MICROFILM DIVIDER

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

ROLL NUMBER

DESCRIPTION

1417

LaCosta Richford 10/6/03

Operator's Signature Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1417

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1/27/03

Tape Number	Side A	Side B	Meter #
5	x		8.4-end
5		x	0.0-20.4
Committee Clerk Signature Judith Hammer			

Minutes: **Chairman Keiser** opened the hearing on HB 1417.

Rep. Winrich, District 18 and prime sponsor of this bill, introduced HB 1417. He stated that in 1999, the Renaissance Zones legislation (HB 1492) passed into law. "How will we know if HB 1492 is a success and what will we get for the public resources that we're spending? What return? The fiscal note "could not be estimated." A decision that should have a definitive, factual answer only has a political answer. I introduced a similar bill to HB 1417 two years ago, which became a study resolution. The Commerce Department issued an economic development progress report which was merely a list of economic development programs, total resources available, and a list of businesses that were assisted. But no information about what happened. So I am introducing the bill again. The Department of Commerce needs statutory guidance about what information they must include with their reports. Rep. Glassheim gave me a Grand Forks Growth Fund report and I have copies of some reports from that document to distribute. (See

Attachment 1) This is the type of report the Commerce Department needs to generate so that we can evaluate the economic development programs that we are funding at the state level".

Rep. Ekstrom: How do the fiscal notes relate to reality?

Rep. Winrich: The Department of Commerce says that it will cost $640,000 or so and require several new FTE positions. The fiscal note for the bill from last session was $ 445,000. That bill was referred to the Finance and Tax Committee because the Tax Commissioner was going to collect the information then. The FTC said it would cost $200,000. I'm skeptical about the fiscal note.

Don Morrison, Executive Director of the ND Progressive Coalition, testified in support of HB 1417. (See Attachments 2 & 3) Morrison walked the committee through the bill's highlights. It addresses development on both state and local levels.

Rep. Ekstrom: In Section 6, with regard to the default of these agreements. What if there is a turndown to the economy? Did you consider that:

Morrison: No.

Rep. Severson: These forms that provided to businesses, what if they choose not to fill them out? Is there a penalty?

Morrison: Then they would not receive the assistance as these forms are a requirement for participation. Look at Section 5, paragragh 7. And subsection 7 on page 8. Failure to comply, within 10 days of filing deadline, the recipient would lose their development assistance. The forms are based on state forms that are more detailed than necessary for this legislation to work. This will consolidate the information. .

Rep. Johnson: Is this patterned after other states?

Morrison: Yes, Minnesota passed similar legislation in 1995. Maine and North Carolina also have programs like this. Seven states have disclosure laws and procedures like this. And at least 19 states have clawbacks. 37 states have attached job quality standards.

Rep. Severson: Paperwork, paperwork, how conducive will this be to business people who want to provide job opportunities with all the compliance paperwork required?

Morrison: They are in Minnesota. They are asking for public money. That's a relationship with the taxpayers of this state who are investing in this economic development. It's incumbent upon us to know where our money is being invested.

Rep. Johnson: Does this take flexibility away from granting agencies? Or tie their hands?

Morrison: Only in terms of what information needs to be asked as well as the job quality standards.

Rep. Johnson: What is the Progressive Coalition?

Morrison: It's statewide organization of member organizations, individuals, we work together to find common ground on things that matter to working people, children, things that improve our communities and make them better places to live. Morrison distributed written testimony in support of HB 1417 on behalf of **Dr. Steve Huenke.** (See attachment # 4)

Chris Runge, Executive Director of the ND Public Employees Association, AFT Local #4460, and AFL-CIO, appeared to testify in support of HB 1417. (See attachments 5,6,7)

Senator Mathorn, District 11: It's interesting that we have dramatic amount of paperwork, much more than this, that we require TANIF recipients to get and prepare. These people who need help from their government for their subsistence have to complete quite a lot of paperwork. The amount of paperwork here is dramatically less. The amount of constant reporting would be drastically reduced under this provision than for those people who receive services from the Dept. of Human Services. Those reports are constant, monthly reports. You'll find this reporting requirement is much less than required from other government programs.

Chris Skellum, Case Holland Manufacturing Fargo, gave oral testimony in support of HB 1417. (He appeared on the Saving North Dakota program recently broadcast from Fargo). "What we need are jobs with higher wages".

George Barnes: appeared in support of HB 1417. (See attachment #8)

Rep. Kasper: Based upon your testimony, should we have a minimum wage base for any company who receives these public funds? What dollar per hour amount do you suggest?

Barnes: A wage that would give a person a good living so that they wouldn't have to be on food stamps and such or work a second job, in order to make ends meet. Barnes distributed written testimony in support of HB 1417 from **Brad Mills**, Jamestown. (See attachment #12)

Shelley Seaburg, business owner of Bismarck, testified in support of HB 1417. (See attachments # 9 and 11)

Bob Finken (spelling?) farmer, Douglas, ND, appeared on his own behalf to support HB 1417. He is president of a general farm organization in Ward County. He got involved due to the situation surrounding the Magic Fund in Minot. Ostensibly, he thinks this bill is a good first step toward regaining public trust between citizens and elected officials regarding economic development.

Gail Wylie, farmer, Jamestown, representing Dakota Resource Council, appeared in support of HB 1417. (See attachment # 10).

Mark Sittes, representing members of the ND Farmers Union, appeared to offer oral testimony in support of HB 1417. "Economic development should be more open and receptive to rural and urban taxpayers concerns and inputs. It should have clearly defined goals, objectives, processes and policies. It should require companies receiving economic development incentives and tax payer subsidies to pay wages above the federal poverty level, have fall back capabilities if companies didn't live up to their promises of job creation, retention and wages. We support legislation to mandate accountability of city development corporations. HB1417 meets these points and we stand in support".

Tom Wylie, farmer/rancher, Jamestown, appeared to offer oral testimony in support of HB 1417.

Bill Chapin, retired employee from the State Hospital, Jamestown, appeared to offer oral testimony in support of HB 1417.

Chairman Keiser called for testimony in opposition to HB 1417.

Dale Anderson, GNDA, appeared in opposition to HB 1417 and presented written testimony on behalf of Jim Melland, President of the Economic Development Association of ND. (See attachment 13)

Rep. Zaiser: Please itemize a few of the standards from Fargo or Grand Forks, like $8 an hour, whatever.

