciation for what we could do to get more through put. It turned us into a culture of success."

As a number one fan, he says, "It has been truly fun to watch the success of the organization. When you give people the challenge, they come to the forefront. We now have profit sharing. As the organization succeeds, the employees succeed. It's really exciting!"

Today, DMI is at the forefront of the wind tower industry in North America. They are one of four serious competitors. Two manufacturers are in Texas and the other is in Louisiana.

Providing the coaching for lean thinking is a team of four consultants with ND MEP. They are Randy Schwartz, director; Dan Halverson, business development; C.L. Melenzyer IV, senior consultant; and Glenn Pladsen, consultant. Schwartz and Halverson

Minnkota Windows, Fargo

are in Bismarck, N.D. Pladsen is in Fargo. C.L. headquarters out of South Carolina and also works with the national MEP system.

Although small in size, Schwartz maintains they are part of a national network of service providers with deep experience in manufacturing and business. What is most impressive is they are making an impact on the region's economy.They have tremendous knowledge and resources to take companies on a lean journey for continuous improvements.

When Schwartz speaks of DMI, he says, "They are the poster child for lean in North Dakota. They did it for all of the right reasons -- not for layoffs or to cut costs. They improved productivity by 400%. Driving it is every employee."

The genesis of lean thinking can be traced back to the late 1800s and early 1900s. Henry Ford said, "If it doesn't add value, it's waste." He understood that waste presents a major barrier to a firm's ability to satisfy customers. So, being a lean company means identifying waste (any activity that consumes resources but creates no value for the customer), eliminating or reducing waste, and adding value. The wastes addressed by lean include overpro

Baker Boy Mfg., Dickinson, ND

duction, waiting, transportation, non-value added processing, excess inventory, defects, excess motion, and underutilized people. (See the sidebar article for the main principles of lean.)

Besides DMI, four other Dakota companies currently in various stages of a lean journey are Baker Boy, Turtle Mountain Corporation, Minnkota Windows, and Watertown Box.

Baker Boy, located in Dickinson, ND, is a manufacturer of frozen bakery products and employer of 270 people. They market and distribute products under the Baker Boy name, as well as private labeling for national companies.

Due to the high demand for their products, Baker Boy has had multiple expansions and significant employee growth over the past couple of years. However, employees were working large amounts of overtime in order to meet customer demand.

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"With the assistance of the ND MEP, Baker Boy has begun utilizing lean manufacturing principles throughout their organization to work smarter versus working harder to meet their customers' demands for their products," said Pladsen.

Baker Boy began the lean journey in November 2001.

"We are involving line employees in the decision-making process relative to their work areas," says Bob Maeyaert, Baker Boy's vice president. "We have seen results already. The work place is cleaned up and organized. We have made changes to the production lines by eliminating some steps and making others faster and easier."

Maeyaert says they are just at the beginning stages of lean and he is excited about what is yet to come.

"Lean will enhance our bottom line and make our workplace more attractive and fun for our employees because they are involved," he adds. "Ultimately, lean will increase our output, increase sales and increase the number of employees."

Turtle Mountain Corporation (TMC), headed by President John Miller, began their lean journey in October 2001. TMC is a manufacturer of electronic components (circuit boards and sub-assemblies) located in Dunseith, ND, and employer of 350 people. TMC is a division of Pemstar Corporation, headquartered in St. Paul, Minn.

TMC has enjoyed tremendous sales growth over the past five years, but certain operational disciplines have not kept pace, according to Pladsen. This led to an increase in quality issues that needed to be addressed in order to maintain relationships with top tier customers such as IBM, Motorola, and Honeywell. TMC distributes products nationally and internationally to countries such as Italy and Ireland.

"TMC is utilizing the ND MEP and their lean expertise to migrate their production floor and mind set from technology silos to a cellular manufacturing operation," adds Pladsen. "This migration will not only address product quality issues but also minimize work in process inventory and reduce production lead times."

"We are very impressed with the work that Glenn and C.L. have done," says Miller. "We are just in the implementation stages and have high expectations to move to lean cells in the next months. We are beginning to move our products down the line more efficiently and taking care of defects at the source."

C.L. Melenyzer

The fourth company using lean is Minnkota Windows in Fargo. They employ 35 people, with a primary focus on the replacement window market.

Due to increased customer demand over the past two years, the lead times for order fulfillment have extended beyond their two-week target, especially during the peak construction season.

Glenn Pladsen

"Our business is growing and we needed to get our cycle time back down to a two-week window," says Pete Silbernagel, president. "Glenn and his team delivered a Lean 101 training session to all of our employees in March and they are continuing to assist us in developing a lean implementation plan."

Already, Silbernagel has seen a major cultural shift and they are back down to a two-week cycle. How did they do it?Through lean concepts.

According to Silbernagel, they are: streamlining operations on the shop floor and eliminating wasted processes, automating some processes that were more labor intensive, improving labor productivity, getting smaller quantities more frequently from their vendors, and improving communications throughout the company.

"We are very customer driven," says Silbernagel. "Lean manufacturing allows us to achieve higher customer satisfaction and I'm convinced it's going to help us grow. We embrace the lean concepts."

The latest company to begin a lean journey is Watertown Box, Watertown, SD. Watertown Box manufactures corrugated boxes. They have approximately 40 employees, with distribution primarily in North and South Dakota, and Minnesota.

After attending a Lean 101 training session, Watertown Box employees attempted to implement a number of lean principles, but quickly realized the need to introduce all employees to the concepts. They also needed an external resource to jumpstart their lean journey.

"The ND MEP came to town and did a public seminar and we got really fired up on the concept," says Mark Kludt, plant manager of Watertown Box. "We started to improve our production flow immediately after the training, but we realized we needed to get every one of our employees through the training. We spent a whole week with Glenn and his team and we're fired up!"

Watertown Box just completed training of all employees in April 2002. Already, three improvements have been made, according to Kludt.

One, they were carrying a lot of inventory and they have reduced 90 days of inventory down to 60 days, which means 2,000 sq. ft. of free space.

Two, they have organized and cleaned up the place.

Three, they have made improvements in the production lines to eliminate waste and improve ergonomics.

"Lean is going to be a successful journey for us. We will continue to use and improve," says Kludt.

These five manufacturers serve as a testimony to the excitement that is growing within their industry. As Randy Schwartz says, "The major theme of lean is growth."

And, as Hohl sees it, "We have turned into a culture of success. We feel with the type of growth we are seeing -- by adding another 50 jobs -- we are adding a lot to the region's economy."

Amen. Go team. Run faster, run smarter, run lean.

For more information about the difference lean makes, contact the ND MEP at (701) 328-7259.

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DMI becomes a Lean Enterprise specializing in wind towers

Company Profile

Started in 1978 by Don Moen, Dakota Machine, Inc. DMI) began as a fabricator and repairer of machine tools and equipment. Current president, Mike Hohl has taken the company in a new direction -- wind tower production. DMI ··w has 130 employees and is one of the top four wind tower producers in the United States.

Situation

In 1987, DMI got involved in the sugar industry, producing sugar beet pilers. When the sugar industry started to struggle, DMI executives became concerned about the future of the company.

When DMI contacted the NDMEP in 1999, management was trying to decide whether to continue producing sugar beet pilers or build on success they had had in the fabrication of towers for the wind energy industry.

Assessing the market potential, and perhaps in a leap of faith, DMI executives decided to focus on wind turbine towers. However, they knew that the company needed to produce the towers more efficiently than was currently possible. That is where the MEP center and its Lean Manufacturing program became an asset.

Solution

The partnership between the MEP and DMI began when Dan Hoefs, DMI's director of operations, responded to a mailing from the NDMEP about Lean Manufacturing. The MEP center promptly scheduled a time for Hohl and Hoefs to attend a workshop.

At the workshop, Hohl and Hoefs learned Lean theories in a classroom setting and practiced Lean processes through production simulations. They were so impressed by the concepts that they scheduled an MEP team to train all of DMI's employees.

In March 2001, the employees were taught how to streamline production in order to achieve greater potential. Specifically, they learned how to standardize work, organize the workplace, reduce batch size, make storage accessible, as well as other production practices that reduce cycle time and improves product quality.

Results

- DMI measures production performance based on sections produced per week.
- After the Lean training and a slight capacity increase, DMI is expected to average over 10 sections per week for June, compared to the previous average of four and one-half sections per week.
- The time spent on each section went from over 400 hours to about 350, and DMI experienced its first profitable month for the year in May.

Testimonial

"In less than four months, the positive results attained have far exceeded our goals. The MEP professionals, both local and national, have been exceptional people to work with and I would highly recommend this program to any manufacturer. I am convinced that Lean Manufacturing leads to increased production and more profit to any manufacturing operation."

--Mike Hohl, President of DMI Industries

Success Stories highlight manufacturing improvement projects and are authorized by the company.
These Success Stories have been provided to the national NIST MEP by
North Dakota Manufacturing Extension Partnership, Inc.

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Cloverdale Meats, Mandan, N.D.

Company Profile

Motion after motion matters. Just ask the people who work eight-hour shifts on the production lines at Cloverdale Meats in Mandan, N.D.

Cloverdale Meats employs 300 people and is recognized across the Midwest for signature meats of impeccable taste. Even though the company's origins go back to 1915, they continue to search for ways to be more competitive, productive and profitable.

Every product line--and Cloverdale Meats produces 400 products in 16 categories--is staffed by dedicated employees searching for ways to be more efficient, thanks to Lean Manufacturing and the North Dakota Manufacturing Extension Partnership (ND MEP). Teardrop hams, tangy summer sausage, and thick-sliced bacon are created by people on the production lines going through motion after motion to complete a quality end product.

Situation

Cloverdale Meats processes an average of 85,000 pounds of hams per week. This affects approximately 16 employees on production line positions. The company wanted to break down and analyze the positions on the production line because there was a need for greater efficiency and a better working climate for employees. The manual labor, with repetitive motions, often resulted in productivity problems, injured workers, and employee turnover.

Solution

A handful of people from Cloverdale Meats attended a public workshop on Lean Manufacturing 101 and liked what they learned. T.J. Russell, CEO/president of Cloverdale Meats, realized there would be benefits from being a Lean Enterprise and requested an in plant Lean Manufacturing 101 session for over 20 Cloverdale employees. While Jeff Cochran and Nicholas Lloyd, two ND MEP Lean consultants, led the day-long training session at the Seven Seas in Mandan, two other ND MEP Lean consultants visited the Cloverdale plant next door. Industrial Engineer Hank Czarnecki and Lean Manufacturing Senior Consultant C.L. Melenyzer IV, observed the ham bone line and quickly discovered it was out of balance.

By utilizing Value Stream Mapping, the Lean Manufacturing team would begin to initiate improvements to the ham bone line. Some workers on the line were making more cuts, which took more time, and the production line was thrown off balance. The ham bone line team was encouraged to look at its current state of production, envision a future state and then pull out all of the non-value added activities. Through the process of Value Stream Mapping the line was balanced and productivity increased.

Also, Cloverdale employees were asked to be involved in brainstorming ideas to improve efficiencies, eliminate waste and make their jobs easier. One employee recommended a process improvement by enhancing the knife sharpening process. New sharpening steels were ordered that are more user friendly. Employees have been trained in how to effectively sharpen them. Another idea was cross training, or teaching employees a variety of skills. The training and standardizing of motions to complete each task has helped spread out the work evenly.

Results

- Increased production on the ham bone line by 15 percent.
- Made the jobs on the line more uniform. One person isn't working harder than another. Work is equalized and the line is balanced.
- Decreased employee turnover. Very stable line.
- Improved team work because the ideas and input from employees is valued.

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Testimonial

"Lean 101 and Value Stream Mapping is about improving job skills that improve the product lines. We put people first. Cloverdale is so blessed to have an incredible amount of talented people. This is an enabling process. If there are things we can do to improve our efficiency, it's a direct result of our employees and the employees will benefit. We have an incredible desire for our people to win and taste winning often."

-- *T.J. Russell, CEO/President of Cloverdale Meats*

"The implementation of Lean 101 principles has improved the teamwork on our production lines. Our associates know how to utilize a systematic approach to identify and eliminate waste. This, along with standardization of procedures, has reduced cost and improved quality. Lean 101 is a continuous improvement process that Cloverdale is committed to. We will continue to improve our processes."

-- *Jim Miller, Chief Operating Officer/Executive Vice President*

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Learn by Doing! Funshine Express

Company Profile

Funshine Express develops and manufactures innovative preschool curriculum kits for preschool teachers and childcare providers. Similar in concept to a lesson plan which includes patterns and craft supplies, this Dickinson, N.D., business provides a wide range of learning materials for early childhood professionals. This company believes children learn by doing! The materials and activities are targeted to children ages two to five.

Situation

In 1995, Beth Strube, President, started Funshine Express. The operation began with two employees running the business out of their homes. First year orders averaged 50 kits per month. By 2002, Funshine Express had 14 full-time staff and several part-time staff. In Spring 2000, a 4,000 sq. ft. building was purchased at 1409 West Villard.

Currently, this fast-growing business sells approximately 2,500 kits per month (about 18,000 children) and has customers in all 50 states. Strube says 98% of the business comes from outside of North Dakota. Gross sales for 2001 were $850,000.

Rapid growth provided many challenges in terms of staffing, facilities and equipment. Within one year of relocating to the building on West Villard, the customer base had grown so much that Funshine Express was running out of room. Raw materials, product that was in-process, excess inventory resulting from overproduction, and inefficient production processes took up considerable space. Strube was also concerned about issues such as ergonomics and safety, plus she wanted to lower the intensive labor costs involved in producing the kits.

Solution

Funshine Express staff attended a Lean Manufacturing 101 workshop in the Fall of 2000. Strube says they left the training with a fresh perspective and knew they needed to make changes, but they were not sure how to begin. After all, their backgrounds were in education and business--not manufacturing! Concepts familiar to industrial engineers and manufacturing specialists were foreign.

Upon the recommendation of the Southwest North Dakota Manufacturer's Roundtable, Strube contacted the North Dakota Manufacturing Extension Partnership (ND MEP). ND MEP developed a working partnership with Strube that would make Funshine Express more efficient.

While at Funshine Express, a ND MEP consultant watched the operations and listened to the issues. He helped the Funshine team evaluate their production processes, formulate goals and implement changes. Specifically, Funshine changed the entire flow of production so it flowed smoothly through the whole building. They added shelving for more efficient storage, worked out details to eliminate overproduction and excess inventory by lowering batch sizes, and built in countless small efficiencies. The production line was balanced. Time was spent cleaning and organizing to gain much needed space and move supplies closer to the areas where they were being used, thus saving steps and eliminating unnecessary movement. Plus, step-by-step visuals were added along the line to assist the assembly staff.

Results

- Extended time in West Villard building
- Increased production from 1,450 kits per month to 2,400 kits per month
- Added five employees
- Lowered costs
- Encouraged a sense of teamwork

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Testimonial

"By making these changes we have borrowed an additional few years in the West Villard building and have taken steps toward lowering costs. We view the entire Lean Manufacturing model as an ongoing process.

Through all of these changes, the ND MEP team has been incredible source of enthusiasm and professional knowledge. They have gone out of their way to offer assistance and advice through phone calls, letters, and follow-up visits. They have challenged us to look in directions that we were not always comfortable with, but directions that have been ultimately valuable for our company.

Growth goals for the Fall of 2002 are to reach approximately 3,200 to 3,500 order per month. We should be able to accomplish that in our present location, with some additional cold storage offsite. In the Fall of 2003, we plan to add another complete product line of curriculum materials for Early Pre-Kindergarten children. At that time, we will most likely put our knowledge of Lean Manufacturing through all sorts of new hoops and loops!"

-- Beth Strube, President, Funshine Express, Inc

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Training Pays Off For Engine Rebuilders

Company Profile

Engine Rebuilders is located in Oakes, N.D., and employs 20 people. Their primary business is the rebuilding of engines for skid steer loaders. They support all makes of skid steers such as Bobcat, New Holland and Gehl. The majority of their customers are in the Midwest, but they do ship engines to the east and west coasts. Their primary sales channel is to sell through skid steer dealerships, but they will also sell directly to end users.

Situation

Engine Rebuilders has seen steady growth in their business as the overall skid steer market has grown. This year marks their 30th anniversary and while they have seen steady growth, Doug Sitzler, co-owner, was looking for avenues to improve efficiency and productivity. He knew they could do better. In 1990, Engine Rebuilders produced 500 engines annually and in the mid-1990s, they climbed to around 600 engines annually and leveled off for a few years.

Solution

In an effort to inject new ideas into their organization, Engine Rebuilders took advantage of a number of general training sessions on Lean Manufacturing and Industrial Marketing sponsored by the ND MEP. They were one of the first businesses to attend sessions first offered in North Dakota in 1999. Doug and his team were able to apply many of the concepts introduced in these training sessions to their business. The ND MEP has provided additional insight through plant visits and self-administered assessments, but the improvements made were really driven by the Engine Rebuilders staff based on the training provided by the ND MEP.

After attending the training, Doug and his son, Tim, created a presentation and shared their new knowledge with all employees. The employees were enthused. One major change was the organization of the shop. Now it is a visual organization and materials are easy to find. Everything is clean and in place. Also, employees are involved and feel they are a part of the team. A new bonus system is in place to reward employees for their ideas and efforts.

Results

- Increased production from 901 engines in 2000 to 1031 engines in 2001.
- Increased sales from 789 engines in 1998 to 1031 engines in 2001.
- Encouraged a sense of teamwork.

Testimonial

"I have really appreciated the ND MEP training sessions. Lean Manufacturing gave us very good ideas for organization and productivity. I look forward to more sessions in our area. Industrial Marketing definitely opened our eyes to what we weren't doing in marketing. Now we understand where we need to go.

The ND MEP has made a difference in our business. The information I took from the sessions have sure helped improve our production and sales numbers."

-- Doug Sitzler, Engine Rebuilders

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Implementing Lean produces sweet rewards for Baker Boy.

Company Profile

Baker Boy is a manufacturer of high quality bakery products serving the food service, bakery, and private label markets in the United States and Canada. They produce over 650 products and employ 250 people. The company began as a local bakery in the 1950s by Marvin Moos. Recognizing the need for a regional provider of quality dough products, the Moos family constructed a small facility in 1978 to manufacture frozen dough products. From the original 3,000 square foot facility, the business now encompasses an 85,000 square foot technologically sophisticated production facility.

Situation

Due to the high demand for their products, Baker Boy has had multiple expansions and significant employee growth over the last couple of years. As a result, employees were working large amounts of overtime on the baked goods line and the bake area equipment was being underutilized.

Solution

In an effort to inject new ideas into their organization, Baker Boy took advantage of a number of training sessions on Lean Manufacturing sponsored by the ND MEP. The first session was held in November 2001 and two more sessions have been held in 2002. Leading the efforts to implement Lean at Baker Boy are Bob Maeyaert, vice president; Todd Pechtl, production supervisor; and Ken Areitinger, efficiency coordinator. Together, with teams of employees, they have been applying many concepts --such as 5S -- into the workplace. The ND MEP has provided additional insight through plant visits, self-administered assessments and implementation assistance.The first major change was the elimination of mandatory overtime, due to improved facility utilization. The next major change was the organization of the baked goods line area. Now it is a visual organization and materials are easy to find. Everything is clean and in place. Also, employees are involved and feel they are a part of the team.

Results

- Went to a 7-day week work structure, which has resulted in no mandatory overtime for 34 consecutive weeks.
- Baked goods area is now utilized 93% of the time, compared to 71% of the time, with overtime, prior to Lean.
- Clean, organized workplace with increased efficiency.
- Encouraged a sense of teamwork.

Testimonials

"We have taken pickup loads of material and equipment out of the work area that wasn't being used. We have a double labeling system. Now employees know where everything is. This has not only increased our efficiency, but improved morale. We are hearing a lot of positive comments from our employees." *--Ken Areitinger, Efficiency Coordinator of Baker Boy*

"We know what Lean can do for us. We are still in the very early stages of implementation. Now, we are headed into value streaming and doing an analysis on each motion in our production lines. Lean will enhance our bottom line and make our workplace more attractive and fun for our employees because they are involved. Ultimately, lean will increase our output, increase sales and increase the number of employees." *--Bob Maeyaert, Vice President of Baker Boy*

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Minnkota Windows—Using Lean Manufacturing to Frame Future Success!

Company Profile

Minnkota Windows, located in Fargo, N.D., manufactures and distributes custom-size vinyl residential and commercial windows. Types of windows include single and double hung, single and double sliders, casements, awnings, picture windows, bow and bay windows and patio doors. The 20-year-old company has 35 employees working in a 35,000 sq. ft. plant. They produce top quality zero-maintenance vinyl windows that are marketed through remodeling contractors, lumberyards and dealers in the upper Midwest.

Situation

Due to increased customer demand over the past two years, the lead times to fill orders were extending beyond their two-week target, especially during peak construction periods. During the summer and fall months of 2001, Minnkota Windows was six weeks out on delivery time. The customers were saying, "Two weeks or less."

Solution

In order to reduce the lead time, Minnkota Windows President Pete Silbernagel turned to the ND MEP for help. He realized the plant's process flow needed to be analyzed and some reorganization needed to take place. In March 2002, Silbernagel asked ND MEP to deliver a Lean 101 training session to all employees with the mission: "Tweak the process flow with the whole team on board." The ND MEP team also assisted Minnkota Windows in analyzing the current process and developing a Lean implementation plan.

As a result, employees have been applying many Lean principles --such as value streaming, workplace organization, visual controls, line balancing, cross training, and sharing ideas for improvement -- into the workplace. According to Silbernagel, Lean has helped Minnkota Windows: streamline operations on the shop floor and eliminate wasted processes, automate some processes that were more labor intensive, improve labor productivity, get smaller quantities more frequently from their vendors and improve communications throughout the company.

Results

- Major goal achieved! Minnkota Windows is down to one-week cycle time for order fulfillment to customers; an improvement from six-weeks one year earlier.
- Sales increased 12% over previous year; labor productivity improved 20%. The changes gave Minnkota Windows the opportunity to grow its business and increase sales at a time when Silbernagel feels sales could have been flat due to economic conditions.
- The employees have met the Lean concepts enthusiastically. Ideas were shared with a lot of team support.

Testimonial

"We have gone through a major paradigm shift from the old cultural tendencies of our company -- from being batch driven to customer driven. It's been great for the company! We are very customer driven. Lean manufacturing allows us to achieve higher customer satisfaction and it' s helping us grow. We embrace the Lean concepts."

--Pete Silbernagel, President, Minnkota Windows

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What is NIST MEP?

- A nationwide network of resources providing technical and business assistance to America's 355,000 small and midsize manufacturers.
- A partnership of the private sector and federal, state and local governments with broad, bipartisan support.
- A grassroots network that serves all 50 states through over 70 non—profit centers, providing comprehensive, affordable, hands-on support to smaller firms.
- Over 2,000 manufacturing and business specialists with deep experience in manufacturing operations and world-class business consulting.
- An opportunity for America's small manufacturers to invest in their futures, increase productivity, improve profitability, and enhance economic competitiveness.

What kind of services do MEP centers provide to manufacturers?

- Technical and engineering services to facilitate manufacturing and process improvements.
- Independent, objective, reliable analysis of available technologies, as well as direct assistance in reviewing, selecting, implementing, and optimizing new technologies and methods.
- New product and market development.
- HR management, education, and training.
- Assessments, benchmarking, and productivity reviews of firms and processes.
- Efficient access to other service providers, who are oriented by centers to the needs and challenges of small firms.

Why are small manufacturers so important?

- Small manufacturers account for 55 percent of the value of all manufactured goods in the U.S. economy.[1]
- The nation's 355,000 small manufacturers are the industrial foundation of our metropolitan centers and anchor good jobs in many smaller cities and towns across America.[2]
- Small manufacturers employ 11.3 million workers – more than two-thirds of all manufacturing employment.[3]
- Manufacturing employees are paid well. Average wages were $44,778 in 2000, or 27% that the national average for all private industries.[4]
- Small manufacturers contribute significantly to U.S. exports, 92.6 percent all of exporting by manufacturers comes from small firms, with fewer than 50 employees.[5]

Why is MEP so important?

- Critical as they are to the nation's economy, smaller manufacturers are less likely than larger firms to know about and implement technology, modern manufacturing processes, and current business practices.
- Limited financial resources, in-house expertise, and training budgets, and lack of access to the latest technologies slow the productivity growth of smaller manufacturers.
- As a result, the productivity gap between small and large manufacturers continues to grow.
- Traditional sources of assistance generally ignore the small manufacturer market because of the relatively high cost of sales for their services. But many small manufacturers are willing and eager to invest in their futures; MEP leverages their investment and the investment of the program's other partners.

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Have MEP centers produced results?