Dale Anderson: It's my understanding that each city, through their board of directors, is the responsible body for setting their respective standards and so forth. That's how they operate.

Rep. Zaiser: Do you have numbers?

Dale Anderson: The standards are based on a market economy. So the market wage rate is the criteria that the local development corporation would use in going to start up a job opportunity or attract new business.

Rep. Zaiser: So you don't have any figures, or numbers, per se, it's based on economic conditions?

Dale Anderson: That is correct. Wages, benefit packages, etc.

Rep. Thorpe: Why can't programs like the ones we talked about earlier work here?

Dale Anderson: I'm not sure what criteria is being applied to determine that. We don't think a mandate is the way to go.

Rep. Dosch: Would a company like Rosenbluth in Linton, etc. make the cut in what we're proposing here?

Dale Anderson: I don't know but I can try to find out. The North Dakota Strategic Plan, part of what you created in the 2001 session, setting up the Department of Commerce, creating a foundation within that Department which has the responsibility for developing strategic plans and putting in place accountability measures etc. Check page 106 for information you can use.

As there was no one else present to testify in opposition to HB 1417, **Chairman Keiser** closed the hearing on HB 1417.

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 2/05/03

Tape Number	Side A	Side B	Meter #
2		x	3.8-8.0
Committee Clerk Signature Marlys Hammer			

Minutes: **Chairman Keiser** called for committee work on HB 1417.

Rep. Ekstrom presented the amendments prepared by Rep. Winrich to the committee. She explained that these amendments take care of the objections the Tax Commissioner had articulated, most substantially the one on p.10, after line 9. Two new subchapters are inserted, namely 8 & 9.

Rep. Ekstrom moved to adopt the amendments. **Rep. Zaiser** seconded the motion. A voice vote carried the motion to adopt them. The fiscal note is substantial.

Rep. Klein: Are we duplicating here what Appropriations does?

Rep. Zaiser: This quantifies the number of jobs and salaries. This delineates the accountability, which is the intent of the bill.

Rep. Johnson: The Department of Commerce commissions studies to establish benchmarks. Perhaps this is underway in their studies?

Chairman Keiser: Remember, this has a clawback feature, that recapture feature, and job quality standards in Section 7.

Rep. Froseth moved a Do Not Pass. **Rep Klein** seconded the motion.

Rep. Ekstrom: I resist the Do Not Pass. The legislative intent in here is accountability. We need the information this could bring forth.

Rep. Zaiser: I agree with Rep. Ekstrom.

The roll call vote for a **Do Not Pass As Amended** was **9-4-1.**

Rep. Johnson has the floor assignment.

FISCAL NOTE

Requested by Legislative Council
02/11/2003

Amendment to: HB 1417

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			$642,794		$642,794	
Appropriations			$642,794		$642,794	

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.*

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.*

2-Research Analyst I @ $31,296 per year	$62,592
1-Research Analyst II @ $34,092 per year	$34,092
1-Admin. Assistant I @ $23,472 per year	$23,472
Total Salaries	$120,156
Fringe Benefits @ 26%	$31,241
Total Salaries and Fringe Benefits	$151,397
Estimated Operating/Equipment costs	$170,000
Total Costs	$321,397 per year or $642,794 per biennium

Salaries are based on the midpoint salary range for the respective classifications under the state classification index. Fringe benefits are calculated at the average Dept. of Commerce rate of 26%. Estimated operating costs include space rent, travel expenses, office furniture, computer workstations, telephone service, IT networking, costs and supplies. Operating costs were compared to an equivalent size group within the Dept. of Commerce.

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:	Paul T. Govig	**Agency:**	Dept. of Commerce
Phone Number:	328-4499	**Date Prepared:**	02/12/2003

FISCAL NOTE

Requested by Legislative Council
01/21/2003

Bill/Resolution No.: HB 1417

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			$642,794		$642,794	
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.*

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.*

2-Research Analyst I @ $31,296 per year	$62,592
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Total Salaries	$120,156
Fringe Benefits @ 26%	$31,241
Total Salaries and Fringe Benefits	$151,397
Estimated Operating/Equipment costs	$170,000

Total Costs $321,397 per year or

$642,794 per biennium

Salaries are based on the midpoint salary range for the respective classifications under the state classification index. Fringe benefits are calculated at the average Dept. of Commerce rate of 26%. Estimated operating costs include space rent, travel expenses, office furniture, computer workstations, telephone service, IT networking, costs and supplies. Operating costs were compared to an equivalent size group within the Dept. of Commerce.

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:	Paul Govig	**Agency:**	Dept. of Commerce
Phone Number:	328-4499	**Date Prepared:**	01/23/2003

30503.0200
Title.

Prepared by the Office of State Tax Commissioner for Representative Winrich
February 4, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1417

Page 1, line 22, after the period insert "The tax commissioner is not a granting body under this Act."

Page 9, line 23, after "commerce" insert ", the tax commissioner,"

Page 10, line 5, after "commerce" insert ", the tax commissioner,"

Page 10, after line 9, insert:

"8. If the development assistance to be repaid was claimed on an income tax return filed by the recipient under chapter 57-38, the recipient must file an amended return and pay any additional tax due attributable to the defaulted development assistance within sixty calendar days of the delivery of the default notice. The time limits for audit and assessment under subsection 9 of section 57-38-38 apply to an amended return filed under this section.

9. Notwithstanding the time periods in section 57-38-38, if a recipient fails to file an amended return under subsection 8, the tax commissioner may assess any additional tax due attributable to the defaulted development assistance within two years after the sixtieth calendar day following the tax commissioner's receipt of the default notice."

Page 10, line 10, replace "8" with "10"

Page 10, line 13, replace "9" with "11"

Renumber accordingly

VK 2/7/03

30503.0201
Title.0300

Adopted by the Industry, Business and Labor Committee
February 6, 2003

HOUSE AMENDMENTS TO HOUSE BILL NO. 1417 IBL 2-07-03

Page 1, line 22, after the period insert "The term does not include the tax commissioner."

HOUSE AMENDMENTS TO HB 1417 IBL 2-07-03

Page 9, line 23, after "commerce" insert ", the tax commissioner,"

Page 9, line 24, remove "with"

HOUSE AMENDMENTS TO HB 1417 IBL 2-07-03

Page 10, line 5, after "commerce" insert ", the tax commissioner,"

Page 10, after line 9, insert:

"8. If the development assistance to be repaid was claimed on an income tax return filed by the recipient under chapter 57-38, the recipient shall file an amended return and pay any additional tax due attributable to the defaulted development assistance within sixty calendar days of the delivery of the default notice. The time limits for audit and assessment under subsection 9 of section 57-38-38 apply to an amended return filed under this section.

9. Notwithstanding the time periods in section 57-38-38, if the recipient fails to file an amended return under subsection 8, the tax commissioner may assess any additional tax due attributable to the defaulted development assistance within two years after the sixtieth calendar day following the tax commissioner's receipt of the default notice."

Page 10, line 10, replace "8." with "10."

Page 10, line 13, replace "9." with "11."

Renumber accordingly

Date: 2/5/03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1417

House **Industry, Business & Labor** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 30503.0201

Action Taken Do Not Pass As Amend. .0300

Motion Made By Froseth Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		**Rep.Boe**		✓
Rep.Severson, Vice-Chair	✓		**Rep.Ekstrom**		✓
Rep.Dosch	✓		**Rep.Thorpe**		✓
Rep. Froseth	✓		**Rep. Zaiser**		✓
Rep. Johnson	✓				
Rep.Kasper	✓				
Rep. Klein	✓				
Rep. Nottlestad	✓				
Rep. Ruby					
Rep.Tieman	✓				

Total (Yes) 9 No 4

Absent 1

Floor Assignment Johnson.

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

REPORT OF STANDING COMMITTEE (410)
February 7, 2003 4:49 p.m.

Module No: HR-24-2059
Carrier: N. Johnson
Insert LC: 30503.0201 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1417: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1417 was placed on the Sixth order on the calendar.

Page 1, line 22, after the period insert "The term does not include the tax commissioner."

Page 9, line 23, after "commerce" insert ", the tax commissioner,"

Page 9, line 24, remove "with"

Page 10, line 5, after "commerce" insert ", the tax commissioner,"

Page 10, after line 9, insert:

"8. If the development assistance to be repaid was claimed on an income tax return filed by the recipient under chapter 57-38, the recipient shall file an amended return and pay any additional tax due attributable to the defaulted development assistance within sixty calendar days of the delivery of the default notice. The time limits for audit and assessment under subsection 9 of section 57-38-38 apply to an amended return filed under this section.

9. Notwithstanding the time periods in section 57-38-38, if the recipient fails to file an amended return under subsection 8, the tax commissioner may assess any additional tax due attributable to the defaulted development assistance within two years after the sixtieth calendar day following the tax commissioner's receipt of the default notice."

Page 10, line 10, replace "8." with "10."

Page 10, line 13, replace "9." with "11."

Renumber accordingly

2003 TESTIMONY

HB 1417

1417 -- Attach #1

Business Name	Type of Funding	Year	Original Amount Funded	Outstanding Principal Balance 12/31/2001
AgriData, Inc.	Loan	1995	$20,000	Repaid
Conte Luna Foods	PACE Grant	1995	$108,355	Grant
D & D Manufacturing Services	PACE Grant	1995	$6,156	Grant
Industrial Park FTZ Building Improvements	Grant	1995	$37,476	Grant
Industrial Park Land Purchase (EDA Match)	Grant	1995	$350,000	Grant
ND Small Business Investment Corp.	Grant	1995	$60,000	Grant
Northern Produce	PACE Grant	1995	$50,000	Grant
ProMark One Marketing Services, Inc.	PACE Grant	1995	$18,780	Grant
Stevens Mattress Manufacturing, Inc.	PACE Grant	1995	$10,112	Grant
Young Manufacturing, Inc.	PACE Grant	1995	$60,000	Grant
Cirrus Industries	Equity	1996	$1,224,000	Equity
Cirrus Industries	Equity	1996	$600,000	Equity
Cirrus Industries	Equity	1996	$1,000,000	Equity
Double L manufacturing	Grant	1996	$32,612	Grant
I-29 Industrial Land Puchase		1996	$92,340	
Industrial Park/Pay Back		1996	$150,000	
Minn-Dak Growers, Ltd.	Grant	1996	$135,000	Grant
RDO Foods Company	PACE Grant	1996	$133,613	Grant
Young Manufacturing, Inc.	PACE Grant	1996	$9,208	Grant
Agsco, Inc.	PACE Loan	1997	$80,431	$80,431
Baltic Avenue Partnership	Loan	1997	$110,000	$74,844
Grand Forks Varmits	Loan	1997	$40,000	Repaid
Industrial Park Land	Pay Back	1997	$50,000	
Longview Fiber Company	Land Incentive	1997	$100,000	Grant
Longview Fiber Company	Infrastructure	1997	$130,000	Grant
Northern Valley Growers	PACE Loan	1997	$10,000	$10,000
Pribbs Steel & Manufacturing	PACE Loan	1997	$108,117	$108,117
Pribbs Steel & Manufacturing	EDA RLF Loan	1997	$350,000	$203,149
ProMark One Marketing Services, Inc.	Job Incentive	1997	$114,999	Grant
Acme Electric	PACE Loan	1998	$110,943	Repaid
Cheyenne Valve & Machine of ND, Inc. - In Default	EDA RLF Loan	1998	$35,000	$30,324
Cheyenne Valve & Machine of ND, Inc. - In Default	Loan	1998	$12,291	$10,659
Conte Luna Foods	PACE Loan	1998	$109,044	$109,044
CT Cocks Innovative Flyfishing	EDA RLF Loan	1998	$16,000	Repaid
Hood Manufacturing	Air Exchange	1998	$81,225	Grant
LM Glasfiber	EDA RLF Loan	1998	$350,000	$322,083
Master Potato, Inc.	PACE Loan	1998	$3,897	$3,897
Master Potato, Inc. - In Default	Loan	1998	$40,000	$32,340
Meridian Environmental Technologies	PACE Loan	1998	$24,029	$24,029
Meridian Environmental Technologies	Equity	1998	$100,000	Equity
ProMark One Marketing Services, Inc.	Job Incentive	1998	$60,116	Grant
Sure Foot Corporation	PACE Loan	1998	$13,692	$13,692
Sure Foot Corporation	EDA RLF Loan	1998	$105,500	$88,146
Telpro, Inc.	PACE Loan	1998	$107,629	$107,629
Telpro, Inc.	EDA RLF Loan	1998	$75,000	$28,828
Astrix Software Inc. - In Default	EDA RLF Loan	1999	$320,000	$256,718
Astrix Software Inc. - In Default	Loan	1999	$80,000	$67,724
Astrix Software Inc.	PACE Loan	1999	$37,994	$37,994
AGSCO, Inc.	PACE Loan	1999	$80,000	$80,000