- Yes, MEP has achieved measurable positive impact on the companies it serves and on our local, state, and national economies.

- Small manufacturers have used MEP more than 149,000 times since the program began.

- In fiscal year 2000, MEP clients reported the following economic benefits as a direct result of MEP assistance[6]:

  - Increased or retained sales of $2.3 billion
  - Cost savings of $483 million
  - New investment in modernization of $883M
  - Jobs created: 9,097 jobs
  - Jobs retained: 16,472 jobs

- MEP clients experienced productivity gains more than four times greater than comparable firms that did not use MEP, according to a study by the Census Bureau[7]

Endnotes

[1] U.S. Bureau of the Census, Census of Manufacturers, 1992

[2] U.S. Bureau of the Census, County Business Patterns, 1999

[3] U.S. Bureau of the Census, County Business Patterns, 1999

[4] Bureau of Labor Statistics

[5] Small Business Administration

[6] Independent follow-up survey of over 4,890 clients with projects completed between October, 1999 and September, 2000.

[7] Jarmin, R.S., "Evaluating the Impact of Manufacturing Extension on Productivity Growth," Journal of Policy Analysis and Management 18 (1), 1999

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Manufacturing in the New Economy

Is manufacturing just a remnant of the "Old Economy"?

- No. Manufacturing remains crucial to the American economy, and the idea that the U.S. has retreated from manufacturing is a myth.
- Manufacturing contributed $1.43 trillion to GDP in 1998. Manufacturing's output grew by 42% between 1992 and 1999, compared with 29% growth for the whole economy.[1]
- Manufacturing is the largest contributor to economic growth in most states. Real gross state product (GSP) grew by 3.9% between 1997 and 1998. Manufacturing contributed a full 21% of that growth, a larger share than any other industry group.[2]
- Manufactured goods continue to be a key component of U.S. trade performance. U.S. exports of manufactured goods grew 74% in the last decade. Around 80% of America's exports are manufactured goods.[3]
- Yes, there is a New Economy; and yes, it's driven by knowledge and information technology; but manufacturing is still at the core of the New Economy.
- The elements of the New Economy's higher standards of living – the goods that transport us to work, furnish our homes, cook our meals, and send our email – will still be *manufactured goods.*

What does manufacturing have to do with the New Economy?

- The Internet and IT are largely tools – enabling technologies – that make it easier for "old" economy industries to create wealth in new ways.
- To a great extent, the New Economy is really those parts of the Old Economy that are reinventing themselves – transforming the ways they do business by adopting the new information technologies.
- Despite the media's preoccupation with retail e-commerce, manufacturing dominates all industry sectors with regards to e-commerce activity. Manufacturers racked up $485 billion in e-commerce shipments in 1999, or 12% of the total value of manufacturing shipments. This compares to just 0.6% for services and 0.5% for retail trade.[4]
- Manufacturers play a critical role in research and development in the New Economy by inventing new technologies and products. Manufacturing contributes a full 57% of total R&D in the United States. Manufacturing's contributions to R&D drive productivity gains in the U.S. economy.[5]
- The New Economy is changing not just how manufacturers do business – on the shop floor and in the back office – but also what manufacturers make. Routers, switches, semiconductors, optic fiber, cellular phones, personal computers, servers – the hardware of the New Economy.

How have manufacturers capitalized on technological advances to increase productivity?

- "Old-line industries" have undergone technological transformations in many areas, including logistics management, computer-aided manufacturing, supply chain integration, and Internet marketing and sales.
- According to the Wall Street Journal, "many economists now believe that U.S. manufacturers are smarter, leaner, and more productive than ever before."[6]
- By incorporating advances such as new production technologies and sophisticated machine tools, manufacturing has led – and driven – productivity growth in the entire economy. The rate of growth in manufacturing productivity outpaced that of the entire business

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sector throughout the 1990's, by an average of 2% per year (3.1% for the last three years).[7]

- Output per employee in the automotive parts sector jumped by 28% between 1992 and 1998. Even more impressive was the gain in the aircraft engines and parts business, where productivity ballooned 29.4%. In comparison, productivity in the overall economy grew 10.1% between 1992 and 1998."[8]

How does manufacturing's increasing sophistication protect the U.S. economy from sharp downturn?

- The Federal Reserve Board and other economists believe that manufacturing's use of new technologies has accelerated the response of production to demand, shortening the process of production adjustments. These changes have created a more stable economy by reducing the effects of extended backlogs on capital equipment and inventory.

- In his testimony before Congress on 2/28/01, Alan Greenspan said "new technologies for supply-chain management and flexible manufacturing imply that businesses can perceive imbalances in inventories at a very early stage – virtually in real time – and can cut production promptly in response to the developing signs of unintended inventory building."[9]

- Manufacturing's inventory to sales ratio has declined by almost 10% over the past five years.[10]

Endnotes

[1] Bureau of Economic Analysis, U.S. Department of Commerce

[2] Bureau of Economic Analysis, U.S. Department of Commerce

[3] Bureau of the Census, Foreign Trade Division

[4] U.S. Department of Commerce, *E-commerce, 1999*, March 2001

[5] National Science Foundation, National Patterns of *R&D Resources*

[6] Wall Street Journal, 2/15/01 (see attached)

[7] Bureau of Labor Statistics

[8] Joel Popkin & Co., cited in the Wall Street Journal, 2/15/01

[9] Federal Reserve Board, Monetary Policy Report to Congress

[10] Wall Street Journal, 2/15/01

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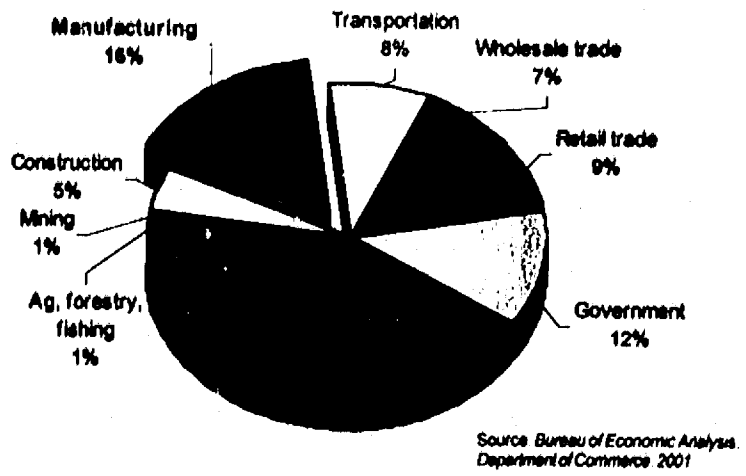
Manufacturing Extension Partnership

A sound investment in America's industrial base

Manufacturing is a powerful contributor to the economy.

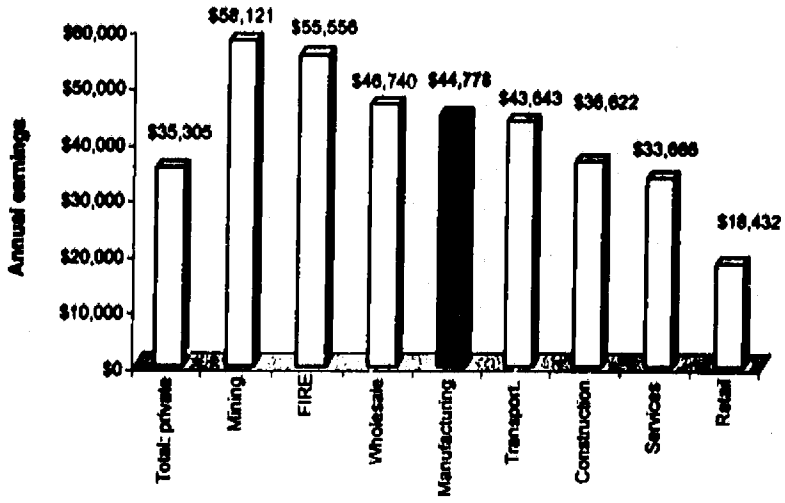
In 2000, manufacturing contributed over $1.56 trillion to the nation's gross domestic product—a full 16% of America's output; In ND $1.526 billion - 9% of state product.



Source: Bureau of Economic Analysis, Department of Commerce, 2001

Manufacturers provide high-wage jobs.

Manufacturing continues to be a source of high-wage jobs. Annual earnings for manufacturing employees averaged $44,778 in 2000—27% higher than the national average of $35,305 for all private industries. ND - $30,570

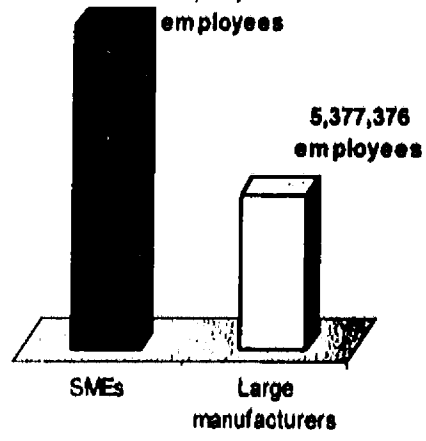


Source: BLS, Covered Employment and Wages, 2000

' Finance, insurance, and real estate

Small manufacturers anchor employment in communities across America.

The 355,500 smaller manufacturers in the U.S. employ nearly 11.3 million Americans — more than 2/3 of all manufacturing employment. In ND 811 manufacturers employ 25,291.



Source: U S Bureau of the Census, County Business Patterns 1999

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Centers of Excellence

North Dakota ***Centers of Excellence*** have strong competence regionally, nationally or internationally in a specialized area with strong outreach to a user community and is linked to a strong economic environment through university research & development, commercialization and entrepreneurship.

North Dakota *Centers of Excellence* are charged with several or all of the following responsibilities:

1.) Develop and engage strategies for science and technology research & development, commercialization, entrepreneurship, infrastructure and activities within North Dakota to develop innovative approaches that expand North Dakota's gross state product.
2.) Assist efforts to attract private and federal assistance for research & development and commercialization in growth clusters most likely to increase North Dakota's gross state product.
3.) Increase collaboration among federal, state, and private research & development and technology commercialization organizations in the state.
4.) Strengthen the leadership and support of the North Dakota EPSCoR program and encourage partnerships with other state instituitions for expanded efforts to stimulate economic growth in North Dakota's identified industry clusters.

Industry Clusters:

*Advanced Manufacturing	*Energy	*Information Technology
*Aerospace	*Tourism	*Value-added Agriculture

5.) Provide leadership in science & technology policy, regionally, nationally and internationally.
6.) Demonstrated efforts with creating employment opportunities for North Dakota University System graduates.

Eligibility for State Grant Funds:

1.) Funds must be used to enhance capacity, infrastructure and leverage federal, state & private sources of funding.
2.) State funds may not be used for operations or academic instruction
3.) State funds may be granted to research universities, university related foundations and public institutions located within the state that demonstrate the potential to deliver expertise and service to high technology growth clusters which will contribute to North Dakota's gross state product.
4.) Any public higher education institition or non-profit university related foundation receiving state funding must demonstrate within four years the following:
   *Two to one match on state funds
   *Annual reports describing expenditures and partnerships with industry
   *State funds are not eligible for indirect cost recovery
5.) The North Dakota Department of Commerce foundation board shall seek input from the North Dakota Board for Higher Education and establish eligibility criteria for any new ***Center of Excellence*** by December 31, 2003.
6.) Any ***Center of Excellence*** interested in seeking grant funding requests for the 2005/2007 biennium must be approved by the North Dakota Deprtment of Commerce foundation board by June 30, 2004.

North Dakota Centers of Excellence as defined by the 58th Legislative Assembly:

Department of Commerce

1.) Center for Beef Systems-North Dakota State University
2.) Center for Nanoscale Science & Engineering-North Dakota State University
3.) Centers for Entrepreneurship and Innovation
   *Center for Innovation-UND
   *Center for Technology Enterprise-NDSU Research & Technology Park
4.) John D. Odegard Center for Aerospace Sciences-UND
5.) Center for High Performance Computing-NDSU

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10/30/03
Date

NDSU Animal and Range Sciences Center of Excellence-Beef Systems

Case Statement: North Dakota's beef cattle industry consists primarily of cow-calf producers (1.04 million cows). The cattle feeding industry is relatively small in comparison (approximately 75,000 head finished annually), but there is considerable interest in expanding the feedlot industry.

North Dakota agricultural producers have been active in developing a number of "new generation" cooperatives to capture added value from further processing (American Crystal Sugar; Dakota Growers Pasta). However, efforts to capture this value in the beef cattle industry have been largely unsuccessful. Northern Plains Premium Beef identified two major market niches on which they intended to focus, 1) the "white tablecloth" restaurant trade for highly marbled beef, and 2) the "red meat yield" market for source verified cattle. In addition to markets for beef products, Northern Plains Premium Beef also explored niche market opportunities for rendered coproducts, leather, and pet foods. Even though Northern Plains Premium Beef and other similar efforts, both in North Dakota and outside North Dakota, failed to raise enough equity to begin operations, significant interest in the concept remains.

While academic institutions have been great engines for economic growth, that growth has been largely limited to the communities in which these institutions lie. Our proposal has the potential to increase economic growth in rural North Dakota and address the rural depopulation issue.

Current Program: The Animal and Range Sciences Department at NDSU has a long history of active involvement in the livestock industry in North Dakota. The department currently has programmatic teams focused on core aspects of cow-calf production (range management, reproductive physiology, and nutrition). This includes the recently developed Center for Nutrition and Pregnancy. However, the department needs facilities and additional expertise in aspects of the beef industry beyond the cow-calf and feedlot sectors.

Center of Excellence Proposal: We envision a system which will develop a public/private partnership to develop a Beef Systems Center of Excellence in the Animal and Range Sciences Department at NDSU. This Center of Excellence will:

1) Create a model for development of an integrated meat processing industry which could be implemented in other parts of the state, region, or country.
2) Enhance NDSU's ability to provide cutting edge research in the following areas:
a) the effects of genetics, management, and nutrition regimens on carcass merit, quality, and sensory characteristics,
b) food safety and nutrition of resulting meat products,
c) evaluate new and emerging technologies in slaughter, fabrication, further processing, and value added meat products,
d) provide data on meat and meat marketing,
3) Provide training, educational, and outreach opportunities in slaughter, meat processing, food safety, and further processing.

The principle objective of the Center of Excellence in Beef Systems is to provide leadership, scientific and business expertise to develop an integrated meat processing industry in North Dakota. If North Dakota processed 500,000 head of cattle annually (about 56% of its' production), the direct additional contribution to the economy would be $300 million. The additional per head revenue available to ranchers and the employment opportunities created with small processing operations could revitalize a number of struggling rural communities.

Budget Request: The Center would be a partnership between the NDSU Animal and Range Sciences Department and a private entity. The private entity would "operate the business" while the Animal and Range Sciences Department faculty would conduct research and education to meet the requirements for the objectives identified. To partially fund the estimated startup costs, $1 million from the Center for Excellence fund (Engrossed HB 1003, Section 18, Competitive Research -- Centers for Excellence) is being requested. This would be leveraged

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10/30/03
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Center of Excellence in Multimedia Technology

I. Case Statement:

We live in an inundated information age where thousands of cable and satellite channels are available and a vast amount of information is being distributed via the Internet. Media content, and the technical expertise to create and deliver it, is in great demand. Further, these distribution channels are beginning to overlap and converge, as evidenced by audio (including radio) and video available via the Internet, and TV programming offering online information and interactivity. This convergence of individual media into a new multimedia represents a paradigm shift in the art, science, and technology of communications, as well as an enormous economic opportunity for North Dakota. A new generation of multimedia removes the barriers of remoteness.

The cost and smart use of technology remains a barrier for most of those who have a vision and dream to exploit the potential of the information age. This is where the Center of Excellence in Multimedia Technology (CMT) will fill a growing need. CMT will be a regional provider of custom media and information products and services, potentially drawing clients from Winnipeg, Minneapolis, and beyond. Building on extensive existing media facilities and technical and artistic expertise, CMT will provide a combination of services custom made for the information age – an *integrated* package of capabilities previously unavailable in the Midwest. Combined in CMT, these capabilities can transform North Dakota into an information age media powerhouse, generate considerable economic growth, create high-tech jobs in the private sector, and attract significant investment.

II. Existing Resource

CMT will grow out of existing facilities at the AeroSpace Network (ASN). Although ASN's services are vital to the broadcast of hockey and football games across the state, ASN remains one of North Dakota's best-kept secrets. A support division of UND Aerospace, ASN is dedicated to the advancement of innovative approaches and applications of media and technology. ASN's unique combination of full-service broadcast and multimedia production facility coupled with software design and development expertise have made it an incubator for distance learning and commercial media projects throughout the region. Existing facilities include:

- The television studio is part of the AeroSpace Network's suite of video production and broadcast facilities. The control room has digital editing capabilities, special effects, and computer animation capabilities used for field or studio videography. A complete video production center, ASN creates broadcast-quality video material for local or remote distribution.
- The satellite uplink/downlink is our broadband connection to the world. Broadcasts originate from the television studio, across campus, or from local arenas. Down linked Satellite programming is routed via an existing fiber optic network.
- ASN's programming & design team provides expertise in web site design, computer applications programming, computer-based instruction, technical illustration, animation, digital and conventional photography, and Internet-based teleconferencing and media streaming.
- HTMLeZ, UND's own online educational software, was created at ASN. Over 300 faculty and 9,000 students currently use the technology and the system is being considered by NDUS and the SBHE for use across the state. It has significant commercial potential for business, marketing, and online community environments. HTMLeZ is a prime example of cutting-edge research that has potential for spin-off ventures in the private sector, esp. as corporations place more value on professional development, workforce training, and multimedia methods to connect with customers and clients.

Through the UND Aerospace Foundation, ASN's commercial activities have generated revenue in excess of $180,000 during FY 2003. CMT has enormous potential for spin-off ventures that will attract private sector leverage and investment, as well as attracting additional federal grant dollars. ASN has started establishing commercial relationships with several private sector businesses, providing media services to the Alerus Center, Englestad Arena, and Community National Bank, among others. This foundation can be expanded to create even more economic activity with highly paid employment opportunities in technology fields. CMT activities will require professionals with skills in Production, Videography, Graphics Arts, and Computer Programming, as well as numerous technical positions to support these

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10/30/03
Date

April 1, 2003

CENTER FOR ENTERPRISE DEVELOPMENT

Case Statement:

North Dakota is on the cusp of expanding its knowledge-based economy in key technology sectors that capitalize on the state's exemplary workforce, positive business environment, and unique assets as well as the intellectual talent of its colleges and universities. The Fargo-Moorhead region has seen in excess of 65% growth in the number of businesses in the biosciences, advanced manufacturing, information and materials sciences technology sectors since 1998.1 The region has also seen a 38% increase in patent activity in these sectors during the same period.2 A cornerstone of this transformation is the technology focused research and commercialization activities of NDSU and the NDSU Research & Technology Park, which serve as the southern anchor of the North Dakota technology corridor. Advances in the agri-technology, pharmacology, electronics and sensors, nanofabrication, polymers and coatings, and software engineering present unique opportunities for technology licensing and commercialization. Companies such as Phoenix International, Praco Institute, and Aldevron are examples of existing technology companies with ties to NDSU. In addition, current negotiations with Alien Technologies of Morgan Hill, CA are an indication of how NDSU and Fargo can serve to bolster technology-based economic growth and employment in the State. In recent months Claggett Wolfe Associates of Auburn, CA has been evaluating the feasibility of fostering technology venture development in the Fargo-Moorhead region. Based on its findings, Claggett Wolfe has concluded that NDSU and the NDSU Research & Technology Park are poised to catalyze new technology venture development in the Fargo-Moorhead region. To accomplish this, the consultant is recommending the establishment of a Center of Excellence built around the highly successful business incubator model.

Center for Excellence Proposal:

The North Dakota Technology Enterprise Center – Fargo would consist of a 40,000 sq. ft. business incubator facility and support program located in the NDSU Research & Technology Park. The Center would focus on technology venture development that builds on NDSU's and the Fargo-Moorhead region's emerging technology clusters in agri-technology, advanced manufacturing, bioscience, information technology, and materials sciences. The Center would also establish direct ties to the UND Center for Innovation and Rural Tech Incubator to leverage resources and technical competencies of each organization to the benefit of the Center's client businesses. The Center facility would include office space and manufacturing R&D/dry lab, wet lab. The facility will also have direct links to existing rapid prototyping and research laboratories at NDSU to expand the resource offering to Center clients. The facility would be designed to house faculty and student ventures, corporate teams seeking to establish a local venture based on NDSU intellectual property or research, and corporate spin-offs in the Fargo-Moorhead region. The Center program would actively support clients by assessing needs, establishing milestones, and mobilizing appropriate resources through on-going coaching by Center staff. The Center's resource pool would be developed using faculty technologists and consultants, student interns, professional service providers (e.g., attorneys, accountants, management consultants, etc.), equity investors, local mentors and advisors, corporate partners, and regional business support programs that serve the Fargo area.

Budget Request:

$1.5 Million from the Center for Excellence state grant fund towards the $6 Million incubator facility. Potential leverage will be provided from a $1 M to $1.5 M grant from the U.S. Department of Commerce Economic Development Agency, and $3 M to $3.5 M from private investors and other sources.

Michael Chambers
NDSU Research & Technology Park
Board Member

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UND Center for Excellence in Entrepreneur Development
"Entrepreneur Boot Camp"

Case Statement: The UND Entrepreneur Boot Camp would be among the nation's first intensive, experiential peer-to-peer entrepreneur center to include comprehensive entrepreneur training, coaching, mentoring, hands-on assistance and incubator space. Emerging entrepreneurs exist in an intense, fast-paced competitive business environment focused on innovation, creativity and new technologies. This Center for Excellence will increase the number of new entrepreneur employers formed as well as substantially increase venture acceleration and the rate of success resulting in significant economic impact.. This brings together entrepreneurial expertise, instruction, research and scholarly activities while expanding a Center for Excellence within the College of Business & Public Administration.

Current Center for Excellence: The Center for Innovation was formed in 1984 and was among the very first tech entrepreneur outreach centers in the nation. The Center helped launch more than 340 ventures and products a well as hundreds of other ventures solve problems and grow. In 1996, the Center opened the Tech Incubator after securing $3.5 million in federal grants. With a 91% success rate, over 60 ventures have shared the fully occupied tech incubator in the last 6 years. Currently 21 ventures share the tech incubator: 4 faculty spinoff ventures, 5 student ventures, and 12 regional entrepreneurs. 95% of the Center's $600,000 budget derives from fees for services, contracts and grants from entrepreneurs, corporations, and foundations. The Center received three national awards for excellence in tech-based entrepreneurship, innovation, and rural economic development. The Center was just named the first SBA Research Advocate of the Year for North Dakota as well as for the SBA's Region VII (six states), and is in consideration for the national award.

Center for Excellence Proposal: The 20,000 sf Entrepreneur Boot Camp would be added to the east side of the Rural Tech Incubator located on the UND Technology Park. The new facility would include a high-tech distance learning lab for entrepreneur training and be a dynamic place where entrepreneur majors, entrepreneur interns, faculty, researchers, MBA students emerging entrepreneurs, successful entrepreneurs, advisors to entrepreneurs and private investors meet to focus on new ventures around new ideas, research, technologies and processes (esp. tech transfer clusters). The peer-to-peer learning environment will create a continuous Entrepreneur Forum. Students and faculty from all disciplines will participate, as well as entrepreneurial students and faculty from all NDUS campuses. Short term, flexible office space will be available for emerging and successful entrepreneurs to work with student interns to work on new ventures, innovation, projects, feasibility analysis, etc. Additional focus will be placed on networking with private investors for venturing. The existing incubator, Center for Innovation staff, and Hilton Garden Inn on the UND Tech Park all complement this entrepreneurial learning environment. The two facilities will host 40-50 entrepreneur ventures at a time, plus space for training, conferencing and advising.

Budget Request: $1 Million from the Center for Excellence fund towards the $5 M facility (NDBHE approved $3 M tech incubator addition on 10/28/99). Leveraged by $2 M match and $250,000 annual operating costs raised from federal and private funds. Complemented by $3.5 existing tech incubator and $600,000 operating budget. Operating budget will come from fees for services, contracts and grants. Remaining expertise gratis from successful entrepreneurs.