ACTUAL AND PROJECTED JOBS - FOR THE YEARS 1997-2001

Business Name	Type of Funding	Year	Amount Funded	NUMBER OF JOBS: At Date of Application	NUMBER OF JOBS: Projected in 2 Years	NUMBER OF JOBS: As of 2001	2 Year Projected Cost Per Job.
Aatrix Software Inc.	PACE Loan	1999	$37,994	27	59	35	$644
	EDA RLF Loan	1999	$320,000				$5,424
	Loan	1999	$80,000				$1,356
Acme Electric	PACE Loan	1998	$110,943	93	143	paid	$776
AGSCO, Inc.	PACE Loan	1997	$80,431	123	131	115	$614
	PACE Loan	1999	$80,000	127	137		$584
Amazon.com	Job Incentive	1999	$1,930,000	150	536	421	$3,601
	PACE Loan	1999	$93,288				$174
	EDA RLF Loan	1999	$550,000				$1,026
	Loan	1999	$310,000				$578
Ancept, Inc.	EDA RLF Loan	2000	$200,000	9	62	8	$3,226
Baltic Avenue Partnership	Loan	1997	$110,000	n/a	n/a	n/a	n/a
Block 1 Properties	PACE Loan	1999	$24,290	4	10	4	$2,429
Cheyenne Valve & Machine of ND, Inc.	EDA RLF Loan	1998	$35,000	6	8	7	$4,375
	Loan	1998	$12,291				$1,536
Conte Luna Foods	PACE Loan	1998	$109,044	64	86	70	$1,268
CT Cooks Innovative Flyfishing	EDA RLF Loan	1998	$16,000	1	2	paid	$8,000
Grand Forks Varmits	Loan	1997	$40,000	n/a	n/a	paid	n/a
Henningson Cold Storage	TIF	1999		n/a	n/a	n/a	n/a
Hillsboro Econ. Dev. - Halstad Elevator	Loan	2000	$13,000	0	10	4	$1,300
Hood Manufacturing	Air Exchange	1998	$8,125	n/a	n/a	n/a	n/a
Industrial Park Land	Pay Back	1997	$50,000	n/a	n/a	n/a	n/a
Larimore Sunflower	PACE Loan	1999	$11,793	2	6	15	$1,966
LM Glasfiber	EDA RLF Loan	1998	$350,000	0	130	100	$2,692
Longview Fiber Company	Land Incentive	1997	$100,000	n/a	n/a	n/a	n/a
	Infrastructure	1997	$130,000				n/a
Master Potato, Inc.	PACE Loan	1998	$3,897	6	14	12	$278
	Loan	1998	$40,000				$2,857

1417 # 2
attachment

HB 1417 Testimony
House Industry, Business and Labor Committee
Don Morrison, North Dakota Progressive Coalition
January 27, 2003

Mr. Chairman and members of the committee, my name is Don Morrison and I am the Executive Director of the North Dakota Progressive Coalition.

Seldom has there been a bill that could have a more positive impact on our future. It is very important to know that HB 1417 is the result of the involvement and hard work of people across the state who care a great deal about making North Dakota a stronger, better place to live and work. From Minot to Stutsman County to Fargo to Bismarck, North Dakotans know and understand that it is time to change direction. North Dakotans from a variety of walks of life are taking a more active interest and role in shaping our economic future. This bill comes from what many people have said they would like to have done to improve how we use public money for economic development. After all, it is our money, and we must – as any investor must – know what we are getting for our money.

This bill is also the result of research on North Dakota economic development accountability and information from Good Jobs First, a well-respected research organization concerning best practices in economic development. Upon our request, Good Jobs First studied North Dakota economic development accountability and produced the report "In Search of the Great Pumpkin" and we have provided you with copies.

The provisions in HB 1417 are some of the best practices of economic development from around the nation. Minnesota has had many of these accountability disclosure standards since 1995. Contrary to what you have heard from some of North Dakota's economic leadership, that law has not hurt that state's economy or business development.

There are many people from across the state who are here today to testify. They bring experiences with being stonewalled in trying to get information about what their tax money is paying for. They bring experience in bringing forth positive ideas about how to make economic development produce better results in their communities. They bring information and examples of why accountability and job quality standards will make our publicly funded economic development work better.

One of the most important aspects of this bill is the job quality standard. After many years and millions of public dollars spent, North Dakota is still a low wage state and too many people are still leaving. We have tried the same thing again and again and it has not worked. We will not have good paying jobs unless we ask for them. It is long past time to ask that, if we are going to spend public money, it must be spent to increase the income of people who live and work here.

Thank you for this opportunity to provide information on HB 1417. We urge you to vote a "do pass" on HB 1417.

Att # 3 4

HB 1417 Testimony
Dr. Steve Huenneke
January 27, 2003

To the members of the House Industry, Business and Labor Committee:

I am sorry I cannot be here in person to read this testimony and to answer your questions. I must teach today, and as I write this on Sunday night, the roads for driving to Bismarck do not look like they will be too great tomorrow.

I am going to ask you to recall what the situation was at about this time two years ago, when the legislature was last in session. On March 1, 2001, I read an article in the Fargo Forum by Jonathan Knutson, which informed us all about the findings in RoadMap 2001, a report from Job Service North Dakota's Labor Market Information department.

"North Dakotans are behind and losing ground on wages," the report found. The state's average wage ranked 49th nationally, the newspaper reported. Excluding federal workers, average wages in North Dakota in 1998 were only 71.4 percent of the national average, according to the Job Service North Dakota.

That disparity had been growing since 1984, when North Dakota average wages were 82.9 percent of the national average. Job Service North Dakota found that the gap was continuing to widen. The Fargo Forum then reported that nationwide, the average wage rose 4.3 percent from 1998 to 1999. North Dakota's average wage rose only 3.3 percent in the same period. The state's 3.3-percent 1998-to-1999 rise was well behind Minnesota's 4.4-percent increase and South Dakota's 4.5-percent gain.

In that 2001 report, Job Service North Dakota also, for the first time, made the truth about cost-of-living in North Dakota part of "official reality." The Fargo Forum quoted the report, which stated that the cost of living in North Dakota was not substantially lower than in other states. Low wages, therefore, implied a lower standard of living – not an equivalent one, as the state's business leaders had been saying for many years.