Bruce Gjovig, Entrepreneur Coach & Director
Center for Innovation, Box 8372, Grand Forks, ND 58202-8372
www.innovators.net 701-777-3132

2.28.2003

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-DRAFT_
Suggested Language for Centers of Excellence

Centers of excellence. (amend chapter 15-10 of NDCC)

1. The state board of higher education shall establish a centers of excellence program relating to economic development consistent with the purpose outlined in subdivision 2 of this section. The program shall include designations for existing and targeted centers of excellence. Designation of centers of excellence within the economic development category shall not preclude the board of higher education or the campuses from designating other existing or potential centers of excellence in academic or service areas. The centers of excellence relating to economic development shall include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

   The state board of higher education, in consultation with the North Dakota department of commerce foundation board, shall establish eligibility criteria for centers of excellence relating to economic development by January 1, 2004. The roundtable on higher education shall review and refine the definitions and eligibility criteria for the centers relating to economic development. The roundtable and the department of commerce foundation board may also identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities in the state to develop innovative approaches which expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advance manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.

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3. The state board of higher education shall allocate funds from appropriations for centers of excellence relating to economic development based on the criteria established and shall report on such allocations, in partnership/conjunction with the department of commerce foundation board, to the legislative council budget section. A recipient of funds under this section shall use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section shall not be used to supplant funding for current operations, academic instruction or to pay for indirect costs. The board of higher education may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall provide the board of higher education with documentation of availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and shall provide the board of higher education, governor and department of commerce foundation board with annual reports for the four years following receipt of the funds.

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Proposed Benchmark Language – HB 1019

North Dakota's progress in economic development will be measured by a set of 19 benchmarks outlined in the Strategic Plan developed by the North Dakota Economic Development Foundation in 2002.

This Strategic Plan is a plan for the State of North Dakota. Those entities that have roles and responsibilities in implementation and the ultimate success of the plan are the executive and legislative branches of government, the Foundation, the North Dakota Department of Commerce, the Commerce Cabinet, the North Dakota University System, the Bank of North Dakota, Job Service North Dakota, the Small Business Development Centers, the Greater North Dakota Association and local economic development organizations through the Economic Development Association of North Dakota.

The primary goals laid out by the plan are:

1. **DEVELOP A UNIFIED FRONT FOR ECONOMIC DEVELOPMENT BASED ON COLLABORATION AND ACCOUNTABILITY.**

2. **STRENGTHEN LINKAGES BETWEEN THE STATE'S HIGHER EDUCATION SYSTEM AND ECONOMIC DEVELOPMENT ORGANIZATIONS AND PRIVATE BUSINESSES.**

3. **CREATE QUALITY JOBS THAT RETAIN NORTH DAKOTA'S CURRENT WORKFORCE, AND ATTRACT NEW HIGH-SKILLED LABOR.**

4. **CREATE A STRONG MARKETING IMAGE THAT BUILDS ON THE STATE'S NUMEROUS STRENGTHS, INCLUDING WORKFORCE, EDUCATION, AND QUALITY OF LIFE.**

5. **ACCELERATE JOB GROWTH IN SUSTAINABLE, DIVERSIFIED INDUSTRY CLUSTERS TO PROVIDE OPPORTUNITIES FOR THE STATE'S ECONOMY.**

6. **STRENGTHEN NORTH DAKOTA'S BUSINESS CLIMATE TO INCREASE GLOBAL COMPETITIVENESS.**

The goals and associated benchmarks will be measured over 10 years and periodically reevaluated to adjust for changes in the national economy that could impact North Dakota's economy.

The Foundation's Strategic Plan provides the State with a common vision and mission to cooperatively advance North Dakota's economy. The plan sets measurable, practical, yet ambitious benchmarks to reverse demographic and economic trends in existence since the 1950s. Equally important, this plan suggests that 10 years of aggressive and continuous effort can reverse this 50-year trend.

Although this is not a North Dakota Department of Commerce strategic plan, but rather a broader, statewide plan, the Department of Commerce would be happy to report on the progress to the appropriate Legislative committees on a yearly basis.

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CENTERS OF EXCELLENCE

Centers for Excellence	Bill No.	Agency	General Fund Appropriation	Development Fund	Additional Information
UND Center Aerospace Sciences	1003	Higher Education	$1,194,000	$0	Multimedia Technology
UND Center Aerospace Sciences	1003	Higher Education	$206,000	$0	Expanded air service enterprise-Upper Great Plains Air Taxi service (relates to federal fund match).
Future Centers of Excellence	1003	Higher Education	$500,000	$0	Pooled funds available, by application, for additional Centers.
NDSU Center for Nanoscale Science and Engineering	1019	Higher Education	$0	$0	Will not be requesting funds. HCR 3031 encourages NDSU to establish a Center for Nanotechnology research.
NDSU Center for High Performance Computing	1019	Higher Education	$0	$0	Will not be requesting funds.
NDSU Center for Beef Systems	1021	Ag. Research	$1,000,000	$0	SB 2334 provides substantiitive language.
UND Center for Innovation	1019	Commerce	$0	$1,000,000	Building-4 years to provide matching funds.
NDSU Center for Tech Enterprise	1019	Commerce	$0	$1,500,000	Building-4 years to provide matching funds.
TOTAL			**$2,900,000**	**$2,500,000**	

SB 1019
4-16-03

39779

Prepared by the North Dakota Legislative Council
staff for Senator Grindberg
April 2003

FUNDING COMPARISON - CENTERS OF EXCELLENCE, INTERNSHIPS, AND COMPETITIVE RESEARCH

	Executive Budget	House Version	Senate Version		
	Student Loan Trust Fund	General Fund	General Fund	Development Fund	Total
Centers of excellence					
HB 1003	$5,000,000	$2,000,000	$1,900,000		$1,900,000
HB 1019				$2,500,000 [1]	2,500,000
HB 1021			1,000,000		1,000,000
Total	$5,000,000	$2,000,000	$2,900,000	$2,500,000	$5,400,000
Internships					
HB 1003	$2,000,000				
HB 1019		$1,000,000			
Total	$2,000,000	$1,000,000	$0	$0	$0
Competitive research - EPSCoR					
HB 1003	$4,000,000	$5,000,000	$4,100,000	$0	$4,100,000
Total	$11,000,000	$8,000,000	$7,000,000	$2,500,000	$9,500,000

[1] The Senate version appropriates $2 million from the general fund to the Development Fund and removes the House provision which appropriated approximately $400,000 from the Development Fund for the fund's administrative costs. The Senate version provided general fund moneys for Development Fund administrative costs.

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HB 1019

Gary Sutton Testimony

GROWING TECHNOLOGY – Phase I:

"Growing Technology" (Women and Technology/Center for Technology & Business) introduced and upgraded existing computer hardware, software and systems to businesses in Pierce and Towner Counties, located in the CONAC REAP Zone. In conjunction with the Rugby Area Job Development Authority, this process gave the business community the opportunity to:

1. Analyze business opportunities
2. Participate in technology and business training
3. Provide business support
4. Play a part in sustainable economic development planning
5. Gave computer technical assistance to 68 businesses (including network assistance to Heart of America Medical Center in Rugby which resulted in a savings of $18,000 to the hospital).

SCOPE OF PROJECT:

"Growing Technology" in Pierce and Towner Counties used the Pierce County JDA's Technology Survey to create a targeted work plan, beginning in Rugby and the surrounding areas, working into Towner County and the city of Cando. A public meeting initiated business visitation. Anyone seeking assistance from farmers to Main Street Business received technical assistance. The Growing Technology Project:

1. Updated current outdated business database
2. Conducted technical skills and education assessment
3. Created an awareness and understanding of technology
4. Linked businesses with ISP's
5. Provided businesses with the tools needed to create new efficiencies
6. Created an awareness of the RBOG Small Loan Program
7. Wrote modules to allow for national replication
8. Created technology-related jobs to provide local ongoing support

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GROWING TECHNOLOGY – Phase II

Growing Technology Phase II built a technology resource center geared to any/all users, including those who require one-on-one counseling to receive technology training and business education. The program provides a hub of technology education, business resource links, mentoring and retention through a sustainable rural outreach center.

SCOPE OF PROJECT:

1) Created a Rural Outreach Center for technology training and business counseling.
2) Built an e-government resource accessing government information and services through the Internet.
3) Provide ongoing training to economic developers and government workers on IT education opportunities.
4) Provide IT assistance to local entities to create a community network utilizing the state broadband network.
5) Assist local and regional efforts in developing a highly trained workforce for becoming a player in the digital economy.
6) Provide one-on-one counseling for businesses/entrepreneurs with partners on a weekly basis (e.g. SBDC, BIC, DCDC, SCORE, Bank of ND) in the areas of accessing capital, business planning and business expansion.
7) Register businesses with state/federal agencies to increase the sale of goods and services from North Dakota vendors.
8) Recruit and train members for new SCORE Chapter in Rugby.

Future uses of the rural outreach center includes:

1) Promoting "anytime-anywhere" education through the utilization of an Interactive Video Network (IVN). IVN could also provide an opportunity for distance job interviews. With a new broadband network being rolled across North Dakota, this is an opportune time to focus on information technology through IVN.

2) Providing counseling via Manufacturer's Extension Project (MEP) to regional manufacturers.

3) Classes for small business (e.g. QuickBooks and Understanding Financial Statements).

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Training Successes

- In conjunction with the Department of Commerce, Rugby Area Job Development Authority trained 13 area residents to become home-based medical transcriptionists.

- In excess of 300 area residents have received computer-training including (Word, Excel, PowerPoint, Publisher, Outlook, Internet, and Web Page Development). In addition, customized computer training to staff members of several businesses including Northern Equipment, Johnson Clinic, Highway 3 Collision, Haaland Home and Heart of America Medical Center.

- Created 4 part-time positions (1 public information specialist and 3 computer trainers).

In summary, the Department of Commerce, Women & Technology/Center for Technology & Business, USDA-Rural Development and Rugby Area Job Development Authority have embarked on a course of adding value to area residents through technology and the successes continue.

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Gary System Testimony

COMMUNITY PROFILE

RUGBY
NORTH DAKOTA

Pierce County

www.rugby-nd.com

COMPLIED & PUBLISHED BY: Capital Consulting, Bismarck, ND **January 2002**
Produced in Partnership with the North Dakota Department of Commerce

LOCATION

Major City:
Minot, ND 67.3 miles/1 hour

Other Cities:
Bismarck, ND 173.8 miles/2 hours – 27 mins.
Denver CO 838.1 miles/21 hours – 7 mins.
Fargo, ND 223.7 miles/5 hours – 42 mins.
Minneapolis, MN 458.1 miles/9 hours – 33 mins.
Seattle, WA 1332.4 miles/26 hours– 30 mins.

POPULATION – Year 2000

County - 4675 City - 2939

CLIMATE

Annual Average Temperature: 40.3° F.
Monthly Average Temperature:
January: 5.9° F.
July: 70° F.
Annual Average Rainfall: 16.8 inches
Prevailing Winds: Northwest

COMMUNITY FACILITIES

Churches: 9
Bethany Lutheran
Calvary Evangelical
Emmanuel
First Lutheran
Glad Tidings
Kingdom Hall Jehovah's Witness
Little Flower Catholic
Restoration Ministries
St. Paul Lutheran

Number of Motels: 3 Total Rooms:106
Number of Community Rooms: 5

EDUCATION

	Number of Schools	Grades	Number of Students Enrolled
Elementary	1	K-6	276
High School	1	12	389
Little Flower	1	K-6	110

Facility consists of superintendent, 38.57 instructional staff, and a combined elementary/secondary principal and support staff of 37.53.

- Libraries: 1 Total Volumes: 26,805
- Computer Labs: 5 (in school)
- ITV Classes will be available through the school

Advanced Education:

Colleges:
Jamestown College, Jamestown, ND .....143.3 miles
Bismarck State College, Bismarck, ND.....173.8 miles
University of Mary, Bismarck, ND.....173.8 miles
ND State University, Fargo, ND .....223.7 miles
Dickinson State University, Dickinson, ND ..270.8 miles
Minot State College, Minot, ND..... 67.3 miles
University of ND, Grand Forks, ND .....148.0 miles
Lake Region State College, Devils Lake, ND...50.0 miles
Bottineau School of Forestry, Bottineau, ND 50.0 miles
Vo-Tech:
Wahpeton State School, Wahpeton, ND .....275.0 miles

MEDICAL

Hospitals: 1 Beds: 18

Emergency Services	Swing Bed Services
Intensive Care	Respiratory Therapy
Radiology	Sports Medicine
Obstetrical Care	Pro Care
Surgical Services	Physical Therapy
Medical – Post Surgical Care	

Clinics: 1 in Rugby
Satellite Clinics: 4 - Towner, Dunseith, Madock, and Leads

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MEDICAL (Cont.)

Skilled Nursing Homes: 1 Beds: 95
Haaland Manor Apartments: 39 units
Haaland Home Assisted Living

Doctors: 8
Dentists: 2
Chiropractors: 1
Optometrists: 2
Volunteer Ambulance Staff: Golden Heart Paramedics
Consulting Physicians:
Pathologist, Ophthalmologist, Urologist, and Radiologist
Other Consultants:
Psychiatry

COMMUNICATIONS

Local Newspaper: Pierce County Tribune 701-776-5252
Other Newspapers:
Benson County Farmers Press 701-473-5436
Minot Daily News 701-857-1900
Local Radio Station: KZZJ - 1450
Local Television Station: Community Access
Cable television is available
Telegraph Services: Yes
Post Office: Class 1
Postal Service: Post Office, UPS, Federal Express, Cross Country Courier

TELECOMMUNICATIONS

Local Telephone Company: North Dakota Telephone Company 701-776-5711
Location of Central Office: Rugby
Digital: Yes
Fiber Optic Cable: Yes
Caller ID: Yes
ISDN: Available on a very limited basis
Internet: Dial-up and DSL
Voice Mail: Yes
Interactive TV capabilities: In 2002
Updated ATM exchanges: Yes
Updated broadband width: Digital

GOVERNMENT

Type of Government: Mayor-Council
Police Department Personnel: 4 full-time
1 part-time
Volunteer Fire Department Personnel: 35
Equipment: 3 pumper trucks; 1 equipment van; Updated emergency/medical equip.
Fire Insurance Rating: 6
Emergency Medical Personnel: 10 qualified EMTs; 8 qualified First Responders, and 3 Paramedics
Rural Fire Department: Yes
Zoning Regulation: Yes
City Engineer: A & E Engineering, Grand Forks
Economic Development Organizations:
Rugby, ND
Job Development Authority (JDA)
Economic Development Committee
Rugby Chamber of Commerce

FINANCIAL INSTITUTIONS

Banks: 3 - Bremer, Merchants and Ramsey
Credit Unions: 1 - North Star
Loan Pool or Financial Assistance Available: Yes

UTILITIES AND SERVICES

Natural Gas: Not Available
Electricity:
City Power Supplier: Ottertail Power Company
Rural Power Supplier: North Central Electric Cooperative
Incentive Rates Available: Yes, based upon Quantity
For Further Information Contact:
- ✓ Ottertail Power 701-776-5223
- ✓ North Central Cooperative 701-795-0555

Other Fuels:
Fuel Oil Distributors:
Farmers Union Oil
Harper Oil Company
Hi-Way Amoco
Propane Gas Distributors: Farmers Union Oil
Ferrell Gas

Water:
Supplier: City of Rugby 701-776-6034
Source: Ground Water and Five Wells
Maximum Daily Capacity: 888,000 GPD
Peak Load: 1,250,000
Storage Capacity:
Overhead: 350,000 gallons
Ground: 1,000,000 gallons

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UTILITIES AND SERVICES (Cont.)

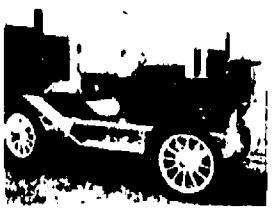
Sewers: 701-776-2879
Storm Sewer: Yes
Sanitary Sewer: Yes
Treatment Plant (Type): Three-Cell Lagoon
Present Load: 50%
Solid Waste Disposal: Rugby Sanitation Service

QUALITY OF LIFE/WORK FORCE

Very low crime rate, safe schools with excellent educational system. Honest citizens. Affordable housing. Clean air and water. Strong work ethic; most workers have positive motivation to work. Excellent trainability, superior productivity, high degree of self-reliance and low turnover and absenteeism.
Positive community support for employees and employers.
Rugby is The Geographical Center of North America.

TRANSPORTATION

Roads:
Interstate Highways:
I-94 173 miles/5.7 hours
I-29 148 miles/4.3 hours
U.S. Highways:
#83 67 miles/1.0 hour
#281 37 miles/.5 hours



Railroads:
Burlington Northern
Amtrak Santa Fe

Motor Freight Carriers:

	Terminal Facilities
Gault's Trucking	Rugby
Midwest Motor Express	Minot
Cross Country Courier	Bismarck
Area Express, Inc.	Bismarck
Yellow Freight System	Bismarck
Central Carriers, Inc.	Hwy 2, Rugby

Plus Local Carriers Are Available

Air:
Local Airport: Lighted, 4,300 ft. paved, asphalt
Nearest Major Airlines:
Bismarck, ND – 174 miles/5 hours
Minot, ND – 67.3 miles/1 hour

TAXES

Real Property

Taxable Value, 2001
Real Property - City
True and Full Value: $68,357,679
Assessed Value: $34,178,840
Real Property – County (includes city)
True and Full Value: $217,774,735
Assessed Value: $108,885,584

Tax Rate, 2001 (Mills)

City	170.47
School District	185.98
Township	0.00
County/State	112.72
Total	469.17

Tax Example
Assuming that a new building has been erected for industrial purposes, which costs $200,000 to build and is placed on land costing $20,000, the real estate taxes would be computed as follows:

$200,000 = Cost of Building
+ 20,000 = Cost of Land
$220,000 = True & Full Value
x 50%
$110,000 = Assessed Value
x 10%
$ 11,000 = Taxable Value
x .46917 = Mill Levy 2001
$5,160.87 = Tax (Before Discount)
x .95 = Represents 5% discount for
$4,894.03 early payment prior to 2/15

Local Non-Property Tax

	City	County
Inventory	No	No
Machinery-Equipment	Sales Tax	Sales Tax
Retail Sales	Sales Tax	No
Income Wages	No	No

State Taxes
Corporate Income: 3.3% - 10.5%
Effective Rate: 3.0% - 10.5%
Individual Income: 14% of Federal Tax Liability
*Accounting for the 15% Federal Tax, which is deducted

Gasoline: $.21/gal.
Retail Sales: 5%
City Sales Tax: 1%

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BUSINESS INCENTIVES

- Local Industrial Bond Capabilities
- Local Development Fund Available
- Leasing Program for Building & Equipment
- Favorable Workmen's Compensation Rates
- Numerous ND Tax Incentives for Business (Inquire for details and brochures)
- Incentives 'Financial Packages' Available through local, regional and state entities.

AVAILABLE INDUSTRIAL PROPERTIES & BUILDINGS

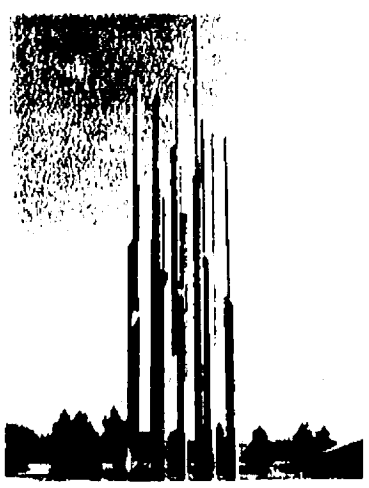
Description	Square Feet
Retail Sites	3,000 - 8,000
Industrial Park	Sites available
Manufacturing Incubator	Spaces available for light manufacturing

Additional Buildings are available.
Commercial Lots of various sizes are available.
For current update on property and buildings, check with Rugby JDA, 701-776-7655.

RECREATION

(Includes public and private facilities)
Indoor swimming pool: 1
Indoor movie: 1
Municipal auditorium or coliseum: 3
Parks (local): 4
Auto race track: 1
Skating rinks: 1 indoor arena
Amateur theatre: 1
Ball fields: 5
Tennis courts: 6
Bowling alleys: 1
Convention center: 1
Golf course: 1
Fairgrounds
Rodeo facilities
Geographical Center Museum and Pioneer Village
Trap shooting range
Complete summer recreation program

Northern Lights Tower



EMPLOYMENT STATISTICS

Employed persons	2,103
Executive, administrative and managerial	133
Professional specialty occupations	292
Technicians and related support occupations	41
Sales occupations	185
Administrative support, including clerical	256
Private household occupations	12
Protective service occupations	7
Service, except protective, and household	414
Farming, forestry, and fishing occupations	385
Precision production, craft, and repair	166
Machine operators, assemblers & inspectors	49
Transportation and material moving	131
Handlers, equip. cleaners, helpers, laborers	32

INDUSTRY

Employed persons	2103
Agriculture, forestry, and fisheries	416
Mining	6
Construction	98
Manufacturing, non-durable goods	49
Manufacturing, durable goods	44
Transportation	100
Communications and other public utilities	27
Wholesale trade	42
Retail trade	340
Finance, insurance, and real estate	129
Business and repair service	63
Personal services	53
Entertainment and recreation services	13
Health services	296
Educational services	211
Other professional and related services	134
Public administration	82

TOURISM

Hub of Hwy 2 & 3
Gateway to Peace Gardens
Canadian Border - 36 miles

It's a short drive to the Peace Garden.

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10/30/03
Date

Gary Satan
Testimony

JOHNSON CLINIC, PC

•Family Practice
•Internal Medicine
•Surgery

800 3rd Ave. S.W.
Rugby, N.D. 58368

Phone 776-5235
1-800-235-0075

February 26, 2002

Jerry Jurena, Executive Director
Heart of America Medical Center
800 South Main Avenue
Rugby, North Dakota 58368

Dear Mr. Jurena:

So often when a special effort is made, the results are accepted and no one remembers to say "thank you."

Please accept my sincere appreciation for the work done by Sandy Hageness through Heart of America Medical Center in sponsoring local computer classes. Some of our employees attended one or another class on an individual basis, and two groups were set up specifically for Johnson Clinic staff. It is my understanding that follow-up classes are now being arranged, and again our staff will be participating.

Feedback has been excellent. The materials provided by the Women in Technology organization have been well organized, and instructors have supplemented the books with their own knowledge. New learners indicate that their class has been helpful in getting them started. Those with experience using computers have learned many new tricks – and have been reminded of some forgotten – making daily tasks easier. With constant technology changes, all have felt the need to learn more about computers and these classes have provided the right mix of practical and fun applications.

Thank you for helping to organize these within our community – and for making the computer facilities available for our use!

Cordially,

Carol Schwan, MBA
Administrator

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10/30/03
Date

Medscape

720 Cool Springs Blvd., Suite 200
Franklin, TN 37067-6217
Tel: 615 261 1500 Fax: 615 261 1790
www.medscape.com
www.cbshealthwatch.com

January 19, 2001

Rugby JDA
Attn: Gary Saturn
P.O. Box 136
Rugby, ND 58368

Dear Sir :

Subject: Completion of the Rugby Job Skills Training and Computer Donations

On January 19, 2001, Medscape Transcription successfully competed job skills development training for twelve individuals in the Rugby, ND area in the field of Medical Transcription. I am happy to announce that the following individuals will be offered full or part-time employment within our organization as soon as positions are available.

Beck, Lori	Ness, Debra J.
Black, Debra R.	Peterson, Debbie
Fiesel, Colleen	Seehafer, Linda
Fossum, Linda	Skwiera, Ann M.
Gunderson, Sue Lynn	Swanson, Cynthia
Marchus, Dawn	VanSweringen, Amy

In addition to providing this training, Medscape would also like to offer as a donation to the City of Rugby, all computer systems used for this training. Attached is a copy of the serial numbers for these computers and monitors. Please sign and return a copy of the document in the envelope provided to indicate acceptance of this donation.

Thank you for the opportunity to work in partnership with the City of Rugby and the Job Development Agency. We are committed to helping develop rural America.

Sincerely,

Todd Harrison
Executive Director of Human Resources
And Organization Development

cc: Bonnie Lucy
Regional Training Site Manager

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Date

(Colleen Fiesel) 701 693-2223

Dear Mr. Sateen,

Please find enclosed a check for $225.00 for the set of reference books which was purchased for the medical transcription class.

We enjoyed the pizza party on Dec. 20th and had some "Christmas fun" as well.

I really enjoyed this class, and am looking forward to starting "the real thing" on Jan. 8th!

I THANK-YOU!! for your part in making this opportunity possible, and I hope you will extend my appreciation to all those involved with this endeavor. For me, it was worth it!!

Sincerely,
Colleen Fiesel

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10/30/03
Date

...spaper was mailed Friday, December 27

Intern Testimony

Pierce County

The Tribune

34th Issue of our 115th Year | Rugby, North Dakota | Saturday, December 28, 2002 | Two Sections | 75 cents

Rugby Area Job Development Authority

Another progressive year

Center for Technology and Business highlights year's accomplishments

By Matt Mullally
Tribune Editor

Gary Satern, city economic development coordinator, feels the community is ahead of the curve in terms of generating new and innovative projects to increase economic development opportunities.