Lee Peterson, then director of the North Dakota Department of Economic Development and Finance, told the Fargo Forum that the report reinforced what he already knew. "The state needs more and better-paying jobs, plain and simple," Peterson said.

Two years ago, the problem was being identified. The right mix of jobs was not available, and efforts to make them available were not measuring up. Pay in the state was bad.

Jonathan Knutson of the Fargo Forum wrote: "With little, if any, access to such jobs, North Dakotans are forced to take poor-paying second and third jobs to maintain their standard of living, the report said. As a result, the state has the nation's highest percentage of residents holding multiple jobs.

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Two years ago, Mr. Peterson told the Fargo Forum that training more North Dakota workers in specialized, high-tech skills will encourage companies to create high-paying jobs here.

Mr. Peterson told the Fargo Forum that he wanted North Dakota's economy to prosper to the point "where cost of living isn't even an issue. We work harder here, and we should get paid at least as much."

Two years have passed and what we see is even more common agreement on the problem. The litany of facts on low wages and outmigration is before the people, on the pages of the Fargo Forum's *Saving North Dakota* series, on Ed Schultz's *News and Views* show, and over coffee at every town in the state. The circle of those who understand the facts, and who are willing to take risks to solve the problem, has broadened.

Although I am a labor economist and might choose to dump some data on you here in this testimony, I am going to resist. There's not a debate anymore about the problem. If you think there is, you are way behind the curve. The truth is out among the people. We are a low wage state, getting to be more of a lower wage state, and we have a low, slow-growing population base. To top it off, we have an outmigration of the skilled and the young labor force, especially.

The question is: what are we going to do about this syndrome.

Nothing?

Something that is easy, but doesn't really fix what is wrong?

Or what is necessary to do and what can be done to fix what is wrong?

The people will not wait much longer for the legislature and the governor to choose the right answer. They will not wait much longer, for more and more of the aging in-place persons toiling for $8 to $10 per hour to leave, along with the youth that are already leaving, because that youth is too highly educated – more highly educated than those in other states surrounding us, but working for a survival wage because the political system is not connected enough to the outside world to keep up with what other states are already doing.

Some of the facts are now out there – the aggregate data on wages and employment provided by both Job Service North Dakota, and the data on population change from the U.S. Census Bureau are two major examples. But we need more information to make good policy. We need the information that is specified in this bill. We need the information from the economic development practioners and we need it from the firms who are doing business in North Dakota because of public subsides. That is why I support HB 1417.

#4

The information currently available is inadequate and too costly to gather. It is not enough just to find out how much money was spent on subsidies, and perhaps an unverified job count. It is an insult to the citizen to have to go from town to town, from folder to folder, to find information that should be available at some central location. Currently, the information provided is not revealing the output of activity – "performance," but the input only – "effort." Reports on "effort" are insufficient.

Without this information on actual performance, we are susceptible to both propaganda and paranoia. The state and its communities will be thrown further and further into discord. Look at what happened in Minot, as an example.

We heard, for years, much "good news" about economic development efforts there. We learned, in the newspaper and in the press announcement and in the political ads that our city had optimistically shed off the preoccupation with problems. Minot, we were told, was through just looking at problems. Minot was a leader in the state in economic development – Minot was taking action, seeking opportunities aggressively.

Clearly, we were told, the economy is now better than it was. It is more diverse, it has more good paying jobs and wages are up.

I read these kinds of claims in the local newspaper myself, but there was nothing in the articles to back up the claims. I looked into the data that I could find that was available, and something disturbing emerged. The facts were at variance with the claims. Minot's wages were falling relative to other places. The labor market got more diverse momentarily – when call center jobs were first added to the other traditional employments. But then, after that, it was more and more of the same paying, same kind of job.

On March 5, 2002 – voters in Minot overwhelmingly rejected the current approach – which stoutly resisted accountability, disclosure, quality job standards, clawbacks – everything you are considering here. Minot voters said we have had enough of the notion that cheerleading -- without disclosure of information and without deliberative processes on that information -- leads to progress. That, Minot voters said, is not the basis for a "new economy," not the basis for any kind of valid economic development.

Some of you may have heard there is a "bad business atmosphere" just recently in Minot. Don't believe that. There is considerable progress occurring in the city now. Citizens are working on a new strategic plan. The MAGIC Fund Study Committee is finishing its work, and much of the proposed reforms are in accord with this bill.

The only people who believe that there is a bad business atmosphere, or a "bad attitude" among the people of Minot – are those who either directed, or were content with, the old process. The people leading that old process didn't want a competitive marketplace of ideas, and they still don't. They don't want the ordinary people troubled about detailed information on economic development. They want a smooth-functioning opinion machine that supports vested interests.

#4

The pitch of the old guard in Minot before March 5 was "you have to trust us" – but that was hard to do without adequate information, and a formal accountability process. One ad from the old order summed it up before the March 5 vote. That ad said economic development was "not about numbers."

The people of Minot don't have a bad attitude. Last March 5, they adopted the pose of people from Missouri. When told they had to trust, they replied when it comes to how our money is spent, "you have to show us." They said, in a loud voice, that economic development <u>is</u> about numbers. To the members of this committee, I say – please pay attention to what is happening. Vote to recommend that HB 1417 pass in this legislative session. Thank you.

Dr. Steve Huenneke
Associate Professor of Economics
Minot State University

Citizen of Minot, ND

1-701-858-3135 (work)
1-701-838-7320 (home)

E-mail: huenneke@yahoo.com

Web page on economic development
(Meeting of the Green and Simple)
http://www.minotstateu.edu/econclub/grn&smpl.html

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#5

NDPEA NORTH DAKOTA PUBLIC EMPLOYEES ASSOCIATION

AMERICAN FEDERATION OF TEACHERS LOCAL 4660 AFL-CIO

3333 EAST BROADWAY AVE, SUITE 1220
BISMARCK, NORTH DAKOTA 58501-3396

701-223-1964
1-800-472-2698

EMAIL: ndpea@btigate.com
WEBSITE: www.ndpea.org

TESTIMONY IN SUPPORT OF HB 1417

Before the House Industry, Business and Labor Committee
North Dakota Public Employees Association, American Federation of Teachers, #4660
AFL-CIO
January 29, 2003

Chairman Keiser, members of the House Industry, Business and Labor Committee, my name is Chris Runge and I am the Executive Director of the North Dakota Public Employees Association, AFT Local #4660. I am here to testify in support of HB 1417, a bill, that if passed, will bring the support of the citizens of this state to your efforts to bring high wage jobs to North Dakota.