There is no better example of this than the recent creation of the Center for Technology and Business.

The center was the chief accomplishment of the Rugby Area Job Development Authority this year, with the partnership of the Center for Technology and Business/Women and Business (CTB/W&B) and the CONAC REAP zone board.

"It's been a success so far in the few short months it has been open," Satern said. "It has already made an impact on several area residents."

The center, located in the lower level of Rugby's Merchants Bank, was created because of the growing need to offer technology and business development services to rural residents needing those services to help them start a business, expand an existing one or who just need access to technology (Internet) in obtaining information to help their business or field of work.

One of the reasons business growth in the rural areas is lagging behind that of larger towns, Satern and other project officials believe, is because there is limited access to resources for North Dakotans in rural settings, such as one-on-one counseling close to home for a person interested in developing a business idea. Satern said there are people who have ideas of starting businesses or expansion but don't know the first step or where to turn to to get those ideas off the ground. The center is a starting point and gives them help in seeing those plans move forward.

"Right now the best economic development we can offer is to grow from within," Satern said. "Help Rugby residents develop their interests."

In November a resource center coordinator, Wanita Wendland, was hired to assist individuals requesting business and technical assistance.

The center already is earning its keep by helping nearly 100 local farmers access USDA farm-related program information

See Review, Page 7

Rugby Area Job Development Authority working on landing IT company

The Rugby Area Job Development Authority is in the running to bring an IT (Information Technology) firm to the community.

Officials are optimistic about the community's chances since Rugby has already taken progressive steps, including having area residents trained in basic computer skills as well as continually offering computer training.

The name of the prospective business and other details cannot be released at this time, but officials hope to know in the next few months whether or not the community will be selected.

—Staff report

off the Internet using the computer lab set up in the center. Local USDA officials requested that the center help farmers by showing them how to obtain farm program information off the USDA government website so they can choose ahead of time which planting programs they want to enroll in in 2003.

Satern said by offering these producers the opportunity to obtain this information at the center, it's saving them time and a lot of questions which normally need answering at the local USDA office. Officials there are pleased because now farmers are better prepared when they come in to enroll, and now they know where to look for this information for future years.

"Economic development doesn't stop at the edge of town," he said. "When there are ways to help rural residents enhance their lives it's a good bet they are going to remain in the area. And that's a plus for Rugby."

Satern said the project with USDA has been so successful four other area counties are planning to have producers use the center to access information. That's one of the benefits the center has provided, in addition to working with a handful of local residents with business questions.

The Rugby Job Authority spent $15,000 in the creation of the center, and the Small Business Development Center (SBDC) matched that commitment. CONAC REAP Zone agreed recently to fund $40,000 for the center. Several state agencies have partnered in Rugby's project, and if it proves to be successful, it could be introduced in other places.

Satern said they selected Rugby as the pilot location because of the progressive nature of the community and the support residents have for these economic development projects.

Development in industrial park

The Center for Technology and Business was not the only project the job authority concentrated on this year.

This summer the final details were approved on an Economic Development Administration (EDA) grant for improvements to the city's industrial park. Next year Industrial Park Road, the main road into the park, will be paved and curb and gutter and a water main will be installed.

"Part of economic development is helping existing businesses as well as attracting new opportunities to the community," Satern said. "The improvements in the park hopefully do both. The paving project provides better access for those businesses already in the park, and hopefully the continued development will look better to other potential tenants."

Sixty-five percent of the cost of the project will be covered in the EDA grant, with the remaining costs paid by the job authority. The estimated cost is $308,000.

Business development downtown

The job authority was also instrumental in triggering some new additions to the downtown business sector. In the summer, the job authority worked out an agreement to fill the former St. Michel Furniture building, which it owned, with a new business in the city. Ye Olde Sew and So now occupies the building. And since that addition, several other improvements and additions have been made in once-vacant downtown buildings.

"The community has come a long way (in bringing more business downtown)," he said. "We have more work to do, but it's promising to see people willing to invest in our downtown. The job authority feels retail growth is key to job development in other areas. The first thing people do who are thinking about coming to live and work in a community is drive through it. If they see a lot of businesses on Main Street and downtown, that's a good sign."

What's next

Job authority officials will once again attend the Marketplace of Ideas expo next month. The convention is an opportunity for local economic officials to showcase successful projects in their community and hopefully pick up potential ideas for additional job growth. Satern said it's likely Rugby will be showcasing its Center for Technology and Business project at the event in Grand Forks.

Other highlights

In addition to the ongoing projects for the job authority, the community received some good news when Satern became a finalist for the Professional Developer of the Year award coordinated through the Economic Development Association of North Dakota.

The award went to the economic development coordinator from Beulah, but Satern's nomination was, indeed, a feather in the cap for his efforts over the past three years as the city's economic coordinator.

Pat Bye, president of the Rugby Area Job Development Authority, said Satern has been instrumental in the job authority's success in bringing new businesses and launching new innovative projects with state agencies like the Center for Technology and Business. Plus, his contacts in various levels of government and with private entities has benefited the community in many forms. "Gary has been a big asset to the job authority and the community," she said.

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APUC 088 Projects Sorted by Grant Type

Grant Type: Basic and Applied

Company Name	City	Start Date	End Date	Project Title	Project #	Status	Requested	Approved
NDSU Department of Plant Sciences	Fargo	12/19/2001		Flour Tortillas w/Red & Spring Wheat	08800-10	Approved	$33,800	$9,500

A standardized process for evaluating ND spring wheat quality in flour tortillas will be developed to demonstrate a new use for spring wheat. Information will be shared with domestic and international commercial millers and bakers in an effort to open emerging markets for ND spring wheat producers.
Grant funds will be use to develop a standardized method of evaluting ND hard red and white spring wheat in the production of flour tortillas and to promote the new use of spring wheat in tortilla manufacturing.

Status Notes: commission agreed to pay for travel up to $8,500 and publication cost of $1,000.

NDSU Department of Plant Sciences	Fargo	5/17/2002	7/1/2003	Research Sprout Soybean	08800-43	Approved	$14,800	$3,150

This research will evaluate soybean cultivars for sprout market suitability, develop proper methods of handling sprout soybeans, and publish guidelines for growing and processing sprout soybeans. Research is needed for ND growers to expand export of sprout soybeans to Pacific-rim countries.
Funds will be used for salaries, equipment, travel, and printing costs.

Status Notes: This project was unsucessful November, 2001 it ranked 14th out of 19.

NDSU Department of Plant Sciences	Fargo	11/15/2001	12/31/2003	Weed Mgt. for Juneberries	08800-13	Approved	$10,500	$10,500

ND growers considering Juneberry production need weed management and production information in order to optimize their income opportunity. The objective of the proposed field research will evaluate the effects of various weed management systems on Juneberry establishment and growth.
Grant Funds will purchase and plant shrubs for the 2 experiments, apply weed control treatments, maintain plots and collect data.

Status Notes:

NDSU Department of Plant Sciences	Fargo	11/15/2001	12/1/2003	Woolly Elm Aphid Mgt in Juneberries	08800-15	Approved	$2,040	$2,040

A survey of juneberry insect and disease problems in ND during the summer of 2001 found that Woolly Elm Aphids is present across the state. Six treatments will be evaluated for the control of woolly elm aphids on Juneberry. These treatments will include a non-treated control, imidacloprid, 2 other insecticides and 2 cultural practices.
Grant funds will pay for supplies and salary to do the research

Status Notes:

NDSU Department of Plant Sciences	Fargo	11/1/2001	12/31/2003	Annual Herb Production in ND	06800-16	Approved	$9,250	$9,250

Herbs produced for the herb/spice industry or the essential oils industry can provide a complementary enterprise to ND growers. Herbs would be grown for the culinary, fragrance, and medicinal markets. Herbs would be marketed directly to restaurants grocery stores, etc, or contracted with an herb/spice company. Ideally a cooperative would form and with time develop into a company. Funds will be used to establish, maintain, and harvest plots and research associate salary.

Status Notes:

NDSU Dept. of Mechanical Engineering & Applied Mechanics	Fargo	5/17/2002	12/31/2003	BioFuel	06800-42	Approved	$35,000	$17,000

To build on existing research at NDSU in the bio-diesel area to address the operational concerns without resorting to expensive oil modification procedures. An existing engine test stand with a 3 cylinder John Deere engine will be modified to use high levels of agriculturally derived oils.
Funds will be used for salaries, supplies and travel costs.

Status Notes:

NDSU Hettinger Research Extension Center	Hettinger	2/21/2002	3/31/2003	Southwest Feeders Project	06800-20	Approved	$71,160	$35,000

Promotion and support of value-added economic development in southwestern North Dakota through a coordinated and targeted education and research program involving livestock production systems that utilize locally-produced feedstuffs, calves and lambs.

Grant funds will be used in support of a professional position who will function as an overall coordinator, scientist and educator. Pen facilities provided from other funding sources will serve as a living classroom for the educational effort and a site for calf backgrounding research, and as, expansion of the lamb finishing capabilities of the Hettinger R/E Center.

Status Notes: Budget shows the grant would go for salary.

June 2000 requested $55,000 for the same project, request was denied. A Basic & Applied Research grant was submitted, the grant funds would have gone for materials to build a facility.

Tioga Area Economic Development Corporation	Tioga	5/17/2002	8/1/2002	Heartland Feed ,Inc.	06800-34	Completed	$5,000	$5,250

Production and sales of double compressed Alfalfa bales to Florida and Pacific Rim market.
Funds will be used for a feasibility study and USDA Application Assistance.

Status Notes: From an economic perspective, the information provided by the proposed borrowers indicates the plant should be able to produce at sufficient levels to cover their expenses and service a greater customer base. In conslusion, if proposed borrowers are successful by following their marketing plan, manage their financial affairs intelligently, and have adequate access to short term credit, Heartland Feed should prove to be a feasible operation.
Grant Openning was August 1, 2002.

Summary for 'GrantType' = Basic and Applied (8 detail records)		
Sum	**$161,550**	**$91,690**
Avg	**$22,694**	**$11,461**

Grant Type: Farm Diversification

Company Name	City	Start Date	End Date	Project Title	Project #	Status	Requested	Approved

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Blue Sky Elk Ranch	Cando	4/12/2002	12/1/2002	Snack Foods	06800-31	Approved	$4,850	$5,093

Grant intent is to develop and test market several snack meat type products made of 100% elk meat.
The funds will be used for label development, advertising, legal fees, recipe research, and to do a test run of product to be distributed through local convenience stores.

Status Notes:

Candle Light Cottage Inc	Chaseley	4/12/2002	8/1/2003	Candles	06800-28	Completed	$5,250	$5,250

Assist business expansion through marketing, advertising, and inventory supplies. Owner will construct a new facility to house the business.

Status Notes: Attended several trade shows including Mpls, succeeded in contracting 14 orders. The website sales are increasing and all sales continue to grow. Plans to add 1 full time employee and possibly 2 part-time employee to assist with the production, packaging and sales.

Dakota Hunter	Braddock	4/12/2002	11/30/2002	Dakota Hunter Expansion	06800-25	Completed	$5,000	$5,250

A hunting lodge and guide service in operation for 2 years and need to expand in order to accomodate the customer demand by upgrading. Marketing will be done on a website to the European market.

Status Notes: Major improvements have been made, advertising and marketing has led to more hunters. Have reservations through November, and already have reservations for next hunting season.

Equine Reproduction Center	New Rockford	4/12/2002	10/1/2003	Reproduction Center	06800-29	Approved	$5,250	$5,250

A small business gearing towards equine reproduction, includes artificial insemination, collection and transportation of semen. This will increase the market for horses in ND by providing services that will expand new bloodlines and increase the value of horses.
Grant funds will be used for labor, feed, veterinary medical, repairs, supplies, and marketing

Status Notes:

Franzen's Lodge	Lakota	4/12/2002	12/1/2002	Hunting Lodge	06800-30	Completed	$5,150	$5,250

There is a need for available on-farm lodging and land to provide opportunities for outdoor enthusiasts for hunting, fishing, birdwatching, farm experiences, nature photography and other nature based activities. There is also a demand of people wanting these experiences and the conveniences of lodging on the farm. Farm is located 5 miles from Stump Lake and 20 miles from Devils Lake.
Grant will fund a lodging facility on farm, also construct a game cleaning facility, gas grills and fire pits.

Status Notes: Plans are to be open for business by September 1, 2002.
"I would encourage other farmers and ranchers to start-up some type of business to utilize the land they own and supplement their farm income, and at the same time be able to offer off-farm people adventure that they can enjoy and remember forever".

Gumeringer Hunting Cabins	Esmond	8/22/2002		Hunting Cabin	06800-48	Completed	$5,250	$2,625

To take a pre-existing building and remodel it for a hunting cabin. Located on farm land rich with wildlife, that attracts many hunters each year.

Funds will pay to help off set the cost of redoing the building.

Status Notes: Project is starting to operate with inquires and reservations being made for the deer hunting season in November. Upland game and waterfowl is off to a slow start. Advertising is the key to any business success. Was a little late in advertising efforts and need to continue to work on to get the most exposure for the business.

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High Point Kennel & Gamebird	Cando	9/6/2001	12/31/2001	High Point Kennel & Gamebird	08800-06	Completed	$5,000	$5,000

A hunting perserve on a family farm. This new business will include pheasant, Hungarian partridge and chukkar gamebirds. Dogs will be furnished for hunters.
Grant funds will be used to purchase equipment: brooders, waterers, feeders & pens.

Status Notes: The results of these additions and changes were outstanding, no birds were lost to disease in the 2001 entire season. This is a direct result of the installation of the gas brooders and closed watering systems.
Hugarian partridge cannot be purchased by any other means then as eggs, therefore necessitating the continuation of incubating this species.
Largest hurdle to over come will be in advertising. Out of state hunters were expected to be the target consumer priority. The results were disappointingly below expectations for this group but higher then expected for local hunters.

Honeyman Raspberries	Regent	1/1/2003	12/31/2003	Raspberries	08800-66	Approved	$10,500	$5,250

To diversify farm income with a raspberry crop that will be sold along a roadside stand along the Enchanted Highway. Will market value added products such as jams, jellies and syrups.

Grant funds will be use to prepae the soil, purchase the plants.

Status Notes:

Keller Pumpkin Patch	Harvey	8/22/2002	12/31/2002	Pumpkin Patch	08800-46	Approved	$2,441	$2,441

Create a fall business by growing pumpkins, grourds, and Indian Corn for a fall harvest. To open it to surrounding school systems for field trips and family outings.
Grant funds will be used to help with the cost of seeding, fertilizing and harvesting.

Status Notes:

Land Cattle Company	Kulm	11/15/2001	12/1/2002	Added Value Beef	08800-17	Approved	$18,000	$5,000

Land Cattle Company project is Natural Beef from the ranch to the plate. We are filling a need for consumers demand for unpolluted beef. No added Hormones or antibiotics, processed one at a time and marketing directly to restaurants and supermakets.
Grand funds will be used for advertising, promotional events, brochures all to build product recognition. Also legal fees and miscellaneous.

Status Notes: In July 2001 they were unsucessful in being awarded a grant. One reason was the small herd of cattle they had at the time.

The commission decided this was a FD and approved $5,000.

Northern Lights Dairy, LLP	New Salem	9/30/2002	10/1/2003	Northern Lights Dairy	08800-57	Approved	$10,000	$10,500

Increase a 120-135 cow dairy to 400 cows.

Grant funds will be used for a business plan, development of a financial package, start-up operations oversight and legal costs in finalizing the LLLP.

Status Notes:

Rust Pheasant Facility	Harvey	4/12/2002	9/1/2002	Pheasants	08800-27	Completed	$5,250	$5,250

Grant dollars will be utilized for a pheasant rearing facility to sell to customers within a pay to hunt senario, release for propagation, and possible human consumption.

Status Notes: Brood house is in its final stages of completion for use this upcoming spring. A marked increase in local populations of pheasants has been a positive sight due to earlier releases in the last 2 years. Spring and summer weather produced a wonderful native hatch and things are looking up. Overall project has worked very well and a positive measure for increased farm profits, as well as increased pheasant numbers.

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Thorsness Feedbunks	Tappen	1/29/2002	7/31/2002	Feedbunks	08800-18	Completed	$5,050	$5,000

Will make feedbunks and water tanks using recycled earth moving tires.

Funds will be used for equipment that is needed to set up tire cutting.

Status Notes: Project is completed, sold 8 water tanks and 6 feed bunks, sales totaled $5,175 but expenses totaled $5,239 for a net loss of $64. Grantee will continue the business. " I do believe that starting this business was a learning process. Even with all the research that I did before starting, was not enough to let me know about all the pit falls. I also am finding that I am looking for better ways to improve my product, cut costs, and have net profit at the end."

Tweeten Corn Maze	Washburn	8/22/2002	1/1/2003	Corn Maze	08800-47	Approved	$5,250	$5,250

The corn maze will be located on 1804, the Lewis & Clark Trail.

Funds will be used for advertising.

Status Notes: Had more then 7000 customers, Ticket prices ranged from $4 to $5 and did some free ones. The maze was approximable 6 acres. Planned to stay open till halloween but the maze was vandalized just before halloween. Plans are to do it again next year but not be open so many hours and days.

Vetter Farm Maze	Linton	4/12/2002	12/1/2002	Corn Maze	08800-26	Completed	$6,200	$5,250

A corn maze and pumpkin patch for school field trips, community events and celebrations.
Grant funds will be used to purchase a Trimble GPS unit, a computer and software.

Status Notes: Due to the drought had to change the corn maze design several times. Pumpkin crop produced less than last year due to drought. Hosted about 2,000 people during the season. Area schools raved about the Lewis & Clark trivia that children learned while in the maze.

West Bay Resort, LLC	Minnewaukan	5/17/2002	6/1/2003	Resort	08800-45	Approved	$10,000	$5,250

Resort for fishing, hunting, or just relaxing, adjacent to Devils Lake's Minnewaukan Flats.
Funds will purchase furnishings for the cabins and initial capital for operations.

Status Notes:

White Rock Dairy	Towner	10/1/2001	6/1/2002	White Rock Dairy	08800-06	Completed	$10,000	$5,000

Currently farm 6,300 acres, raising corn, sunflowers, wheat, barley, oats, canola & Alfalfa, and 380 head of cattle. Plans are to construct and operate a 4,000 head dairy in Denbeigh, ND. Have formed a limited liability limited partnership with Mike & Mary Zimmerman, to form the new Dairy. Have purchased a quarter of land they anticipate building the facility on and have conducted soil borings & obtained a water permit. Plans are for a rotary-style parlor with curtains barns.

Status Notes: DeHann, Grabs and Assocites are the engineers for the project, completed the soil borings & finanlized waste management. Completed the feasibility study, and business plan. Anticipated milking could be sometime in June or July of 2003.

Summary for 'GrantType' = Farm Diversification (17 detail records)		
Sum	**$118,441**	**$87,909**
Avg	**$6,967**	**$5,171**

Grant Type: Marketing and Utilization

Company Name	City	Start Date	End Date	Project Title	Project #	Status	Requested	Approved

Aquatic Technologies, Inc	Newburg	8/1/2002	12/31/2002	Commercial Shrimp Production Startup	08800-49	Approved	$10,500	$10,500

Aquatic Technologies, Inc. will provide fresh saltwater shrimp to grocery stores and restaurants in North Dakota.
Grant funds will be used for marketing materials and demonstration equipment costs.

Status Notes:

Bushel 42 Pasta Company	Crosby	11/15/2002	12/31/2003	Mrs. Leeper's	08800-58	Approved	$80,800	$80,800

Bushel 42 has purchased Mrs. Leeper's a southern California organic dry pasta producer.Ed & Michelle Muscat, owners of Mrs. Leeper's will continue to market & sell the conventional and organic dry pasta products, including wheat-free and gluten-free pasta, for Bushel 42. They are well-known and respected company that gives Bushel 42 and North Dakota a big advantage when breaking into new organic dry pasta markets.
Grant funds will be used to design new packaging to reflect the Mrs. Leeper's is now a part of of Bushel 42 family. Compliance must also be met with new organic standards on packaging and labeling.

Status Notes:

Cloverdale Growers Alliance	Mandan	5/17/2002	4/1/2003	Pork Bean Products	08800-37	Approved	$16,475	$10,500

The Alliance intends to study the feasibility of producing a premium pork and dry edible bean product.
Funds will be used for consulting fees, product development, testing and legal costs.

Status Notes: 9-1-99 grant awarded for $76,325 to expand the current producer/packer contractual agreement with Cloverdale Foods and to develop an integrated pork processing entity.

The recommedation from the feasibility study is to purchase Paul's Pintos and expand the line of baked beans in the market that has represented the greatest portion of sales-foodservices. This strategy offers the opportunity to ente the marketplace faster and with significantly less invested in product development and production facilities.

Commercial Vegetable Growers	Fargo	7/16/2001	12/31/2002	Whole Peeled Onion Study	08800-05	Approved	$23,000	$12,000

Hiring a consultant to bring up to date information to the Commercial Vegetable Growers of ND concerning the market for whole peeled onions to be processed in ND and sold to several different markets. The CVG of ND group has indications that this is a growth market in processed vegetables.

Grant funds will be used to hire a marketing consultant to bring fresh information on the markets for Whole Peel Onions.

Status Notes: April 1, 2002 submitted interim report stating interest in building a processing facility. Initial disbursement has not be spent, called Rudy R. and stated that once they spend full $7,000 and send invoices for expenses the interm and final payment will be made.
June 18, 2002 Didn't advance interm or final payment because they have only spent $3,000.
Requested a 6 month extension.

Commercial Vegetable Growers	Fargo	10/1/2001	1/1/2002	Executive Marketer	08800-07	Completed	$0	$35,000

This is a add on to project 07700-54.

Status Notes: Hired Mike Kirby as marketer, paid for salary

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Commercial Vegetable Growers	Fargo	2/21/2002	9/1/2002	Executive Marketer Phase 3	08800-23	Completed	$62,500	$52,500

The project would involve continuation of hiring an Executive Marketer from within the vegetable industry to bring markets and potential processing to North Dakota. The person would work with farmer/producers, economic development, the Irrigation Caucus, the HVIC task force as well as others involved in agriculture in the state to speed up the process of value added and specialty cropping for North Dakota.

Grant funds will be used to continue the employment of Mike Kirby.

Status Notes: November 2000, a grant for $65,000 was awarded to hire a marketer

July, 2001 whole peeled onions was awarded $12,000 to hire a marketer

November 2001, a grant for $35,000 was awarded as an extension to the grant awarded in November of 2000 for a marketer.

Crane Creek Gardens	New Town	11/15/2002	8/1/2003	Car Fresh	08800-60	Approved	$66,675	$66,675

To develop and secure a market for specialty all-natural car fresheners made from plant fiber, herbs, flowers, and locally grown berries.
Funds will be used for market research, incentives, a sales person.

Status Notes:

Dakota Frontier Seeds	Flasher	8/1/2002	8/1/2003	AC Greenfix	08800-52	Approved	$79,165	$42,000

A new annual legume, AC Greenfix, which is a variety of chickling vetch, also known as a grass pea or grassy pea vine. Developed as a fertilizer alternative to supply green manure nitrogen for both organic and conventional growers.
Grand funds will be used for promotion, travel, advertising and customer follow-up.

Status Notes:

Dakota Halal Processing	Harvey	3/19/2002	12/31/2002	Sheyenne Valley Brand Beef	08800-24	Completed	$46,000	$46,000

Transfered contract 07700-66 - 07700-76 balances to this new grant

Status Notes: Major objective was to investigate and modify packaging system to the standard required by the larger retail segment. Lodge Consulting was hired. Will lease a packaging system, which is capable of packaging all our products in consumer friendly packages. Advertised and marketed products by attending numerours shows, and have received in excess 170 definite sales leads for Sheyenne Valley Brand products.

Dakota Lamb Growers Cooperative	Northwood	11/15/2001	2/1/2003	Sausage & Equity Drive	08800-14	Approved	$98,000	$37,000

The Dakota Lamb Growers Cooperative is attempting to add value to the entire carcass of the lamb by developing, processing and marketing four sausage products to better make use of their lamb carcass.
Grant funds will be used for a feasibility study, business plan, matching funds and equity drive.

Status Notes: Sept. of 99 awarded grant 07700-04 for $58,500 for business & marketing plans to sell to ethnic restaurants in high populated areas.

$37,000 was approved $22,000 is for feasibility study and business plan, $15,000 will be contingent upon a successfull feasibility and that is to go for the equity drive.

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Dakota Pride Cooperative	Jamestown	11/15/2002	12/31/2003	Marketing Identity-Preserved Grains	06800-64	Approved	$35,000	$10,500

Market research of foreign and domestic markets, to formalize alliances with existing grain processors and millers and research and develop branding opportunities for identity preserved grains.
Funds will be bused for market research and development of identity-preserved grains.