Now we know that state and local officials are more than leery about this legislation. We heard it when this bill was introduced and we read it again in the recent series in the Fargo Forum. We heard that if there are accountability and wage standards in our economic development efforts we will stifle growth in North Dakota. That simply is not so and there is no evidence to support that fear. Nor is the development of accountability and wage standards "micro-managing". It is as Majority Leader Berg stated in reference to an introduced bill on government accountability, "If we can't measure the basic results of a program, then we shouldn't be doing it." Just because businesses "get real squeamish about public disclosure", is also not a reason to not have public disclosure. After all, it is the taxpayer's money.

We are not asking for every businesses trade secrets or business practices, but I certainly think the taxpayers need to know the return on their investment, how many jobs were created at what wage levels, not just aggregate averages. We also need to know if those jobs are paying benefits. What benefit are taxpayers getting if on one hand we give millions of dollars in tax breaks, loan buydowns, and property

Testimony

and corporate tax exemptions if the employees are also eligible for government benefits like food stamps, fuel assistance and medical assistance?

This bill will not harm the state's business climate. By setting specific standards, we will concentrate on recruiting only those companies that are willing to pay competitive wages and benefits. As Greg LeRoy of Good Jobs First says, "State and cities that run the tightest ships will grow the strongest economies. Having sound budgets, making sure every company pays its fair share, protecting taxpayers against bad deals, making sure subsidized companies pay good wages and benefits, making the system transparent so that everyone can see costs and benefits—now that's a good business climate!"

This bill is about good government. It is critical to bring fiscal integrity to our jobs development programs. The report on North Dakota's economic development efforts that was released on October 30, 2003, by Good Jobs First was confirmed by this past Sunday's Fargo Forum series. How do we know how we are doing? Don't the taxpayers have a right to know how their investments are doing? After all, it is their tax dollars.

We realize that there is tight competition for jobs and we compete with many other jurisdictions for businesses looking to relocate or to grow our own from within our borders. However, because of this competition, the state and local economic developers need to have a tight rein on the economic development programs. One economic developer stated, "Incentives are a tool for proactively shaping growth. Deserved criticisms of their use frequently refer to cases where the jurisdiction is attempting to shoot anything that flies, claim anything that falls." All we are asking for is accountability, job creation standards and wage standards. It is being done in other jurisdictions successfully.

NDPEA supports HB 1417. I am available to answer any questions that you may have.

#6

Business climate and the role of development incentives

By Brian Dabson, Carl Rist, and William Schweke, Corporation for Enterprise Development

Brian Dabson, President
Carl Rist, Policy Analyst
and William Schweke, Senior Fellow
Corporation for Enterprise Development
Washington, D.C.

Rapid changes in the world economy have transformed national economies during the last 15 years. The insulation that national borders and federal policies provided have largely dissolved, exposing formerly protected state and regional economies to the challenges of the global economy. Today, a state government must act quickly to meet economic challenges created on the other side of the globe. State policy-makers often perceive that the most effective way to meet the new economic challenges is to improve a state's business climate. The term "business climate" generally refers to the perceived hospitality of a state or locality to the needs and desires of businesses located in, or considering a move to, that jurisdiction. This perception is fluid, however, and states endure constant fear that the corporate sector will shun them if their business climate fails to meet some elusive standard, and that specific areas will find it difficult to attract or foster new firms and the jobs they provide.

The business climate dilemma

The government's role in business climate has been attracting a great deal of attention in recent years. Indeed, government has a major impact on business climate, for it is that combination of public services, taxation and regulation that creates the context within which companies operate. Yet, the term "business climate" has become almost synonymous with the pressure to cut taxes, reduce services and remove impediments, particularly employment and environmental regulations. Ironically, much of what is done in the name of business climate fails to help either a state's business community or its residents. Rolling out the red carpet and making government more customer-oriented makes a lot of sense. Yet, making penny-wise but dollar-foolish cuts in essential government programs does not. Exploring ways to create a cleaner environment in a more cost-effective fashion and enlisting industry's creativity in doing so is smart. Yet, rolling back necessary environmental protections and weakening enforcement actions against real law-breakers sabotage a legitimate desire to lower business compliance costs, make regulation more predictable and professional, and discover ways to prevent pollution problems.

Nowhere is the pressure to create a friendly business climate felt more intensely than in the competition to attract industry. Annually, states and localities spend hundreds of millions of public dollars on a variety of tax incentives and spending programs designed to attract footloose companies. As syndicated columnist Neal Peirce points out, however, the boom in business incentives could hardly have come at a worse time. States which are already under fierce anti-tax pressure are about to shoulder extensive new responsibilities devolved from a shrinking federal government. In this new fiscal environment, every public dollar will be needed for financing the basics required for survival in the new global economic order.

What states should do

Fresh thinking is required about the way economic development is heading in the United States. We have to move the debate about business climate away from simplistic notions of tax competitiveness or "getting the government off our backs" to focus on the real disincentives to economic competitiveness and opportunity. States and local governments interested in improving the business climate need to:

1. Design policies that improve the conditions for profitability and job creation, and
2. Increase the accountability of tax and other incentives, if they are used as part of the overall development strategy.

The policy components of a "positive" business climate

There are five key components of a positive business climate: education, physical infrastructure, regulation, taxation and modernization. Policy-makers must give serious attention to these components and not shortchange them in an effort to appear "pro business."

Education. We have reached the stage where global competitive advantage is based primarily on the education and skills of the labor force. Other factors such as natural resources and proximity to markets and suppliers are clearly important, but the next leaps forward in productivity and innovation will require more flexible, articulate, thinking workers. Thus, wise investment in public education is an absolute must for creating a positive business climate. This is not simply about throwing more money at education, but rather getting the most value out of additional education spending. This means focusing attention on goals such as improved student outcomes and increased accountability on the part of schools.

Physical infrastructure and public services. Often neglected in the anti-tax debates is the importance of basic services, efficiently and cost-effectively delivered, to the creation of a positive business climate. The repair and maintenance of highways and sidewalks, the management and operation of schools, the prevention of crime, the safeguarding of public health and the care of public parks are all essential to a community's quality of life. The reduction of tax revenues to the point where these services can no longer be adequately provided signals a reduction in an area's competitiveness.