Status Notes:

Dakota Renewable Fuels LLC	Fargo	7/17/2001	11/1/2003	Dry Mill Ethanol Plant	06800-03	Approved	$223,000	$35,000

Dakota Ethanol Steering Committee, in cooperation with the ND Corn Growers & ND Corn Utilization Council is planning the construction of an ethanol plant in ND. A feasibility study is currently being conducted. Funding is sought to move to the business plan phase which includes an equity drive & financing. Based on the current expansion boom in the ethanol industry, the outlook is positive for locating another plant in ND.
Funding is for implementing a business plan, conducting an equity drive, and arranging for the financing of a dry mill ethanol plant in ND.

Status Notes: October 2000 a $10,000 grant was awarded to ND Corn Growers Association to assist with marketing campaign to increase the use of ND ethanol from 13% to 30% of the market share.

Dakota Renewable Fuels LLC	Fargo	11/15/2001	8/1/2003	Dry Mill Ethanol Plant II	06800-09	Approved	$133,000	$133,000

The Dakota Renewable Fuels Steering Committee, in cooperation with the ND Corn Growers and ND Corn Utilization Council is planning the construction of an ethanol plant in ND. A feasibility study is currently being conducted.
Funds will be used for implementing a business plan, conducting an equity drive, and arranging for the financing of a dry mill ethanol plant in ND.

Status Notes: July of 2001 a grant for $35,000 was award for this project, 06800-03, completetion of this first phase runs until 11-1-2003.

Dakota Territory Buffalo Co	Mandan	11/15/2002	10/1/2003	Cannonball Co.	06800-65	Approved	$149,900	$20,711

Dakota Territory Buffalo Co. has been in the business of raising buffalo and selling buffalo meat, is now introducing it's own buffalo under the Cannonball Co. label. It's new buffalo hot dog processed by Cloverdale Meats was introduced to markets Octobert 1, 2002.
Grant funds will be used market meat products and buffalo hides and skulls will also be sold.

Status Notes:

eBirdseed.com	Grandin	5/17/2002	7/1/2003	Marketing birdseed	06800-36	Approved	$28,838	$17,850

eBirdseed.com is positioning itself as the national leader in direct mail to consumer wild birdseed fulfillment. This mail order distribution system will embrace traditional print and direct mail marketing complemented with an aggressive ecommerce strategy.
Funds will be used for marketing, advertising, consultant fees and accountant and legal fees.

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Equidistant Planter Group	Cogswell	2/21/2002	12/31/2002	Equidistant Planter Attachment	08800-22	Completed	$94,800	$26,250

A next generation planter attachment designed to increase existing yields with no increase in variable costs of production.

Funds will be used to complete field trials, and develop and implement the marketing plan.

Status Notes: March 2001 this company was granted a prototype grant in the amount of $25,000. to build the planter.

November 2001 they came before the commission requesting $100,000. Funding was denied they ranked 12 out of 19.

2 Patents have been granted for the equidistant planting system, both are held by Mr. Tom Heimbuch. Equidistant Planter more accurately placed the seed within the row, further demonstrating that the concept is valid and holds a high potential for increasing yields for farmers. Futher work is being performed with regard to completing the final drawings and final design before commercialization can began.

FarmNet Services Inc	Harvey	5/17/2002	10/1/2003	FarmNet Expansion	08800-44	Approved	$196,700	$17,850

Expanding the marketing efforts of the company in providing grain marketing services to small grain and oil seed producers. The services provide producers with the ability to list and market their inventories via the internet allowing buyers to locate and purchase these specific types of grain through farmnet.services.com.
Funds will be used for promotion materials and marketing employees.

Status Notes: May 3, 2001 company was denied a grant for $75,000.

The concentrated marketing effort resulted in 2 major accomplishments, first, the subscriptions to our services increased by approximately 60%, secondly, the number of visitors using our website increased by over 100%. These increases have helped establish FarmNet Services as an important and leading provider of information and services to the farming community in the state and throughout the region.

Golden Plains Frozen Foods LLC	Leeds	8/1/2002	9/1/2003	Golden Plains Marketing Development	08800-51	Approved	$110,250	$84,000

This project is to identify and establish additional markets for high quality fresh, frozen filled pastas and sauces. To identify and produce new products that increases the efficiency of the existing production facility.
Funds will be used to establish new markets and products that will assist in the penetration of the food service market.

Status Notes:

Hickory Hut	Langdon	8/1/2002	3/1/2003	Hickory Hut Marketing	08800-50	Approved	$3,020	$3,020

Expand marketing of Hickory Hut's smoked sausage, smoked garlic sausages, bacon products and buffalo products in North Dakota and Minnesota.
Grant funds will be used for marketing and distribution.

Status Notes: Marketing & distribution of products has been growing weekly. In one month sold 288 tubs of buffalo sticks which is 11520 sticks, totaling $6912. increase in 1 month of sales. Estimating $20,736 for the last 3 months of 2002. Project$100,000 for year 2003.

In the Potter's Hand Inc	Wildrose	7/17/2001	7/1/2002	Dakota Free Products	08800-04	Completed	$40,000	$30,000

Manufacturer of all natural products utilizing farm grown crops such as mint, safflower oil, & beeswax. These products include mosquito repellant, moisturizing lotion, lip balm and essential oils. With growth the opportunity for local farmers to grow these crops will provide additional farm income.

Funds will be used for professional packaging, trademark protection, marketing, tradeshows, national marketing, internet marketing and a part-time employee.

Status Notes: Professional labels and packaging were for 36 products and have successfully be marketed. Products are in 65 retail locations in 9 states, and have had inquires from 3 other states. Experienced steady growth total sales for 2001 were $20,225 and 2002 sales through July 31 totaled $18,148.

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Lakota Dairy Initiatives Edmore 7/17/2001 6/1/2002 Lakota Dairy Initiative 08800-01 Approved $20,700 $20,700

The project consists of investigations and conducting the feasibility of establishing a central feed plant that would provide feed for a dairy heifer raising facility, steer finishing lab, and one or two large dairies.
Funds will be used to undertake an information gathering and feasibility of developing a feed plant, feedlot, heifer raising and additional dairies.

Status Notes: extension was grant until 12/1/02. the interim & final payments have not been made, waiting for final report.

Maple River Winery, LLC Casselton 11/15/2002 4/1/2003 Maple River Winery 08800-59 Approved $20,475 $21,288

To market wines made and blended in North Dakota.
Grant funds will be used for marketing costs

Status Notes:

Maple Valley Locker Inc Enderlin 2/21/2002 Maple Valley Meat Locker Expansion 08800-21 Approved $15,000 $15,750

To prepare a marketing plan and implement it for expansion of the present facility. Present facilities will be expanded to provide more space for processing of wild game, general custom processing for retail and wholesale sale of meat products.

Grant funds will be used for preparing and implementing the marketing plan, also will including advertising.

Status Notes:

Master Potatoes Inc Hatton 11/15/2001 12/31/2002 Marketing Initiative Phase 2 08800-12 Completed $49,000 $31,750

This marketing project is designed to continue marketing our products into new markets and to market a new product.
Grant funds would be used to help cover the costs incurred by the end user incentives, rebates, food shows and sampling. Help finance salesmen's cost for travel .

Status Notes: Phase 1 was awarded 11/99 and ended 6/01 in the amount of $39,000, to pursue new markets.

$31,750 is for advertising costs
Attended 7 food show events saw a 18% increase in sales after these foodshows. The other avenue they are pursuing is direct delivery. Tried rebates to vendors but found it difficult to comepete with the larger companies.

ND Department of Agriculture Bismarck 11/15/2002 12/1/2003 MAP 2002 08800-62 Approved $10,000 $10,000

This is a joint effort between the ND Department of Agriculture and North Dakota companies to promote value-addeed agricultural products. Companies will attend national and international tradeshows, and participate in trade maissions with this funding.

Funds will be used for financial assistance for travel and lodging at national and international tradeshows and trade missions.

Status Notes:

ND Department of Agriculture Bismarck 11/2/2001 11/1/2002 MAP 2001 08800-11 Approved $10,000 $10,000

This is a joint effort between the ND Dept of Ag and ND companies to promote value-added agricultural products. Companies will attend national and international tradeshows, and participate in trade missions with this funding.
Grant funds will be used for financial assistance for travel funding for tradeshows and trade missions.

Status Notes: Assisted 20 ND companies with their travel expenses and generated $630,000 in sales. Companies reported that 370 contacts were made at these sponsored shows, and of those 74 resulted in sales.

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North Dakota Dry Pea & Lentil Association	Bismarck	5/17/2002	10/1/2003	Feed Peas for Livestock feed	08800-41	Approved	$120,000	$23,100

The North Dakota Dry Pea & Lentil Association will further develop and expand feed pea market throughout the United States as a nutritional feed for livestock.
Funds will be used a two-year period for promotion, travel, research and salary of a full time individual, to address the following areas: transportation, growers and end user contracting, coordination and compilation of feed pea research, education and promotion.

Status Notes:

North Dakota Farm Bureau	Fargo	8/14/2002	11/30/2002	Cuban Trade Mission	08800-56	Completed	$50,000	$25,000

To promote high quality ND produced agricultural goods and processed foods products in Cuba at the U.S. Food & Agribusiness Exhibition, Havana City, Cuba, September 26 through September 20, 2002. Immediate & long-term supply agreements, will be pursed. This is the first and only exhibition specifically licensed by the Office of Foreign Assets Control of the United States Department of the Treasury for representatives of U.S. based companies and representatives to visit the Republic of Cuba to market agricultural and food products.
Funds will defray expenses associated with a delegation of ND representatives from agricultural and food processing firms to promote the marketing of North Dakota produced agricultural and food products in Cuba.

Status Notes: 5,300 metric tons of green & yellow peas with a value of about $600,000 was sold by Earthwise Processors, Superior Grains, Paulson Premium seeds and premier Pulse International. 45,000 tons of pasta sold by Dakota Growers Pasta Company, 21MT of semolina sold by ND Mill, 42 MT of soybean by Earthwise Processors, Peterson Farms Seeds and Unity Seed Company, Northharvest Bean is in the bidding for 220 MT of black, pinto and red edible beans, Pending 67 MT of hard red spring wheaat by the ND Mill, Pending processed potato products by RDO Foods,

Safflower Technologies International	Williston	5/20/2002	6/1/2003	International Marketing	08800-35	Approved	$25,000	$21,000

Development & demonstration of an integrated identity preserved production, management, and marketing system for safflower products for international markets.
Funds will be used to establish new international markets for North Dakota safflower products in Japan and Western Europe. Expenses will be travel, supplies and associated marketing costs to develop marketing system, attend food and trade shows and other marketing meetings with clientele and customers.

Status Notes:

Schepps Dakota Deli Inc	Lansford	2/21/2002		Schepp's Expansion	08800-19	Approved	$67,640	$71,022

Expansion of Schepps products into new out of state and in state outlets.

Grant funds will be used for marketing expenses

Status Notes: March 1999 Schepp's was awarded a $15,000 grant for marketing expansion nationwide.

January, 2001 funding of $65,585.00 was denied for marketing expansion nationwide.

Skandia Mills	Valley City	5/17/2002	7/1/2003	Processing Golden Omega Flax	08800-38	Completed	$18,000	$4,200

Skandia Mills will be producing a golden ground flax meal. Will use Omega flax, which creates a more appealing product that would resemble corn meal. The product will be packaged in two or four pound retail containers or larger wholesale and bulk containers.
Funds will be used for promotional materials and market development, renting facility and paying for a marketing specialist.

Status Notes: Recommendations are: local and regional retail markets at this time only due to high cost of entering distant retail markets; Foodservice markets are not large enough at this time; Industrial Ingredient maketplace is the best environment at this time.
Have grown local retail market to 25 retail stores and 2 distributors in other regions of the country.

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Skandia Mills	Valley City	11/15/2002	5/1/2003	Processing Golden Omega Flax II	08800-63	Approved	$21,500	$12,600

A producer of premium ground flax and premium whole flax products. Envision a complete plant to take raw flax and clean, store, grind, package, and distribute a premium quality product primarily to the wholesale market.

Status Notes:

Specialty Export Productions Inc	Auburn	5/17/2002	7/1/2003	Marketing Hatton, ND Facility	08800-40	Approved	$25,000	$23,100

Will expand marketing efforts in Europe, Japan, and other Asian countries for specialty grain and oilseeds produced in North Dakota. Specialty Export's Production will introduce the world to it's plant in Hatton, ND via brochures, signage, grand opening ceremonies and etc.
Funds will be used for trade show fees, travel, brochures, computer projector, and samples and labeling costs.

Status Notes: Expo East in Washington DC met with possbile customers from Spain, France and Italy, possible business for organic wheat, durum, and soybeans, some business has been concluded with Spain.
Traveled to Sacramento to discuss organic corn & wheat, an agreement has been concluded for all the organic corn that we can bring in, this company has facilities in Europe.
Will attend BioFach Exposition in Nuremburg Germany have secured the booth, this is the largest organic expositionin the world with people from almost every country in attendance.

SunGold Foods	Fargo	11/15/2002	9/1/2003	SunButter	08800-61	Approved	$103,750	$73,763

SunGold Foods, a subsidiary of Fargo-based Red River Commodities, is presently manufacturing a new-value-added sunflower product called SunButter. The product was developed in conjunction with USDA and is a great-testing peanut butter alternative. SunButter is also nutritionally superior to peanut butter with double the fiber, more iron, less saturated fat and sodium and over 40% of daily required vitamin E.
Funds will be used to introduce SunButter in the Minneapolis MN market. Specifically, funds will defray the costs of the agency fees of our Bismarck based market and public relations firm, radio advertising, special event sponsorship, retail store demos and product quality control improvements.

Status Notes:

Superior Grains Inc	Crosby	5/17/2002	6/1/2003	International Marketing	08800-33	Approved	$316,000	$63,000

Market research will provide information about major purchasers of pulse crops, and demand for premium grade products. Targeted areas may include Mediterranean countries, South American countries, Japan, China and India. Ultimately, the market and customers will be countries that utilize pulse crops as part of their daily food supply and are interested in a consistent supply of premium grade product.
Funds will be used to pay for market research; development of product branding and international marketing materials, and an interactive website; travel to establish commercial customer accounts, and legal work necessary for international accounts.

Status Notes:

Valley Specialty Foods	Grand Forks	8/1/2002	9/1/2003	Marketing Perogies	08800-52	Approved	$97,200	$21,000

The company will pursue retail markets for perogies to mitigate the risks involved in doing business with the food service industry which, through consolidation, has become a market comprised of relatively few potential distributors. The project will involve marketing intellegence research and support of premium product positioning and placement activities to mainimize risk and maximize poteential for success.
Funds will be used to conduct market intellegence research and support premium producting positioning and placement activities for entry into retail markets.

Status Notes:

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Western Star Dairy Cooperative	Williston	7/17/2001	1/1/2003	WSD Equity Drive	08800-02	Terminated	$48,000	$48,000

Phase II is the Equity Drive for Western Star Dairy, LLP, organized as an investor-owned operation whose mission is to create a profitable dairy industry in northwestern North Dakota. The dairy will utilize high value forages and grains produced under irrigation by areas farmers. A single profitable dairy is an important first step in a broader vision of successful agriculture and thriving communities. The Equity Drive is underway, and has proceeded to the point where it is necessary to hire a full-time manager to move the drive forward to a successful conslusion with the defined timeline of May 2002.
Funds will be used to hire a manager for the equity drive and related expenses.

Status Notes: On January 13, 2003 Bruce Bakewell informed APUC the project was not going forward , due to problems within the industry. Submitted a final report and returned $15,586.63 of the first disbursement.

Summary for 'GrantType' = Marketing and Utilization (37 detail records)		
Sum	**$2,514,888**	**$1,286,429**
Avg	**$67,970**	**$34,228**

Grant Type: Prototype

Company Name	City	Start Date	End Date	Project Title	Project #	Status	Requested	Approved
CatWalk System	Minto	8/1/2002	3/1/2003	Cat Walk System	08800-54	Approved	$21,400	$9,975

The OSHA approved, patented catwalk system was designed for the safety of agriculture employees that work on box trucks. The system is attachable, and allows the worker access to the box.
Funds will be used to complete market feasibility study, marketing plan, and final patent costs. This will bring the catwalk system to production.

Status Notes: Commission felt this was still a prototype as more work is to be done on it.

Inforcer, Inc	Newburg	5/17/2002	7/1/2003	Inforcer	08800-32	Approved	$26,250	$26,250

The Inforcer is a round baler unplugging system. The purpose of the Inforcer is to mechanically unplug round balers using a hydraulic ram system, allowing operators to unplug the baler while remaining seated on the tractor.
Funds will be used for patent, materials, molding, and administrative fees.

Status Notes: Contract put on hold for 1 year from date of contract. The inventor and the manufacturer are having legal problems.

MilTech LLC	Hillsboro	5/17/2002	6/1/2003	Sugar Beet Tester	08800-39	Approved	$25,000	$8,400

The tester would give growers the ability to map site-specific sugar (not just raw beet weight) information they need to optimize their field production: pounds of sugar, mapped by specific location, throughout the field. This data would enable the growers to more accurately determine changes to crop parameters such as fertilization and field drainage.
Funds will be used to pay a researcher to adapt a proven laboratory system for field use.

Status Notes: Sent letter in November stating contract must be signed and returned in 60 days or the contract will be void. Changed fiscal agent.

Summary for 'GrantType' = Prototype (3 detail records)		
Sum	**$72,650**	**$44,625**
Avg	**$24,217**	**$14,875**
Grand Total	$2,887,529	$1,490,653

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39564

HB1019.

Prepared by the North Dakota Legislative Council staff for House Appropriations - Government Operations

January 2003

ETHANOL PRODUCTION INCENTIVE PROGRAM - HISTORY

APPROPRIATIONS

The ethanol production incentive program began in North Dakota in 1989. Prior to 1989 the state allowed a four-cent per gallon tax reduction for ethanol-blended gasoline sold by retailers. The schedule below shows the appropriations made by the Legislative Assembly for ethanol production incentives since its inception in 1989:

	Appropriation From Highway Tax Distribution Fund
1989-91	$3,750,000[1]
1991-93	3,650,000
1993-95	3,650,000
1995-97	3,000,000
1997-99	1,750,000[2]
1999-2001	1,800,000[3]
2001-03	2,500,000[4]
Total through June 30, 2003	$20,100,000
2003-05 executive budget	3,785,000
Total through June 30, 2005	$23,885,000

[1] This amount was reduced by $342,000 due to budget reductions made as a result of the loss of revenues resulting from the defeat of the gas tax measure on the December 5, 1989, special election ballot.

[2] Includes $250,000 of unspent 1995-97 ethanol production incentive funding resulting from the ADM plant in Walhalla not receiving incentive payments during the second year of the biennium because it was not operating.

[3] Includes a $300,000 appropriation contingent upon a new plant beginning operations after July 1, 1999.

[4] Includes up to $750,000 per year for the Alchem, Ltd., LLP, plant in Grafton and up to $500,000 per year for the ADM plant in Walhalla and any new plant that begins operations in the state.

EXPENDITURES

The following schedule shows the actual ethanol production incentive payments made to the ethanol plants in North Dakota since the inception of the program in 1989:

Fiscal Year	Alchem, Ltd., Plant in Grafton	ADM Plant in Walhalla	Total
1989	$1,103,026	$540,555	$1,643,581
1990	196,663	506,972	703,635
1991	875,000	950,000	1,825,000
1992	865,466	939,577	1,805,043
1993	950,000	875,000	1,825,000
1994	875,000	950,000	1,825,000
1995	875,000	950,000	1,825,000
1996	1,000,000	500,000	1,500,000
1997	1,000,000		1,000,000
1998	870,686		870,686
1999	875,000		875,000
2000	750,000		750,000
2001	750,000		750,000
2002	750,000	500,000	1,250,000
Total	$11,735,841	$6,712,104	$18,447,945

REVENUES

Since 1991 the Legislative Assembly has provided for additional revenues to the highway tax distribution fund to provide the funding necessary for the ethanol production incentive program. The 1991 Legislative Assembly provided for the additional revenues by extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules for the 1991-93 and 1993-95 bienniums and by withholding an additional two cents from the agricultural fuel tax refund for the 1991-93 and 1993-95 bienniums. The 1995 Legislative Assembly extended these additional revenue provisions through the 1997-99 biennium. The 1997 Legislative Assembly, in Senate Bill No. 2019, reduced the agricultural fuel tax refund reduction by one cent, from two cents to one cent, because only the Alchem, Ltd., plant in Grafton was eligible for production incentives during the 1997-99 biennium. (The ADM plant in Walhalla had discontinued operations in September 1995.)

The 1999 Legislative Assembly continued the agricultural fuel tax reduction of one cent relating to the ethanol production incentive program through December 31, 2001, and removed the sunset clause of June 30, 1999, for extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules. The Department of Transportation, in February 1999, estimated revenues from these two sources would generate $2,575,000 per biennium.

The 2001 Legislative Assembly continued the agricultural fuel tax refund reduction of one cent relating to the ethanol production incentive program through December 31, 2003. This additional one cent was estimated to provide $278,000 of funding for the 2001-03 biennium. The one-year vehicle age category extension on the motor vehicle registration fee rate schedules, which was made permanent by the 1999 Legislative Assembly, is estimated to generate $2.2 million per biennium

OTHER LEGISLATIVE ACTION

The 1995 Legislative Assembly, in House Bill No. 1134, limited the length of time an ethanol plant may receive incentives. The bill provided that a plant operating before July 1, 1995, could not receive incentives from the state for more than five years of operation after June 30, 1995. A plant that begins operations after June 30, 1995, could not receive incentive payments from the state for more than 10 years of operation, and after December 31, 2007, the state could not provide production incentives to any ethanol plant.

The bill also provided that a plant operating before July 1, 1995, which produced fewer than 15 million

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gallons of ethanol in the previous fiscal year may receive up to $1 million in incentives from the state for production in each fiscal year. A plant in operation before July 1, 1995, which produced 15 million gallons or more of ethanol in the previous fiscal year and any plant that begins operations after June 30, 1995, would be eligible to receive an equal share of up to $500,000 of incentives from the state for production in each fiscal year.

The 1997 Legislative Assembly provided that only the Alchem, Ltd., plant in Grafton was eligible for the production incentives of up to $875,000 per year for the 1997-99 biennium.

The 1999 Legislative Assembly extended, in House Bill No. 1019, the number of years ethanol plants may receive production incentives since June 30, 1995, from 5 to 12 years for plants operating before July 1, 1995, and from 10 to 12 years for plants beginning operation after June 30, 1995. After December 31, 2009, the state may not provide production incentives to any ethanol plant.

The 1999 Legislative Assembly provided that an ethanol plant that was in operation before July 1, 1995, and which had production capacity of fewer than 15 million gallons of ethanol was eligible to receive incentives of up to $750,000 per year. An ethanol plant that was in operation before July 1, 1995, and which had production capacity of 15 million gallons or more was not eligible to receive production incentives.

The 2001 Legislative Assembly extended, in Senate Bill No. 2019, the number of years ethanol plants may receive production incentives since June 30, 1995, from 12 to 14 years and provided that after December 31, 2009, the state may not provide production incentives to any ethanol plant.

The 2001 Legislative Assembly provided that an ethanol plant that was in operation before July 1, 1995, and which has a production capacity of fewer than 15 million gallons of ethanol may receive incentives of up to $750,000 per year. An ethanol plant that was in operation before July 1, 1995, and which produced 15 million gallons or more and an ethanol plant that begins operations after June 30, 1995, are eligible to share equally in up to $500,000 per year.

The 2001 Legislative Assembly removed the requirement that the ethanol produced in North Dakota must be sold in North Dakota in order to be eligible for an incentive. The 2001 Legislative Assembly added a requirement that, in order to be eligible for incentives during the 2001-03 biennium, the plant must notify the Agricultural Products Utilization Commission in writing by October 1, 2001, of its intent to request ethanol incentive payments during the 2001-03 biennium. If an ethanol plant does not notify the commission of its intent to participate in the program by October 1, 2001, or if at the end of each fiscal year funding provided for the incentive payments is not spent, the funding not needed for the program is transferred to the agricultural fuel tax fund and may be spent for grants approved by the Agricultural Products Utilization Commission.

PLANT OPERATIONS

Since the ethanol production incentive program began in 1989, the Alchem, Ltd., plant in Grafton has been operating continually. The ADM plant in Walhalla was in operation from 1989 until it discontinued operating in September 1995. The plant reopened in July 1998 but again discontinued operations in May 1999. It reopened again in September 2000.