Regulation. The main targets of those wishing to deregulate industry are employment and environmental regulations, which exist both to guard the health, safety and welfare of the citizenry and to place some constraint on the more unacceptable aspects of the free market. Unfortunately, regulators have brought much of the present hostility on themselves. They have used overly bureaucratic procedures, focused on compliance rather than finding workable preventive solutions, and have applied uniform standards regardless of circumstances, cost or size of business. Business groups have shown that it is not the regulations themselves that cause them grief, but the way they are administered. A positive business climate is created by regulators who seek to work with business to achieve acceptable standards, whether in the workplace or in the environment, while at the same time not compromising their ability to enforce the law on behalf of public health and safety.

Taxation. There has been an overwhelming emphasis in recent years on tax competitiveness and tax rates. This has diverted attention, first of all, from the fact that our state tax systems are often outmoded, and no longer able to meet acceptable standards of adequacy, efficiency and equity. Because of this, the burden of taxation is being shouldered by an increasingly narrow slice of economic activity. Second, this overemphasis on tax competitiveness and tax rates obscures the fact that there are other, equally important goals of a tax system, including: reliability-stable and certain revenue generation and consistent rates; balance -a spread across a range of tax sources without over-reliance on any one; equity-a fair system which shields subsistence income from taxation, is progressive and imposes the same tax burden on households earning the same income; efficiency-easy to understand, minimal compliance costs, simple administration; and accountability-public information on sources and uses of tax revenues, and information about revenues effectively lost due to tax breaks. The best tax climate is one which addresses well each of these objectives, along with tax competitiveness.

Modernization

and entrepreneurship. For years, much of economic development has also focused on the "homegrown economy" by providing financial support in the form of grants or low interest loans and advisory services to businesses. The focus has tended to be on retaining and modernizing businesses in a particular area or on encouraging successful entrepreneurial initiative. The challenge is to turn these programs into effective delivery systems. These must include public and private providers and address the pressing need for businesses to modernize and to upgrade their technologies so that they can be more competitive. What is needed are economic development efforts that pursue the high-road of greater skills, higher productivity and better wages, and deliver these development services with greater quality, customer friendliness, accountability and cost-effectiveness.

Making development incentives more accountable

The fundamental dilemma of development incentives is that, while most economists agree that they are not good development policy (due to cost, risk, questions of effectiveness, etc.), there seems to be no doubt that incentives can make a difference in the site selection process, particularly when the choice comes down to one of two similar locations. Thus, business attraction should not be seen as a worthless exercise. Rather, the challenge for state and local governments is to find a better way to respond to this dilemma and to act with greater fiscal integrity.

To do this, innovative state and local governments should act on the following five directives:

Strengthen accountability and disclosure: If incentives remain in a government's development policy portfolio, they must be accompanied by a range of accountability and disclosure provisions, including:

- Full public disclosure of incentive costs. Some states even disclose how much an individual company benefits from the incentives.
- Rigorous and standardized approaches for calculating the costs of each job created or retained.
- Accurate tax expenditure reporting if tax-based incentives are used.
- "Sunset" reviews to assess the effectiveness and impact of tax and nontax incentives.
- Establishment of benchmark "return on investment" targets, if incentives are to be enacted or maintained.

Limit development incentives to strategic uses: Incentives must be designed much more strategically: They should be "custom-fit," not "copy-cat." They must create significant numbers of jobs cost-effectively and fit with the state's highest development priorities.

Policy-makers should set clear goals and criteria for what sorts of projects deserve financing. For instance, after a careful evaluation of a jurisdiction's needs, priorities and opportunities, policy-makers might focus on any of the following goals: overall job creation, job growth in slower growing areas, industry diversification, increased minority employment or the attraction of high-tech industries or "quality" jobs.

Pick the right incentives: Since not all incentives are the same, policy-makers must give special attention to allocating scarce resources to the types of incentives that have the greatest potential accountability and that are likely to provide the broadest benefits beyond the company assisted. For example, investments in training or physical infrastructure accrue to the broader community and remain in a community, whether a particular company stays or not. Cash grants, on the other hand, belong to private businesses alone.

Link incentives and employment programs: States should also explore how to link "first source" hiring agreements with their incentive efforts. Such agreements require private companies that receive public monies to consider hiring displaced and economically disadvantaged workers through a public or non-profit operated job referral and training service. One strategy might be to encourage the use of first-source agreements in fast-growing areas of a state. This would ensure that recruitment efforts indeed help those most in need of jobs and would also "level the playing field" between high-growth and lower-growth areas.

Consider cutting incentives for capital investments and using these monies instead for employment-based incentives, such as for new hires, for training and for above average wages. This is essential if a state is focusing on employment generation more than productivity goals.

Show political leadership: Far-sighted state leadership should look for ways to slow the "arms race" by:

- Working with other states to devise workable compacts for responsible incentive competition.
- Exploring the feasability of federal legislation to restrict these bidding wars as well. (See Burstein and Rolnick, "Congress should end the economic war for sports and other businesses," in this collection of papers.) Burstein and Rolnick propose that Congress impose sanctions against states that engage in bidding wars; others have proposed restricting the use of incentives to those areas with high unemployment or slow job growth.
- Educating their constituencies about: (1) the dangers posed by an unregulated incentives arms race and the fact that most new jobs come from expansions and new business start-ups-not from relocations, and (2) the fact that creating the conditions for profitable companies (i.e. delivering quality public services in an efficient manner) has a much greater impact on job growth than the combined effects of a state or local community's entire economic development arsenal.

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#7

Doing battle over the incentives war: Improve accountability but avoid federal noncompete mandates

By Graham S. Toft, Indiana Economic Development Council Inc.

Graham S. Toft
President
Indiana Economic Development Council Inc.
Indianapolis, Indiana

Thesis: The hyper-competitive economic environment now facing the United States equally affects business and state and local decision-makers. Economically prosperous jurisdictions will be those that give strategic and energetic attention to their competitive business climate as well as their investment incentives. Both must be considered with strict rate of return/accountability discipline, but in the context of local initiative, free of federal mandates.