2003-05 RECOMMENDATION

The 2003-05 executive budget recommends, in House Bill No. 1019, appropriating $3,785,000 from the highway tax distribution fund for ethanol incentives. However, the executive budget has not introduced legislation providing the formula for distributing the incentive funding or continuing the agricultural fuel tax refund reduction of one cent, even though executive budget documents include revenues of $285,000 from the one-cent refund reduction.

FEDERAL ETHANOL INCENTIVE

The federal government taxes ethanol blended gasoline at 13.2 cents per gallon compared to the federal tax of 18.4 cents per gallon on nonblended gasoline.

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Glassheim #3

NORTH DAKOTA INVITES NEW SETTLERS

North Dakota Has

LAND FOR THE LANDLESS

and

HOMES FOR THE HOMELESS

PUBLISHED BY AUTHORITY OF
DEPARTMENT OF IMMIGRATION
STATE OF NORTH DAKOTA
J. H. WORST
COMMISSIONER
Bismarck Tribune, Bismarck, North Dakota

FACTS ABOUT NORTH DAKOTA

Assessed valuation, $1,514,000,000.00.

Moneys and credits, $100,000,000.00.

Arable land surface, 40,000,000 acres.

Opportunity for 100,000 additional families.

The Bank of North Dakota Resources, (Sept. 12, 1919), $15,794,662.11.

Has 717 State Banks and Trust Companies.

Has 168 National Banks.

Has 447 Consolidated Schools, 152 in the open country.

Twenty-three per cent of State area has service by Consolidated Schools.

144 State High Schools.

Population of State (estimated) 636,000.

Six Hundred Billion tons of lignite coal in the state.

194 Lignite mines in operation.

Best brick, tile and potters clay deposits in the world.

Produced 13,358,000 bushels of corn in 1919.

Dairy products for 1918, $25,000,000.

Dairy products for 1919, $60,000,000.

336 newspapers in the State.

600 Rural Free Delivery Routes.

NORTH DAKOTA INVITES NEW SETTLERS

The instinct to possess a home is almost universal.

Thousands of families, however, are homeless.

With millions of acres of vacant lands there still are millions of landless families that have a preference for rural life.

North Dakota has the available land; the east has the landless families.

With farm lands in Iowa and Illinois rated at $200.00 and 300.00 per acre and upward and with equally productive lands in North Dakota listed at $30.00 to $100.00 per acre, a solution of their rural home desire should not be difficult.

But why this difference in land prices?

Is it a matter of misunderstanding or prejudice—or both?

Please read this bulletin with open mind.

A Royal Welcome.

As a preliminary, North Dakota extends a royal welcome to the thousands of families in the over-crowded east that have a desire to become home-builders in the great Northwest, whether they wish to cast their lot in city, village or rural district. The comparatively low price asked for good farm lands here, together with the credit the state offers to farmers and laborers desiring to establish homes and at low rates of interest, should appeal to home-seekers as never before, for the day when cheap homes and cheap farms can be had is rapidly passing.

This progressive commonwealth has room for thousands of additional families that may have a desire to share in the wealth this state is capable of producing

when its vast acreage of fertile soil is brought under intensive cultivation. For the world demands an ever-increasing volume of food to satisfy the hunger of its growing population. It must also have unlimited raw material for its factories. And no state in the Union contains greater undeveloped possibilities for the production of these commodities than North Dakota. The opportunities are open for farmers of large or small means to establish themselves here as producers of these world necessities.

High-Priced Lands Are Approaching.

The tide of high-priced lands that is surging Northwestward has not yet reached this state, but the tide is speeding rapidly in this direction. It will soon reach North Dakota when lands will appreciate in value by leaps and bounds. The opportune time to secure a farm at a reasonable price and on easy terms is Now.

The family prepared to make a small investment in land or in a city home is invited to seriously consider the opportunities that North Dakota offers to new settlers.

Quality of Soil.

No better quality of soil, all things considered, can be found in any other section of the Union than here in North Dakota—in every section of the state. Nature gave to this commonwealth an almost perfect soil. True, it has its limitations as all soils have their limitations.

The element of risk is met with and must be contended against by the farmers of every state. But most of our agricultural ills here, as elsewhere, are avoidable. Crop failures, total or partial, are

bound to occur at intervals in every country. North Dakota is no exception. Some localities suffer occasionally from too much rain, some from too little rain, but mostly from lack of drainage on the one hand or bad farm management on the other.

Lands in this state are remarkably cheap for the reason that there remains such a vast acreage of unoccupied and undeveloped land still available for settlement. Also some large farms are being subdivided into smaller holdings.

With 40,000,000 acres of available land in the state there were, in 1918, only 70,149 farms, averaging 411 acres each, actually under cultivation. There remains, therefore, more than 30,000,000 acres still available for farming and pasturage, or the equivalent of 100,000 farms of 160 to 320 acres each that should be brought under cultivation.

Size of Farm.

The size of a farm that a settler should undertake to manage depends upon the farmer, the character of the land, the capital at his command and the help he can depend upon. With grown sons a half section farm can be given good cultivation, but as a rule the best success will be realized on small farms, intensively cultivated. This is especially recommended in case only a partial payment can be made on the new home.

Land speculators are not solicited.

On Red River Valley lands free from stone and of good quality a quarter section, or even less, is all that a family of small capital should undertake. But where the soil is light and sandy or somewhat rough and broken and not adapted to intensive cultivation, more than a quarter section can be used to advantage.

But a small portion of the state, however, is not susceptible of a high state of cultivation.

The keeping of livestock on the farm, selection of seed grains, thorough tillage and rotation of crops, in other words, mixed farming, must not be underestimated. Keeping livestock, and especially dairy cows, and marketing cream will insure prosperity in every section of the state and more especially in the western half of the state.

When bad seasons come, as they are bound to come in every agricultural country regardless of the price of land, yet farmers engaged, even partly in the sale of butterfat, are able to meet their obligations and their families do not feel the stress of hard times. We do not, therefore, recommend all grain farming in any section of the state. Exclusive grain farming will impoverish any country—in time. That system of farming will impoverish the farmer as well as his land. The farm becomes poluted with fungous diseases as well as with weeds, many of the latter of dangerous character, and their theft of moisture often causes needless drought, which, however, is too often attributed to insufficient rainfall.

North Dakota is in need, therefore, of farmers in sufficient numbers to cultivate her millions of idle acres. It will be better for the state and immeasurably better for the farmers to manage farms no larger than they can give the best of cultivation. Where the land is of good quality—and most of it is—160 acres, owned and paid for, is better than a half section or more with a considerable mortgage on it. The big idea on the subject of farming has not, in too many instances, led to big prosperity.

But it has a good many failures to its credit. This is true of every agricultural state. In this North Dakota is no exception.

Small farms, intensively cultivated, are the glory of a state. Twice as much work could, quite generally, be put on each acre to advantage, in addition to what prevailing custom gives it. But this is chiefly owing to the large acreage that a too small number of farmers is trying to cultivate. Then small farms make cooperation among farmers feasible, during the busy season, instead of depending upon unsatisfactory transient labor. Moreover, from one-fourth to one-half the energies of the farm should be devoted to livestock. Under such conditions, which especially apply to the western part of the state, crop failures would seldom occur, and even if the grain crop should be short some seasons, the dairy cows would save the day. For it has been abundantly demonstrated that where farms are properly managed income failures can be very largely avoided.

Moreover, if the amount of investment is taken into consideration, as large profits should be realized here as on the high priced farms of eastern states, and as a rule, with no greater risk of crop failures.

The favorable terms of credit provided by the North Dakota State Bank, by the Board of University and School Lands and the Home Building Act, explained at the close of this bulletin, should also be taken into consideration.

Why Partial Crop Failure.

As has been already indicated, partial or total crop failures are peculiar to no one country. North Dakota is no exception. However, where local conditions

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are understood and nature's demands complied with, the cause of crop failure may be very largely obviated. Some localities need drainage where there is an average surplus of moisture while others need moisture conservation by which the rainfall is made ample, if not needlessly dissipated. The latter condition prevails over more than half of the earth's surface. It prevails over much of North Dakota. There is sufficient moisture, however, if it is not needlessly dissipated.

It is conceded that the most naturally fertile soils are found in such regions. Here fertility has been accumulating for millions of years because there were no tremendous and frequent down-pours of rain to take up the plant food in solution and carry it away in the run-off. What too many consider as "droughty conditions" is, in reality, a distinct blessing. It is God's shield against the soil's needless exploitation. Thus human greed is foiled, for who would take from the soil must return a fair equivalent in labor and fertility if he would prosper without robbing posterity of its heritage. The farmer that exploits the soil is in the same category with the speculator that exploits the farmer.

It will be readily seen, therefore, that a country bountifully supplied with all the elements necessary to insure prosperity, may yet be grossly slandered by a system of agriculture that runs counter to nature's laws.

North Dakota has many excellent farmers, and they are successful farmers. They work with, and not against, Nature. The state also has, alas! too many farmers that brought their farming ideas with them. They have the big idea, that of seeding exclusively to small grain the largest possible acreage they can scratch over. To plow much they plow shallow, and what they cannot plow they stubble in. Such farmers are more liable to suffer from drought. Their fields become polluted with weeds which consume fully half the moisture that would otherwise be available for the crop. Then again by constant cropping without making any returns to the soil it becomes so impoverished of fertility that it takes nearly twice as much soil water to nourish the crop as would be necessary if the soil were well manured. The soil also becomes full of disease germs which prey upon the plant roots and sap the vitality from the plants. And so between weeds, soil impoverishment and fungous ravages there results a lack of moisture, where under proper conditions there would have been the exact amount necessary to produce an ideal crop. This is no figment of the imagination. The possibility of drought, therefore, becomes remote in proportion as the ground is deep tilled, kept free from weeds and well fertilized. And, by the way, barn-yard manure makes the best kind of fertilizer.

Miss Ormsby, a North Dakota Mortgage Lifter

Importance of Livestock on the Farm

Local conditions demand livestock on the farm. This is naturally a livestock country. The buffalo flourished here for centuries before the advent of white men. Where livestock is fostered cultivated crops, such as corn, are essential. The cultivated crop keeps weeds in subjection and the livestock afford manure for the land. The cultivated crop of one season insures a good yield of grain on the same ground the following season. Absence of weeds and well-manured land are equivalent, in effect, to doubling the rainfall. Whoever maintains these conditions on his farm need have no suspicion that the Almighty blundered when He made North Dakota.

It is also a country where small farms are not beyond the means of thousands of families—small farms of about 160 acres which are capable of supporting livestock as well as producing grains and that may be owned by their occupants. Tenantry should become the exception. The state government has with unusual foresight made provisions for enabling men of small means to own their farms. No other state has ventured upon such progressive measures to enable families to become home or land owners and at the same time it protects them from being exploited by grain and livestock speculators.

With state owned mills and terminal elevators and local packing plants, grain and livestock will command a price based upon the commercial value of flour and dressed meats. Wheat will be graded on its flour producing qualities instead of arbitrarily, as heretofore.

These are now state laws.

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Only General Suggestions Offered.

Only general suggestions, however, can be offered to the prospective settler. Every farmer must exercise his own ingenuity and good judgment in the application of general principles which may be summarized thus:

(1) Don't pretend to farm more land than can be given thorough cultivation. For the average man a quarter section, with exceptions as already noted, will meet his requirements.

(2) Engage in mixed farming. Recognize the importance of crop rotation. Devote about one-fourth of the farm to cultivated crops, such as corn for ensilage, supplemented by root crops, such as carrots, beets, etc., for stock feed. This cultivated portion of the farm, by rotation, will keep the weeds in subjection and seldom fail to produce a bountiful crop of grain the following season.

(3) Keep sufficient livestock to consume the ensilage, root crops and forage. Sun flowers, being a heavier producer and less susceptible to frost than corn, are being highly recommended for ensilage. It would be a good plan to grow partly of corn and partly of sunflowers for ensilage by way of experiment.

The importance of maintaining a dairy herd cannot be overestimated. To meet the family expenses and, probably interest on a mortgage, the sale of cream is the farmer's best insurance against financial embarrassment. The farmers of North Dakota have come to realize the importance of dairying and the production of butterfat in recent years has doubled and quadrupled in quantity with a corresponding degree of prosperity.

Pigs and poultry are also good money producers, and a suitable poultry run and a pig pasture, as well as garden, should not be overlooked. The income from these sources reduces the cost of living to a minimum.

(5) About 40 acres will, as a rule, furnish sufficient hay and pasture. For both hay and pasture clover, timothy or Brome grass are in general use. In the dryer sections Brome grass does best. Sweet clover also is being highly recommended for both hay and pasture. With abundance of ensilage, however, but little pasture land is required. In order to preserve the rotation a movable fence to separate the pasture from the hay land is a convenience.

(6) Under this arrangement about half the farm can be devoted to small grain each year, and since the grass land will not be broken up at frequent intervals, the balance of the farm will be rotated frequently between grain and cultivated crop so that the moisture question will take care of itself. Under this form of farm management a silo becomes a necessity; also suitable fencing.

The manure produced by the livestock will maintain the fertility of the soil and crops can then be produced with the minimum of moisture. Weeds as moisture thieves also will be kept in subjection. Corn and cows will seldom fail to insure prosperity. This is being amply demonstrated in many sections of the state. Moreover, partial crop failures have no terrors for farmers engaged in mixed farming, here or elsewhere.

Many of the foregoing suggestions, it is true, are out of the ordinary. But what of that?

Nature imposes varying conditions in

every country and man's whims or preconceived notions or elsewhere gained experience may avail him but little when confronted by a different environment. It would be foolish to apply Ohio or Indiana methods of farming to North Dakota conditions. The sensible thing is to commune with Nature and comply with the conditions she imposes. Otherwise she will not yield so bountifully.

Viewed in this light, North Dakota offers almost perfect conditions to the farmer willing to obey nature's mandates instead of loafing on his job or trying to farm here as he learned to farm in some eastern state.

In other words, North Dakota extends as liberal possibilities for the profitable production of animal and agricultural wealth, and with as small risk as any other state, provided the husbandman does his part. And what is still more gratifying, farms can be had here for but a fraction of the price demanded for eastern lands that are no more productive; often less productive.

Some Additional Suggestions.

Dairying is the most profitable form of animal husbandry. The weekly pay check insures a steady income. With ready cash, household necessities can be purchased at a minimum price. For these and many other reasons already mentioned the small farmer should keep as many dairy cows as his circumstances will permit.

Poultry.

Poultry is equally profitable and our dry climate renders poultry immune from many diseases that afflict fowls in humid climates. A flock of laying hens, given good conditions, will pay a big dividend on the feed they consume.

Sheep.

A few sheep kept on the farm are invaluable for converting weeds into cash products. They are good gleaners and will thrive on what would otherwise be wasted.

State Hail Insurance.

Under the present North Dakota hail insurance law every farmer is automatically insured against losses caused by hail at a cost of about one-half the premium charged by private insurance companies. And he is paid for his hail losses.

Of course, he can withdraw from the state plan—which he never does a second time, however—if he has a loss.

Weather Conditions.

The spring, summer and autumn weather in North Dakota is exceptionally fine. The winters are cold, but owing to the dryness of the atmosphere are considered by many to be less disagreeable than the more humid climates further south. Those who live here seldom register any complaints against the winter weather. The snow fall is usually light, roads are generally good with no slush, mud or sleet. Stock, especially in the western half of the state, frequently graze out most of the winter. Even below zero weather is not unpleasantly cold on account of the dryness of the atmosphere.

Farm Marketing in North Dakota.

You would not need to be in North Dakota long before you would begin to realize that farm products are to be sold on a different basis from that of any other state in the Union. If you lived in the vicinity of Drake you would haul your wheat to the first state owned commercial

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mill in the United States, and have it graded under the most perfect standards for grading grain in the whole world.

If you take your cream to a buyer to be tested and paid for you will not have to take the test of the agent as final, but you could have him send a sample to the laboratory of the State Dairy department to be graded and the agent will have to settle on that basis. Every buyer of cream and elevator manager is licensed by the state and when it is found that he is dealing dishonestly with the farmer his license is revoked.

If you send your children to school they will have a chance to learn how to grade grain, test cream and determine the cost of the various farm commodities. These were introduced into the schools because the farmers have come to realize that a definite knowledge of the quality and the cost of production are absolutely necessary to intelligent selling.

The farmer has also come to realize that intelligent selling is just as important as intelligent production and that he must sell at a profit or quit the game. To this end they have established state owned mills and terminal elevators, co-operative packing plants, farmers' elevators, and in addition to this they created an Industrial Commission composed of the Governor, Commissioner of Agriculture and Labor and the Attorney General who have general supervision over the marketing, with power to establish wholesale or retail distributing stations anywhere on the face of the globe, for selling the products of the farm, and not only of the farm but there is no reason why all the products of every kind cannot, in time, be distributed to the consumer without the unnecessary handling charges that are usually added to commercial commodities.

In relation to marketing, the farmer of North Dakota is coming into his own and anyone who wants to live under the most favorable laws of any state and who will do his part, will find that the state as a whole will take a genuine interest in him and see that when he takes his produce to market he will be able to bring home its honest value in dollars and cents.

Some Credit Legislation Favorable to Farmers.

Among the laws recently enacted by the legislative assembly is one establishing the Bank of North Dakota. One of the functions of this bank is to loan money on land, up to 50% of its appraised value, on long-time payments and at low rates of interest.

"Loans will be made for 30 years, to be payable on a 7% basis (interest to be 6%). The payment of 7% of the original amount of the loan will be required annually as an annual installment on the loan. The 7% annual installment is sufficient to pay the interest at 6% on the unpaid principal, and in addition to pay an amount sufficient to retire the principal of the loan in thirty-four years. Any installments remaining unpaid at the end of the thirtieth year are to be included with the thirtieth annual installment so that the loan will be retired in thirty years.

"The 7% installment note includes both the 6% interest rate and a sufficient annual payment to pay off the whole loan in thirty years."

In case of crop failure a year's extension will be given.

In making loans "the Farm Loan Department will look with special favor on applications on farms equipped with a small but comfortable house, at least one

barn, some pasture land fenced in, a few cows, a hog or two, or some sheep and some poultry and enough dairy or beef cattle to support the family and to meet the mortgage payments, or, in other words, a farm adapted to and equipped for mixed farming." (From the Bank's rules).

The Board of University and School Lands.

The Board of University and School Lands invests a portion of the permanent funds of the schools and institutions of the state in farm loans upon first mortgage on cultivated lands with interest at the rate of 5% per annum, due in twelve years. Loans may be paid before due without any bonus if paid on an interest paying date. The principal may be paid, ten per cent or any multiple of ten per cent on any interest paying date. The amount that may be obtained by any one person is limited to $5,000.00 and to one third of the appraised value of the land, exclusive of the buildings.

A great deal of land is being offered for sale in this state upon the crop payment plan. For example: a farmer coming to this state with three thousand dollars in cash can make his first payment on a nine thousand dollar piece of land with the cash that he has, and then get a loan from the state for $3,000.00, giving first mortgage on the land as security, and then give the original owner of the land a second mortgage for $3,000.00. This would give the purchaser all of the crops on the land and his indebtedness would be bearing a low rate of interest.

If a farmer coming into this state had money enough to pay for his land, he could then borrow one-third of the value of the land from the school funds and use the same in the erection of buildings.

This would enable him to put up adequate buildings, while his indebtedness would bear interest at the low rate of five percent per annum, and could be paid off, either ten per cent or any multiple of ten per cent on any interest bearing date. All loans are due, and the interest on all loans is due, on December 1st.

Any farmer coming into this state would do well to inquire from the State Land Department before making loans from private parties.

The Home Building Act.

To make home life more easily acquired the Sixteenth Legislative Assembly established the Home Building Association of North Dakota, which is under the control and regulation of its Industrial Commission composed of the Governor, Commissioner of Agriculture and Labor and Attorney General.

This Association, under the administration of a manager and assistants, will undertake to buy homes already built, or buy land and construct the necessary buildings for sale as homes, either in cities, towns or villages, or farm homes in the country. It will sell these homes, and its services, at cost of material and labor with the additional costs of administration and supervision. It will sell only to those without homes who wish to purchase as bona-fide residents of the State or upon becoming such.

To take advantage of this arrangement a Home Buyer's League must be organized with a secretary-treasurer, etc.

Any member of the Home Buyer's League may apply for the purchase of such a home as he may desire, purchased or built, up to the value of $5,000.00 (including both lot, dwelling house and its necessary equipment) in city, town or vil-

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lage, or, up to the value of $10,000.00 for a farm home (including a tract of agricultural land, dwelling house, barn, other buildings and their equipment, customarily constituting a farm home), provided he first deposited with the Association 20%, or one-fifth of the purchase price of such home. He may pay the balance of the purchase price with a 5% charge and a 1% administration expense, added together as 6% advance interest, computed annually upon the unpaid principal.

This 6% interest is payable monthly, or semi-annually in advance, with installments of principal, over a period of either ten or twenty years, as may be preferred, with the privilege of prepaying on any interest payment date after five years, or upon paying all administration expenses included in such 6% for five years.

Thus, a person on a 20% or one-fifth payment may buy a home and gradually pay for it in equal monthly or advance semi-annual payments, which are sufficient to amortize both principal and 6% annual interest at the end of ten or twenty years. In most cases, this will amount to less than the amount now required to be paid as rent for the same property.

For more detailed and specific information, write to The Home Building Association of North Dakota at Bismarck, North Dakota, whose officials will be pleased to give your inquiries prompt and considerate attention.

TAXES

Taxes are high. But prices of every commodity are high.

The cost of living was never before so high. Every kind of business costs more than formerly. It also costs more to manage the state's business. In the matter of taxes, however, North Dakota does not

suffer by comparison with other states.

Moreover, there are compensations. The progressive laws of the state insure improved market conditions which assure better prices for farm products and they also lessen certain expenditures, such as rates of interest, for hail insurance, etc. While these laws do not contribute directly to the state treasury they contribute to the farmer's purse instead which enables him to pay his taxes from this extra revenue and have a considerable cash balance besides.

The new grain grading law which determines the grade of wheat on its milling value, instead of arbitrarily, as heretofore, insures the farmer a square deal and figuring the advance in price at only 13 cents per bushel will put $13,000,000.00 annually into the farmer's pockets during normal years. This is a modest estimate.

Then the dockage must now be paid for which heretofore was arbitrarily appropriated by the wheat buyers, and the revenue derived from dockage is worth not less than $2,500,000.00.

Farmers made another big saving under the new hail insurance law. The state insured 12,000,000 acres at 28 cents per acre, while commercial companies charged 70 cents per acre for the same service. The saving to the farmers of the state was $5,040,000 or about one and a half times the total tax levied for state purposes.

North Dakota laws, regulating the sale of cream, which practically eliminates under testing by buyers, stopped another big leak that resulted in increasing the farmers cash income. It is estimated that farmers now receive at least 2 per cent more butter fat than before which, on the total sa... of 25,000,000 pounds, the approximate amount handled by cream

stations in a year, nets farmers 500,000 pounds. This at 50 cents a pound is worth $250,000.00.

The total saving to farmers of the state on these three items alone, under the new wheat law, the hail insurance law and under the cream testing and regulatory laws would exceed $20,000,000 or more than five times the total tax levy for 1919 for all state purposes.

What the farmers thus save heretofore went elsewhere.

It is our conviction that settlers should visit and inspect farms that are for sale before making a purchase. This office has large lists of farms for sale together with owner's prices. This will be supplied upon application. Settlers are cautioned to learn the price the owner asks for his land before making a deal and as far as possible to deal with the owner direct.

First Prize Corn Raised By
L. S. THORPE
Mayville, N. D.

NORTH DAKOTA'S PRINCIPAL AGRICULTURAL PRODUCTS 1919

Product	Acreage	Yield in Bushels	Farm Price October 1	Value
Wheat	7,450,000	89,180,000	$ 1.44	$ 128,419,200
Oats	4,691,000	64,276,000	.41	26,353,160
Flax	951,000	7,979,000	2.74	21,857,460
Barley	1,807,000	34,166,000	.70	23,916,200
Rye	2,000,000	31,000,000	1.42	44,020,000
Potatoes	90,000	9,000,000	.90	8,100,000
Hay (Tame)	494,000	740,000	15.00	11,100,000
Hay (Wild)		2,000,000	10.00	20,000,000
Value of dairy products, 1919				15,000,000
Value of animals killed for home use, 1919				10,000,000
Receipts for cattle, hogs and sheep sold, 1917				10,000,000
Receipts for horses sold, 1917				1,000,000
Total				$ 329,765,020
Rural population, November, 1919				600,000
Per capita production of rural population, 1919				$ 549.60

Dept. of Commerce.
1-13-03
Sen. Trenbeath Testimony.

REMI.

Regional Economic Models Inc. (REMI)

Since 1980, **REMI** has become the **leading tool for economic impact and policy analysis**, providing users with detailed estimates of changes to national and local economies. It is widely used by state governments, consulting firms, universities, public utilities and others. North Dakota's model has been calibrated specifically to simulate the real economy of our state by using hundreds of historical economic data sets.

The following examples illustrate the **economic impacts** that are forecasted to North Dakota's economy from some specific projects. In the case of company expansions the economic impacts reflect only the additional benefits to the economy, not the company's impact as a whole.

Imation Expansion in Wahpeton

Additional Benefits

Year	2002	2003	2004	3 yr. Total
Direct Employment	50	150	200	
Indirect Employment	389	487	664	
Total Employment	439	637	864	
Gross State Product Millions $	26.7	66.5	95.6	188.8
Personal Income Millions $	12.7	21.4	30.8	64.9
State Tax Revenues Millions $	2.6	5.2	7.3	15.1

MCI Retention in Pembina

Retained Benefits

Year	2002	2003	2004	3 yr Total
Direct Employment	400	400	400	
Indirect Employment	513	507	478	
Total Employment	913	907	879	
Gross State Product Millions $	35.8	36.7	36.7	109.2
Personal Income Millions $	27.6	31.1	32.9	91.6
State Tax Revenues Millions $	6.7	7.2	7.4	21.3

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Heartland Feeds in Tioga

Additional Benefits

Year	2003	2004	2 yr Total
Direct Employment	11	17	
Indirect Employment	16	19	
Total Employment	27	36	
Gross State Product Millions $	1.5	2.0	3.5
Personal Income Millions $	.776	1.13	1.9
State Tax Revenues Millions $	.152	.224	.376

DMI Expansion in West Fargo

Additional Benefits

Year	2002	2003	2004	3 yr Total
Direct Employment	28	44	44	
Indirect Employment	72	36	34	
Total Employment	100	80	78	
Gross State Product Millions $	3.3	2.8	2.8	8.9
Personal Income Millions $	2.9	2.7	2.8	8.4
State Tax Revenues Millions $	.48	.45	.48	1.41

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Testimony #B1019

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Top Stories

Letter -- Likes N.D. business climate

October 10, 2002

To the editor:
As one of North Dakota's newest corporate citizens, I'd like to compliment the state on not only its excellent business climate, but also the work done by Gov. John Hoeven and the North Dakota Department of Commerce to bring new business to the state. I have worked with several Midwest states when looking for new plant locations for our business.
I am personally involved in Indiana's economic development efforts. I was very impressed with the approach North Dakota is using to recruit new business; it is not only aggressive, but also effective.
I first met your governor last March in Chicago. It was at a business reception hosted by Gov. Hoeven and Commerce Department officials for business people like me. I attended the reception because our company was looking for a plant location in the northern growing area.
North Dakota's approach to business recruitment was unique. The actual reception was not a lavish event, but more of a typical business reception where people have the opportunity to meet the others in attendance and visit one-on-one.
What I found at the reception was a governor running a state like a business, rather than a bureaucracy. Gov. Hoeven understands business and the importance of a good business climate. It was a breath of fresh air!
Following the reception, I've had many follow-up conversations with Gov. Hoeven, Commerce Department staff and local economic development officials in Cass County. All of these public officials not only made us feel welcome, but provided the information and professional assistance we needed to make a location decision.
Within two months of the reception, my company picked North Dakota as the place where we wanted to expand. Our plant in Mapleton is under construction and we expect to be operational in North Dakota later this fall.
We are very happy to be doing business in North Dakota. We chose North Dakota over other locations because of the state's business climate and because of the truly professional economic development efforts made by the state. Everyone from Fargo Cass County Economic Development Corporation to Gov. Hoeven has been extremely helpful. We were impressed with the way everyone worked together.
Steve Hageman
Remington, Ind.

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Reader Opinions

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HB 1019

Mr. Chair-man, Committee members,

Please accept these comments as my support for the North Dakota Department of Commerce.

As you know, the Department of Commerce serves the important function of stimulating long-term growth for North Dakota. Our future depends on a well-funded, focused effort to diversify and expand our State's economy.

In addition the administration of the various departments and programs, the communities of North Dakota rely on the Department of Commerce to be a lead generator, a technical assistance team, a partner in the retention/expansion of existing industry, and a research provider.

Under Lee's leadership, the Department of Commerce is establishing a valuable partnership with local economic development entities. Lee's team has appropriately pursued relationships with site selectors and leaders in target industry sectors that will no doubt produce valuable opportunities for North Dakota communities.

The support and assistance that have been provided by the Department of Commerce and the Governor's office have had a major impact on a variety of Cass County projects. As pleased as I am with the efforts provided, I am equally excited about the opportunity to further our partnership and continue our efforts to provide good job opportunities and long-term prosperity for the citizens of North Dakota.

Please accept my deepest apologies for not being with you today. And as always, please do not hesitate to call or email me if I can answer any questions or be of any assistance.

Respectfully,

Brian Walters
President
Fargo-Cass County Economic Development Corporation

brian@fedc.com
701-364-1917 - Direct

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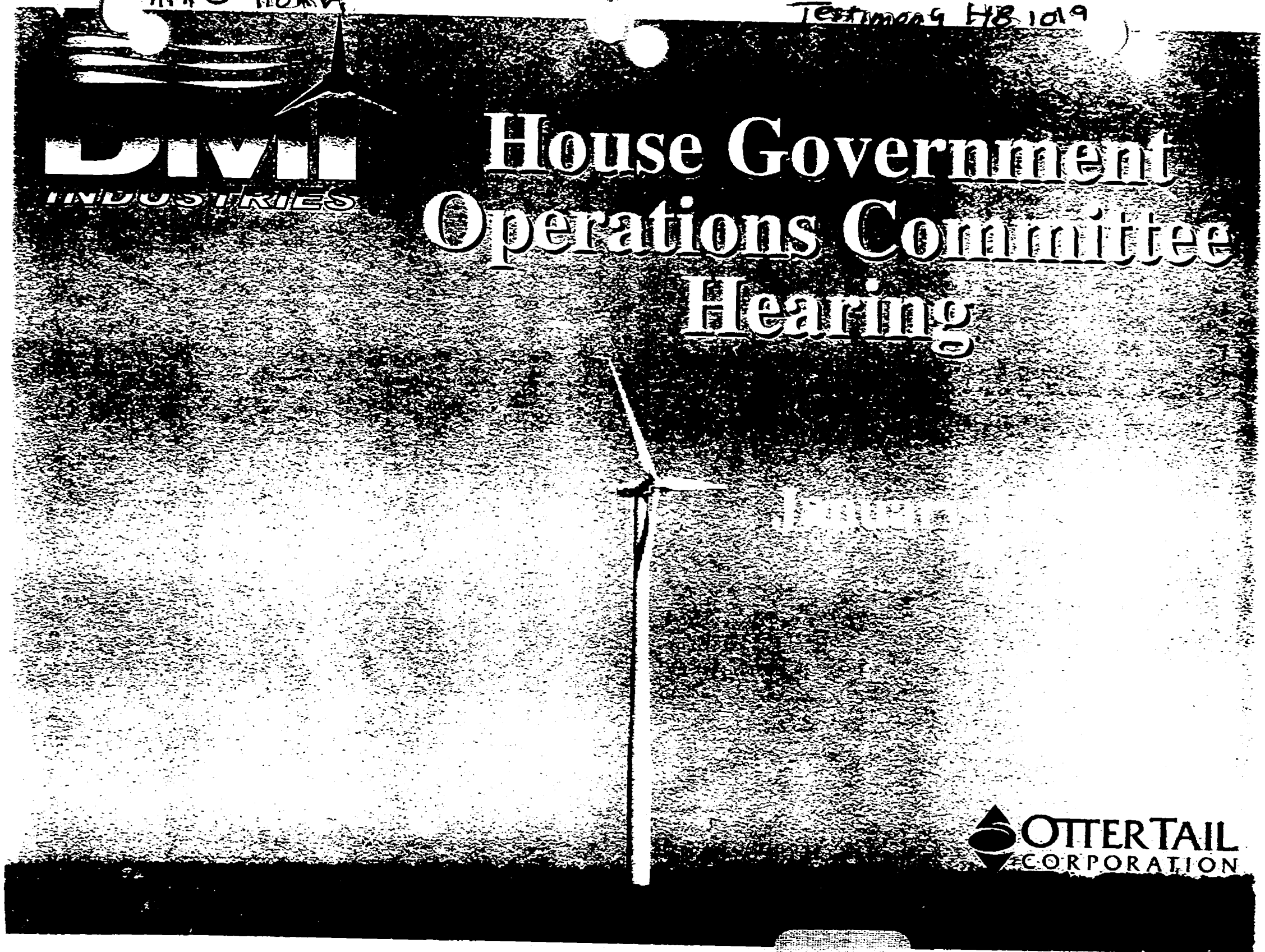
Mike Hahn

Testimony HB 1019



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History

1978 – Dakota Machine Tool Company established

1980's – Expanded into custom fabrication & manufac

1990 – Acquired by Otter Tail

1990's – Further growth & expansion within the sug

First wind tower proje

manufacturing

2001 – Re-commitment with NDM

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OTTER TAIL

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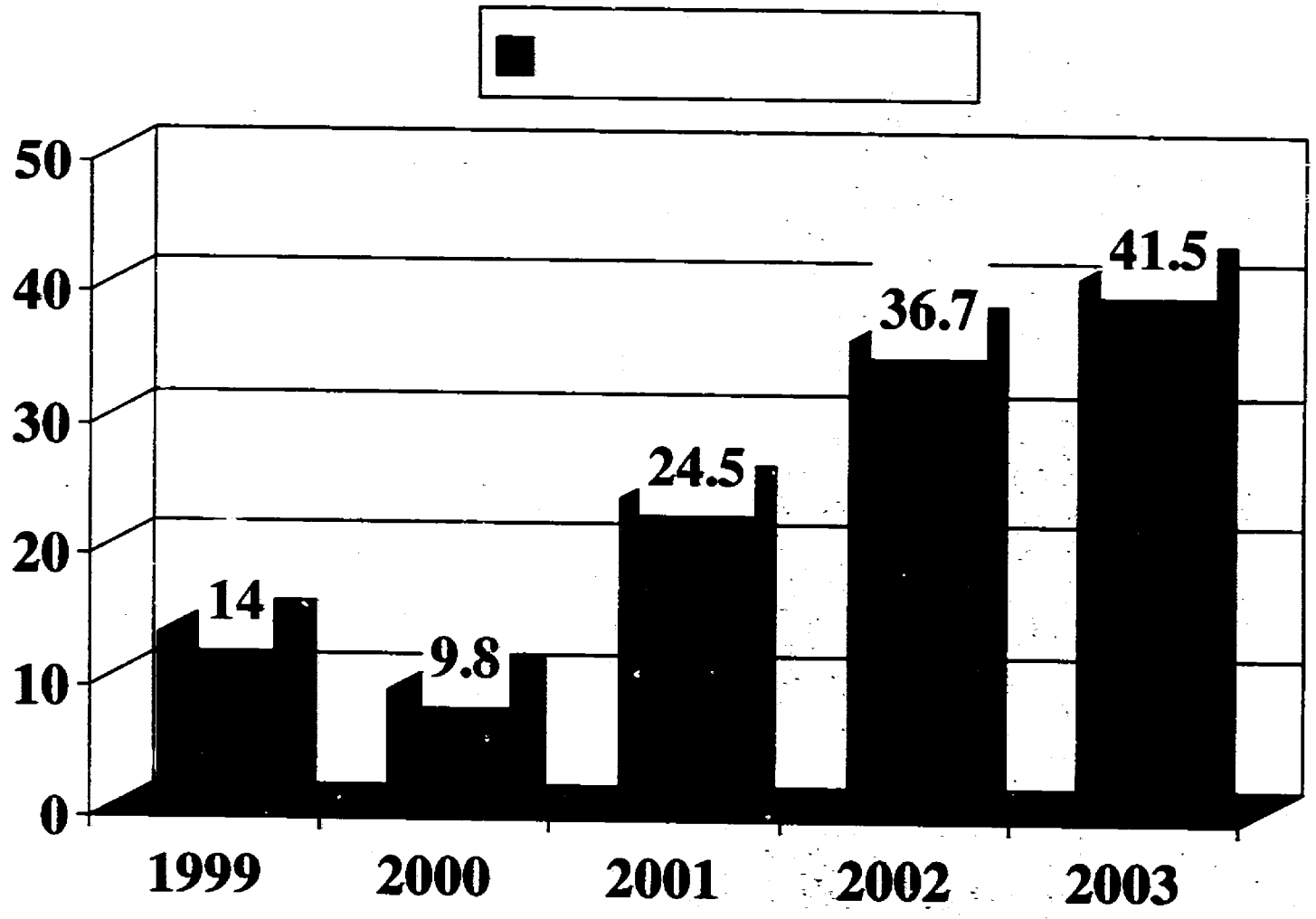

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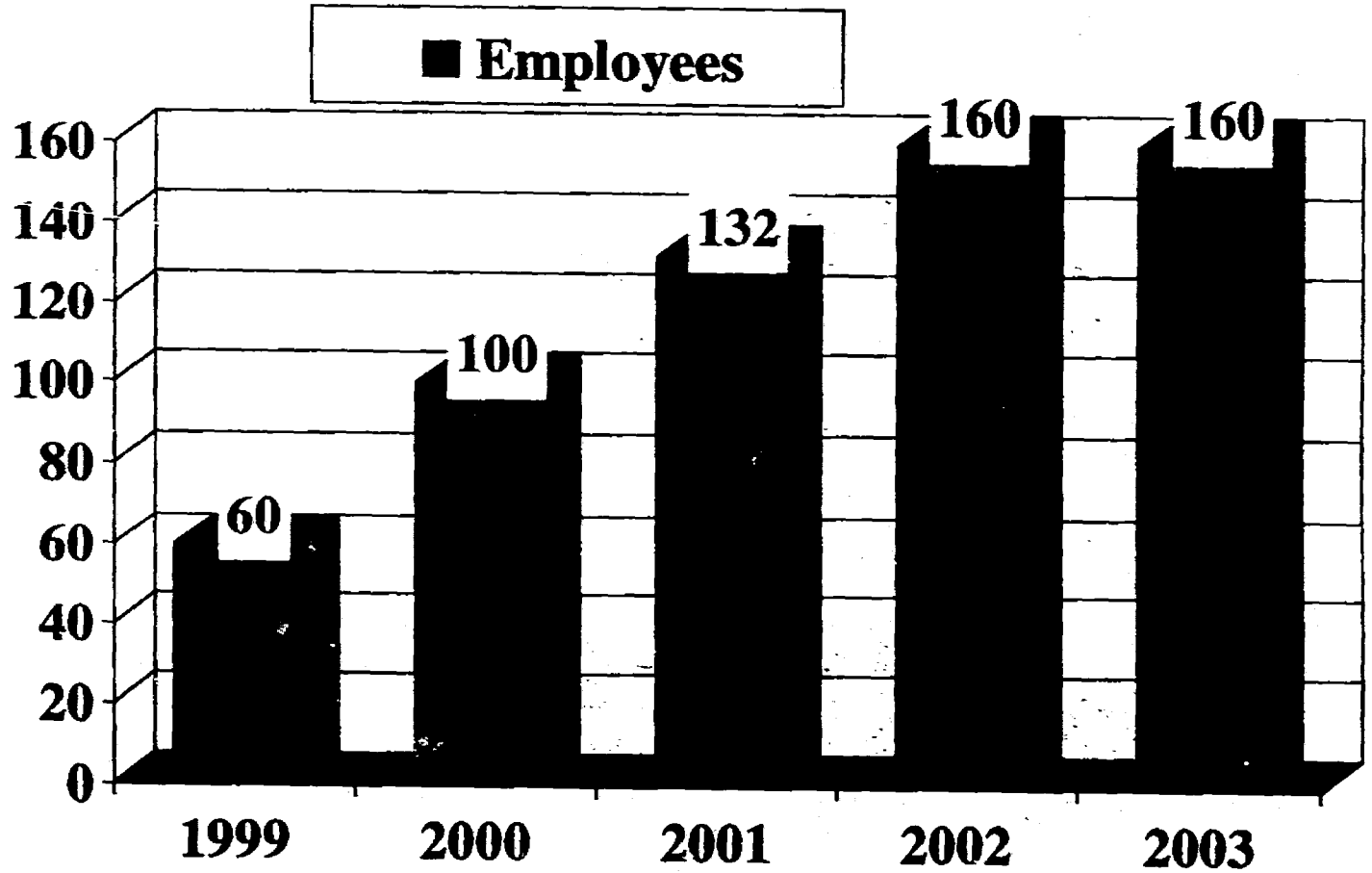

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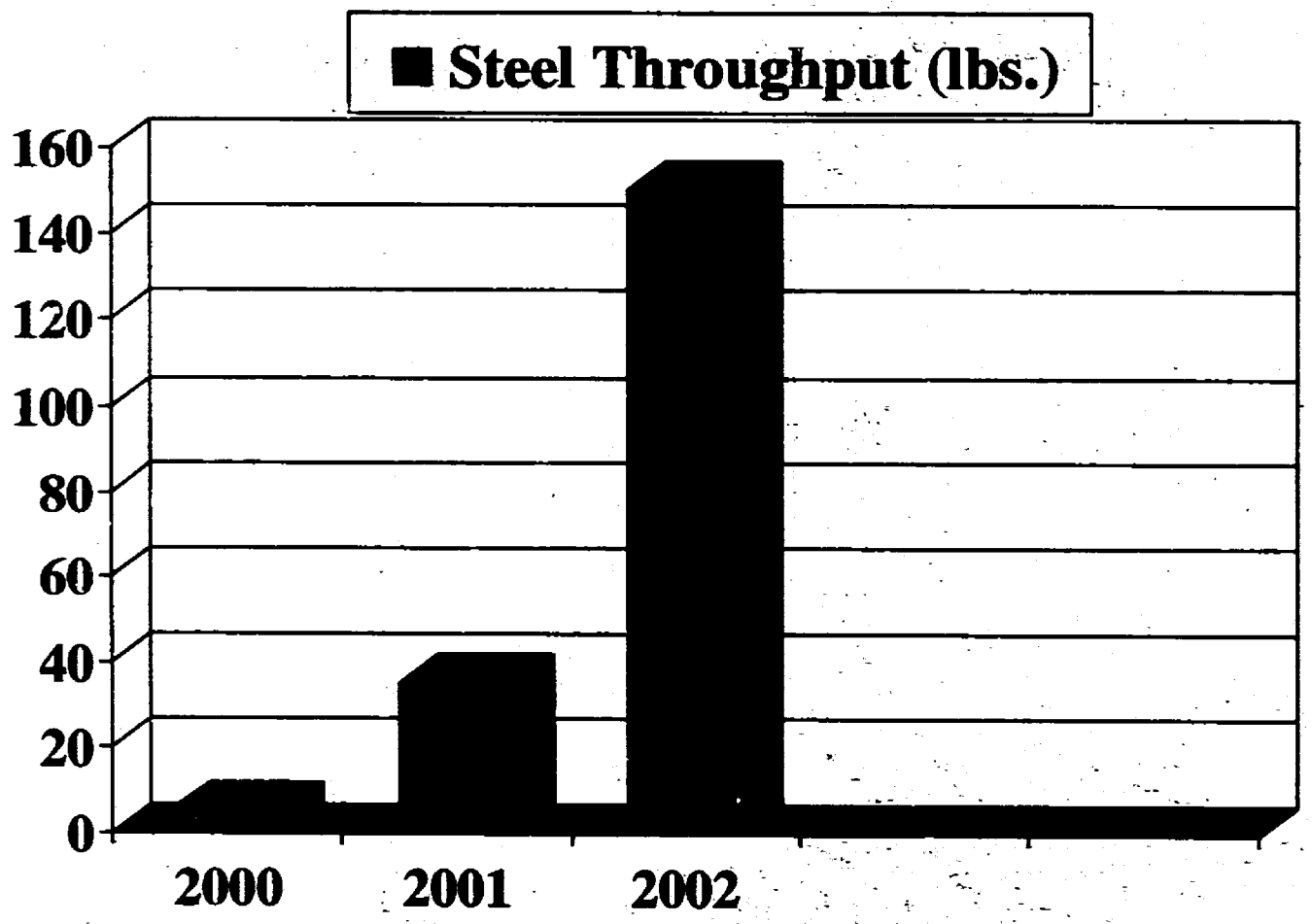

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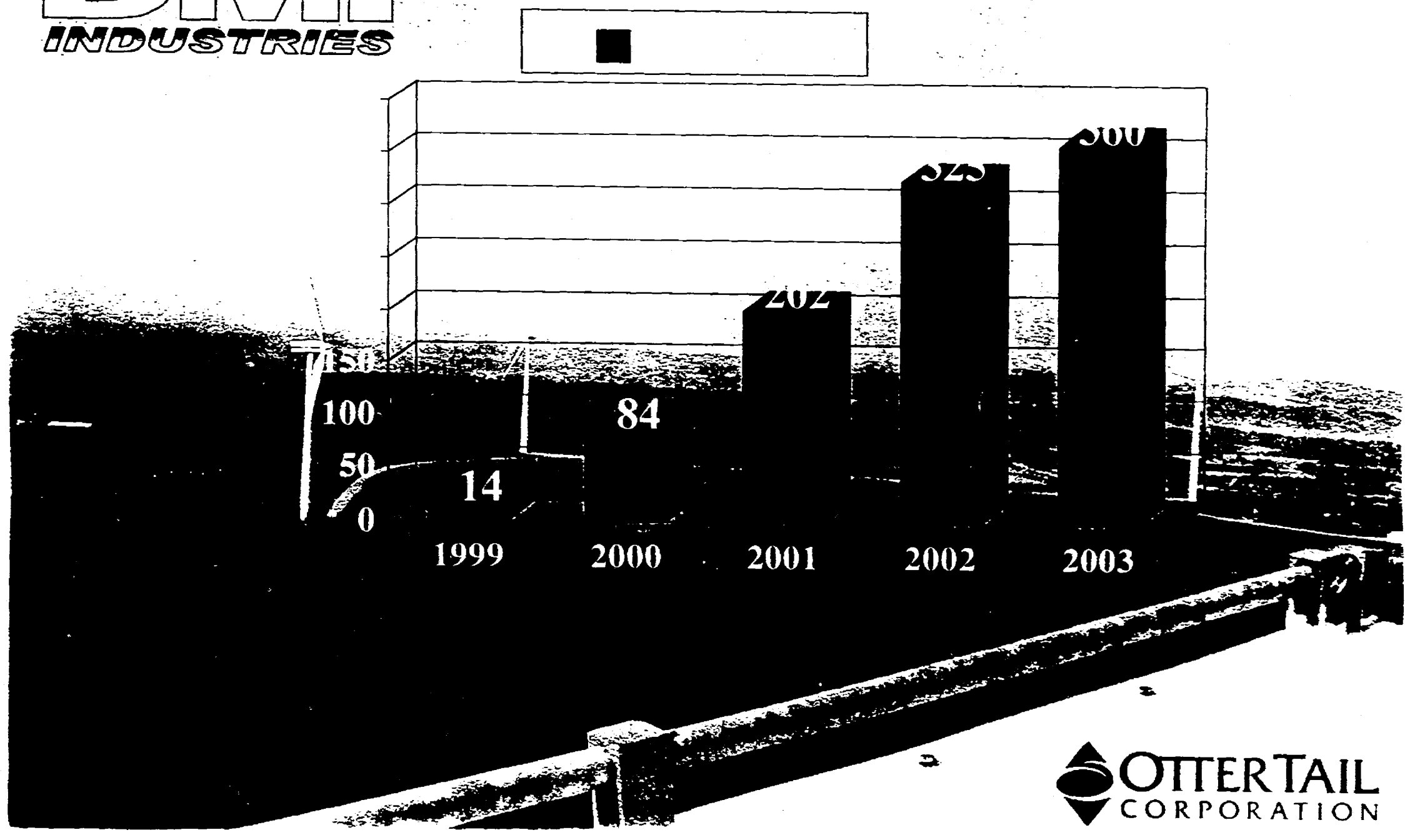

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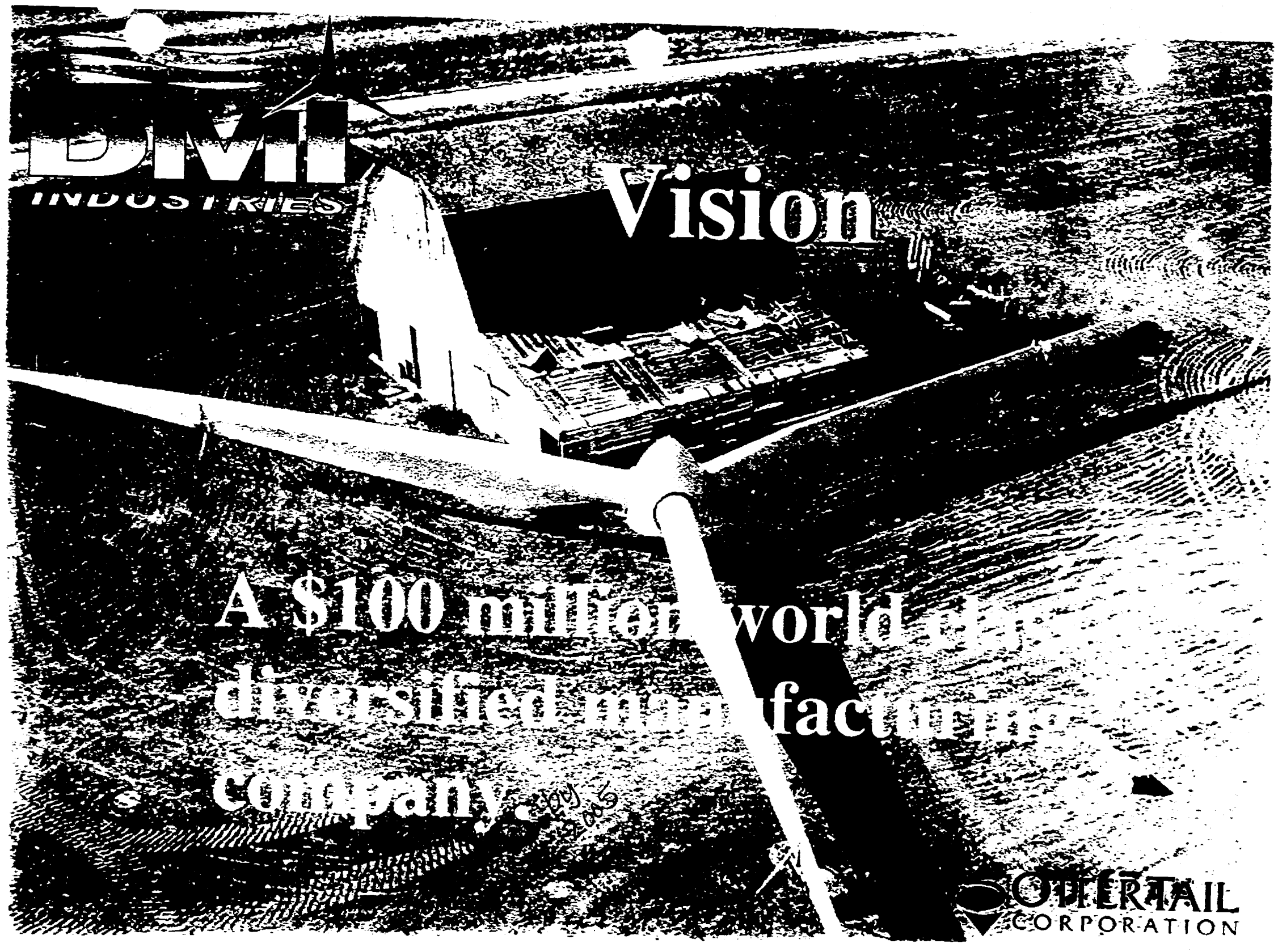

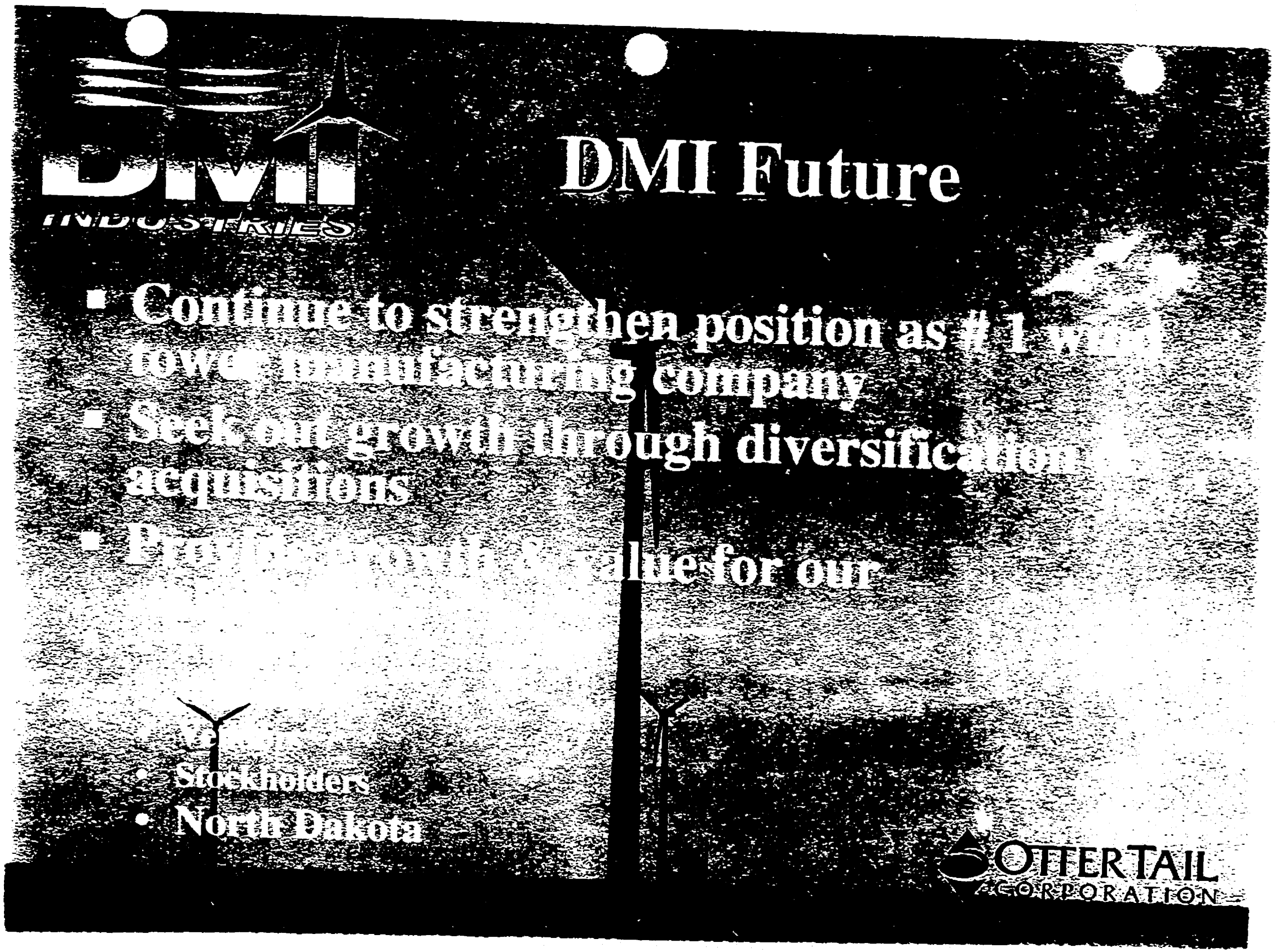

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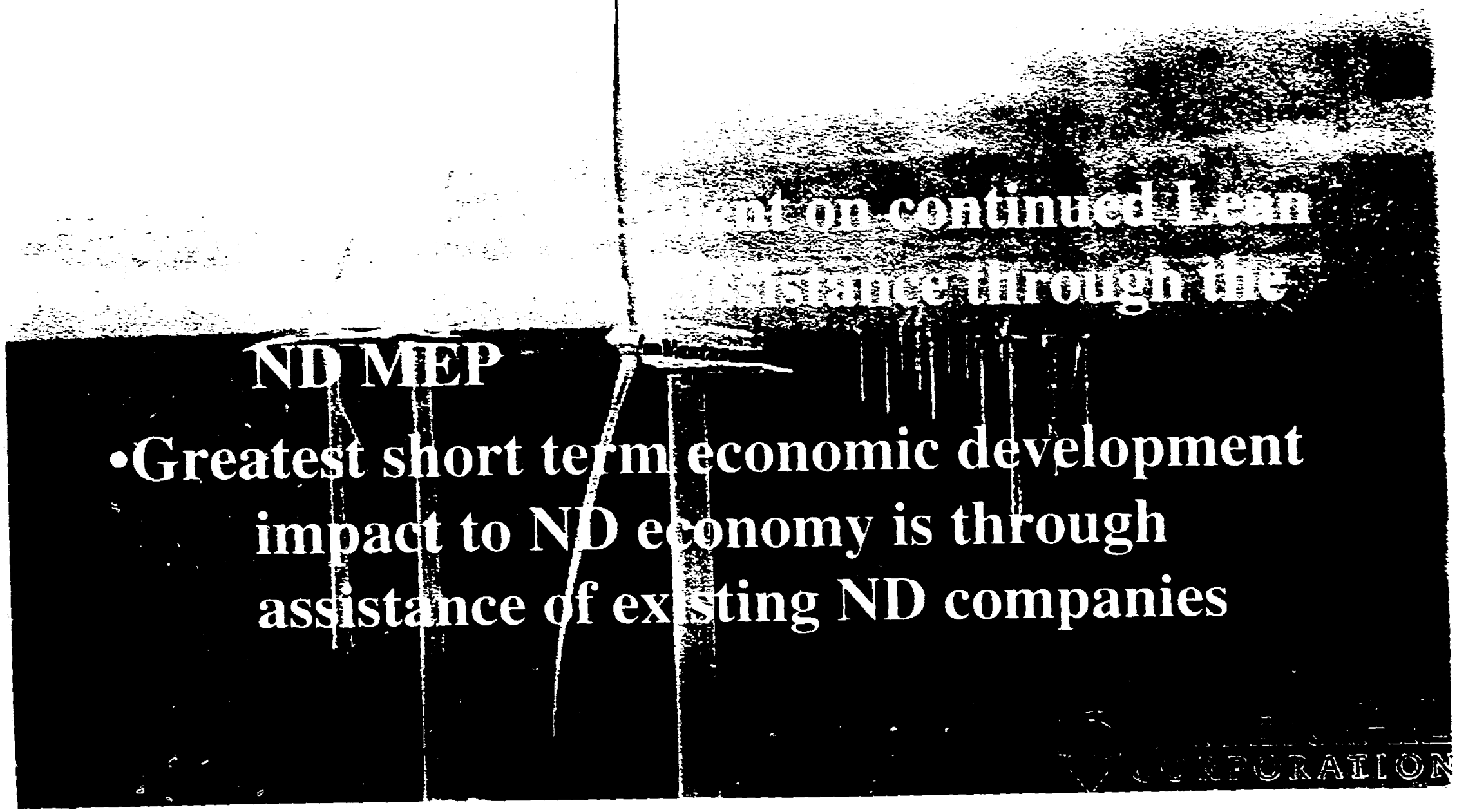
DMI INDUSTRIES

Conclusions



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Operator's Signature 1/30/03 Date

DMI Industries

www.dmiindustries.com

420 East Main Avenue
West Fargo, North Dakota
USA 58078
Toll Free: 800.669.0988
Fax: 701.277.1081

AN OTTERTAIL COMPANY

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Company Profile

DMI Industries is a large manufacturing company located at the intersection of two major interstates in Fargo, North Dakota. Our parent, Ottertail Corporation is a growing company with over $650 million in revenues and more than 2500 employees. Ottertail's operating companies collectively serve customers within 50 states and in Canada.

DMI's is dedicated to focusing on our customers needs and providing quality manufacturing products and services.

Values:
Safety, Quality, Integrity, Employee Development, Customer Focus, Continuous Improvement

Vision:
A world-class diversified manufacturing company

Mission Statement:
To seek diversified products and profitably produce high quality wind towers

Quality Policy:
Continuous Improvement

DMI employee preparing a flange for welding to a tower section.

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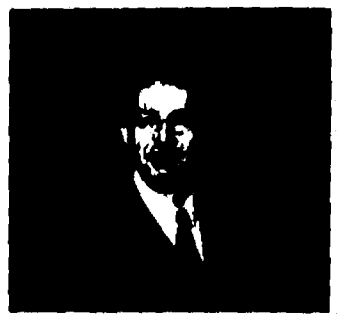
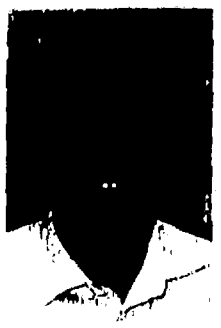
Leadership

Mike D. Hohl, President and Chief Operating Officer
A native of Mayville, ND, Mike graduated from NDSU in Fargo with a degree in mechanical engineering. From 1985 through 1997, Mike worked in the sugar industry in various capacities at the factory and corporate level. His progressive experience and responsibility in the areas of executive management, business and community development, engineering, operations, and project management over the past 30 years brought Mike to his current position as President of DMI Industries which he joined in 1997.



Chuck Savageau, Vice President of Business Development
Chuck attended NDSU and is a life long resident of the Fargo area. He has held a full range of positions throughout his 13 years at DMI and an additional 8 in the manufacturing field, some of which include project development and management. Chuck has made significant contributions to DMI's tower capability, and is leading the development of other opportunities that fit with DMI's current and future capabilities.

Lars Moller, Vice President of Sales
Lars is the newest member of the DMI executive team. Prior to DMI, Lars was the COO at Vestas Wind Systems-Italy. Lars has 16 years experience in the wind energy industry in the US, Denmark and Italy. Lars was born, raised and educated in Denmark and is fluent in Danish, German, Italian, French and English. His wind energy background in engineering, estimating, purchasing, construction, maintenance service, information systems implementation, as well as sales and customer involvement will be a key in DMI's future.



Dan Hoefs, Director of Operations
Dan graduated from NDSU with a degree in Industrial Engineering and Management and has worked for the last 15 years in manufacturing. He has held positions in materials management and operations throughout his career. Dan is certified by the American Production and Inventory Control Society (APICS) in Production and Inventory Control (CPIM) and has been active in numerous local and national manufacturing organizations. Dan is leading the efforts to implement Lean Manufacturing concepts at DMI.

Dan Birrenkott, CFO
Dan graduated from MSUM, Moorhead with a degree in Accounting and became a Certified Public Accountant in 1993. He began his career in public accounting, specializing in corporate tax and audit with emphasis in the construction industry. Before joining DMI, as CFO in February 2000, Dan held similar position with Dakota Fence Company of Fargo, ND.

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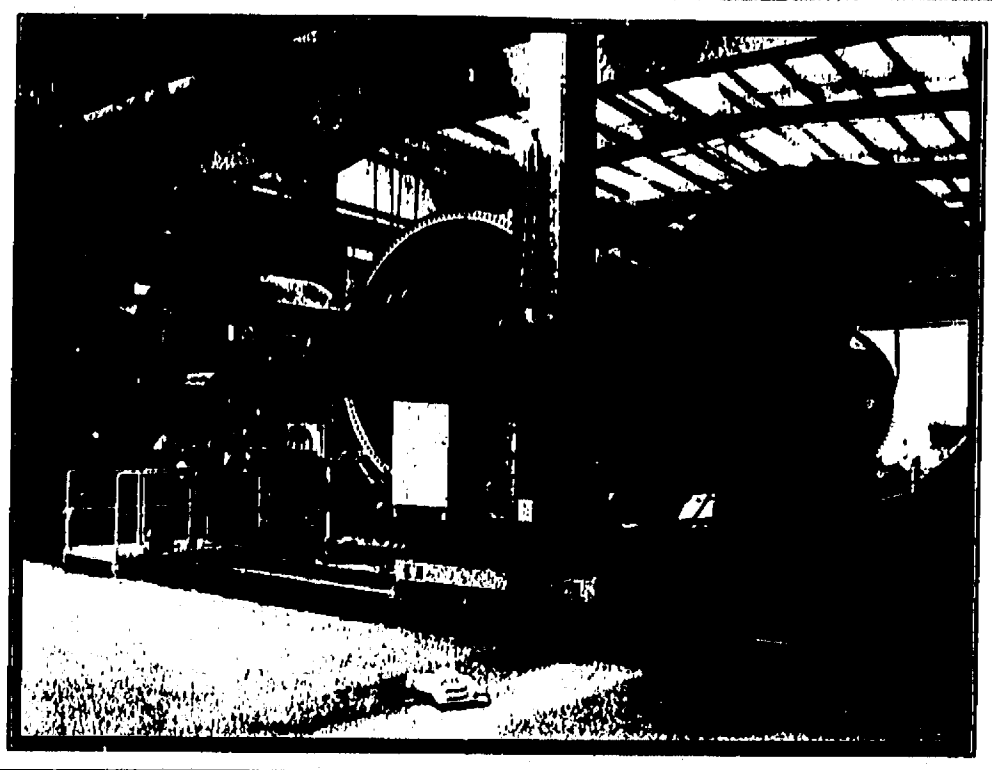
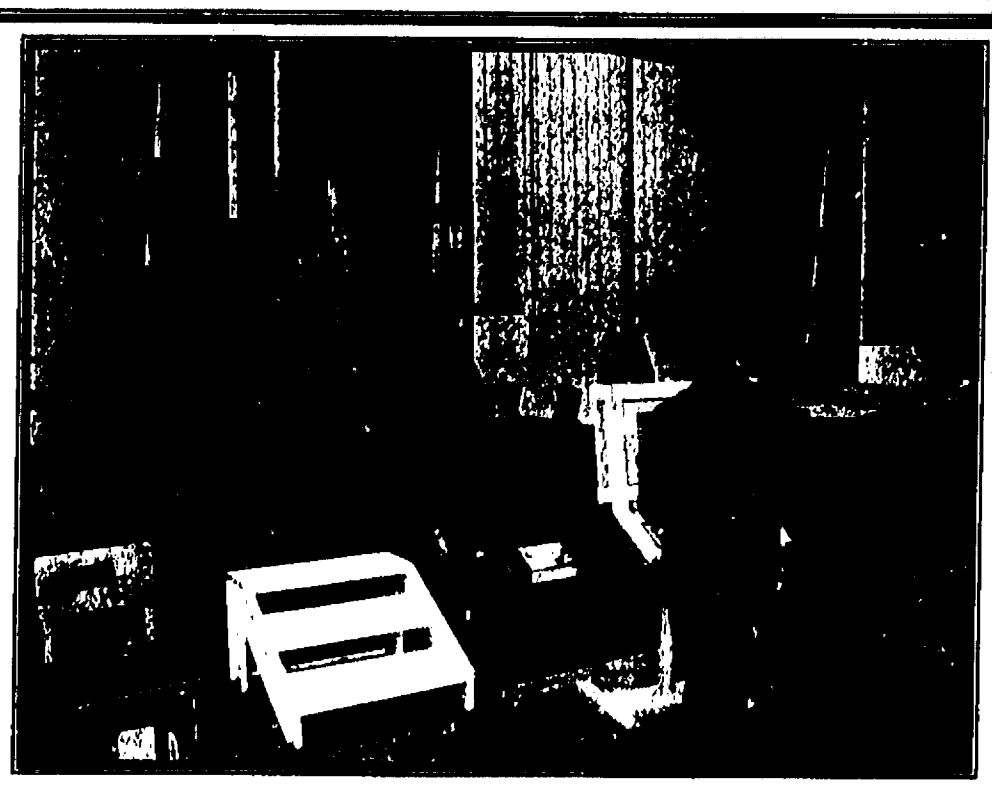
DMI Employees and Facility



DMI's new expansion facility features state of the art Swedish welding equipment. Welders roll on tracks between tower sections to maintain consistency.



DMI employee rolling plate material on new computer controlled Italian plate roller is capable of rolling material 2-1/2 inches thick by 10 feet wide.

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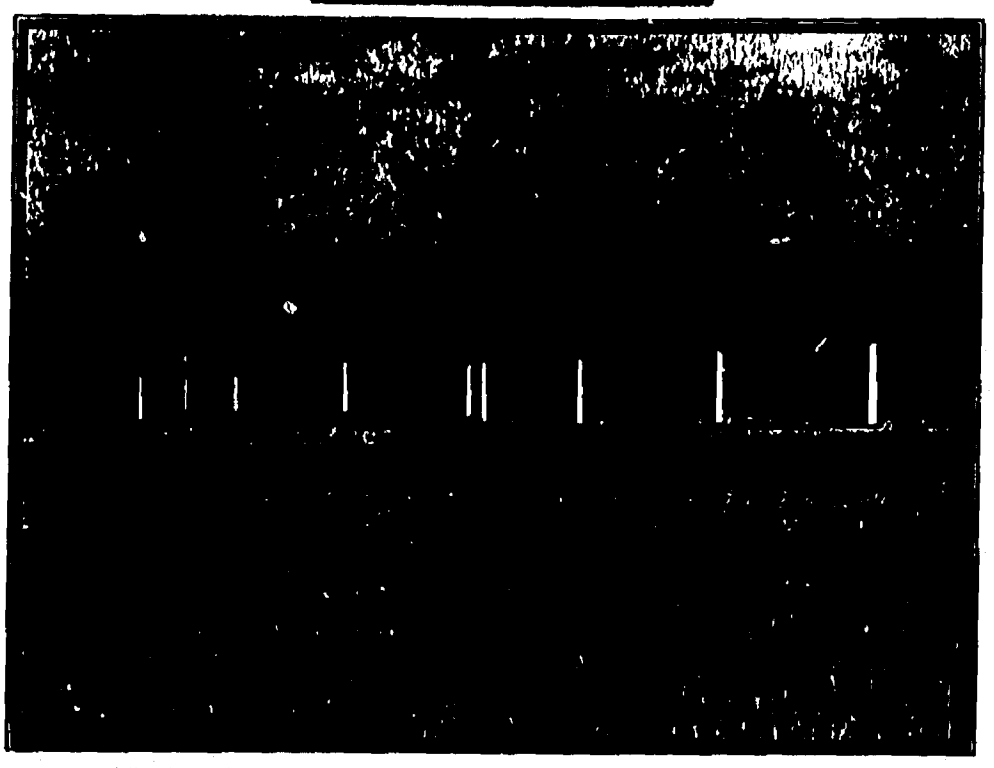
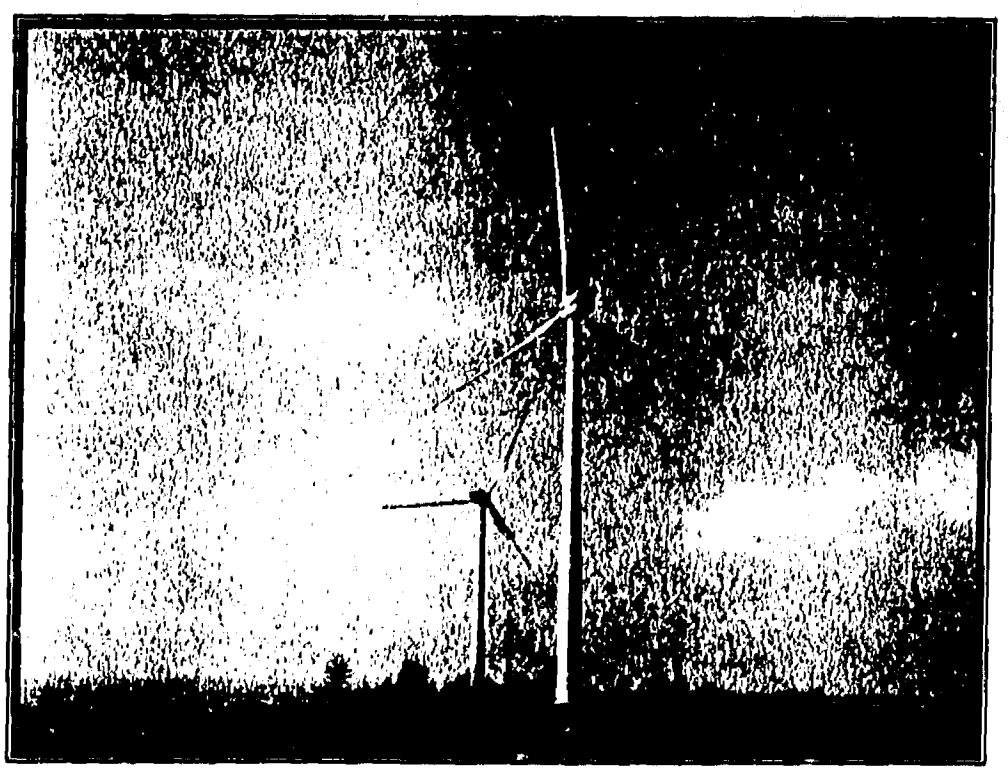
Projects



DMI wind towers in Pincher Creek, AB



DMI wind towers in Madison, WI

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