Interjurisdictional tax and incentive competition is a perennial and intractable problem. In recent years, large state incentive packages for major industrial projects have attracted media attention and raised the ire of economic theorists. On Sept. 20, 1995, over 100 Midwest economists called for an end of the economic war between the states. They claimed that government-sponsored selective business subsidy programs, such as direct grants and targeted tax abatements, are used by Midwest states to lure businesses away from nearby states. According to the economists, these programs fail to promote healthy and even-handed statewide economic development because they: "(1) unfairly penalize existing businesses and labor through higher taxes to subsidize relocating firms; (2) target relocating firms that, according to empirical academic research, add little, if anything, to net job creation; (3) serve only a small portion of the firms that need tax and regulatory relief; (4) are minor factors in plant location decisions of most firms; (5) give unfair advantage to large firms with administrative capabilities to negotiate the "best" deal with governments; and (6) represent state-level industrial policies that attempt to pick winners and losers through political rather than economic process, with all the potential for political abuse that this implies."
This fair field with no favors solution may make sound economic sense in a noncompete world. However, states and localities find themselves in an increasingly competitive environment in which unilateral declarations, multistate compacts, federal mandates, corporate codes of conduct or academic admonitions make little sense. The harsh realities of this war continue unabated as illustrated by the 1996 State of the State addresses of several governors: Florida Gov. Chiles proposed to expand the budget of Enterprise Florida, the state's economic development flagship, to attract and keep good high-wage, high-value jobs; Kentucky's Gov. Patton proposed a new tax incentive program "to share half the cost of skills upgrade training"; Oklahoma Gov. Keating proposed a series of tax cuts and credits for businesses that contract with other Oklahoma businesses, hire Oklahoma college graduates or are engaged in value-added processing; and Virginia's Gov. Allen proposed performance grant legislation to two semiconductor manufacturing facilities expected to create nearly 10,000 jobs. The list goes on. Earlier documentation by Greg Leroy in No More Candy Store reinforces the extent, and in some cases extremes, to which jurisdictions engage in incentives wars.
This article makes the case for well-disciplined incentives policy and practice as

the only practical response. The call for federal intervention to protect the states from hurting themselves and the national economy makes little sense. Rather, subnational units of government should be allowed to compete in a marketplace where they can "... capitalize on the vulnerability of opponents by having a set of pro-active business investment tools" (James D. Laughlin and Graham S. Toft, The New Art of War). While this marketplace is far from perfect, the entry prices offered by states will not escalate out of control, especially as they take up a disciplined/rate of return approach in response to mounting public demand for accountability and no new taxes. Albeit, the federal government can take several constructive steps to level the playing field without adding mandates.
For the purposes of this article, state and local incentives refer to tax concessions, financial aid and development finance tools that attract, expand or retain investment. Beneficiaries of incentives include individuals, firms and nonprofits.

The case for incentives

When a business makes a location decision, it does so in at least two stages. First, it narrows down to a few states or geographic regions based on various site location criteria, such as proximity to markets. Incentives play a lesser role here, but are considered to the extent that states without an attractive incentives program may not even make the first cut. At the second stage, a short list of sites from within the candidate states are compared. By this stage any of a short list of sites usually meets location requirements. Here the incentive package can tip the balance in favor of one site over two or three comparable sites. It is difficult to imagine federal intervention being able to alter this competitive process because:

1. Business investment is as much global as it is domestic. Foreign states and cities are becoming tough competitors, either directly in project bids or indirectly by raising the stakes in general. Furthermore, trade agreements are often silent on the matter, making cross-national competition accepted.
2. Our governors, legislators and mayors may not be in a position to enter into compacts on behalf of their jurisdictions. Business, labor and civic leaders often band together into organized local economic development organizations that choose to take charge of the destiny of their communities. Some have a major say in how their community should respond to a business prospect. This new localism is spreading across the country like wildfire.
3. Given national policy trends in favor of devolution, attempts to control the direction of local initiative by senior levels of government would seem politically unpalatable.
4. In the majority of cases, incentives do not lure businesses away from another state, but rather assist with moves within a city, substate region or state. These intrastate relocations are motivated by market conditions, not incentives.
5. Incentives serve the useful purpose of compensating the business prospect for the fact that certain costs of doing business are higher than in competitor jurisdictions. Such higher costs may have resulted from poor tax and regulatory policies of prior administrations. Outlawing incentive use can place a burden on today's leaders, who want to redress the errors of the past by aggressively reinvesting in the locale.
6. The argument that incentives wars are a zero-sum game deserves closer examination. It is based on the premise that the same investment will have the same economic impact in any economic setting. But the value of a firm to a locality can be greater than its value in other settings. Unique local interfirm dependencies and rivalries can, according to cluster strategists, upgrade economic vitality and competitiveness. The very

same investment can have widely different economic multipliers--that is, different indirect effects in terms of supplier-buyer relationships among local/regional firms, different demands for local consumer goods and public services, and different stimuli upon economic activity such as employment of disadvantaged workers. For example, Timothy Bartik, in Who Benefits from State and Local Economic Development Policies?, demonstrates that incentives in higher-unemployment areas can have higher returns than in low-unemployment areas. This is born out in Puerto Rico, The Section 936 Debate by Elliot Abrams and Jimmy Wheeler who show that rather than being denounced as corporate welfare by its critics, Section 936 tax incentives in Puerto Rico have functioned like an enterprise zone program, inducing private sector investment and employment in a significantly disadvantaged area.
The Midwest industrial renaissance serves as a second example of the positive-sum game. Ironically, most of the 100 Midwest economists referred to earlier belong to universities that have been beneficiaries of a remarkable economic turnaround since the rustbelt days of the early/mid '80s. Without bidding for and attracting foreign investment, especially Japanese transplants, the Midwest would not only have been worse off for jobs, but have missed out on the demonstrable effect that foreign production and management practices have had on U.S. auto firms. Indeed, incentives can be used strategically to upgrade the economy in ways that would not have happened otherwise.

7. The ultimate market test of the impact of incentives is what they do to bond ratings. Little evidence is available to date that would indicate serious fiscal problems resulting from incentives misuse.

Competing successfully in the war

Given the harsh realities of interjurisdictional competition, James Laughlin and I, in The New Art of War, have proposed six principles of good practice based on two notions: (1) that incentives be treated like any other public expenditure, that is, as an investment choice evaluated on a reasoned risk-reward basis and (2) that, given the public's sour mood toward government, incentives be designed and administered according to strict standards of accountability. These principles call for determining and deciding upon an acceptable rate of return, specifying outcomes and compensating the firm on performance, and requiring tight development agreements, which include clawback provisions.
Furthermore, incentives are intended for situations where targets are understood, that is, where goals have been clearly specified. Most jurisdictions fail to tie their incentives to a well-considered strategic development plan. Incentives are a tool for proactively shaping growth. Deserved criticisms of their use frequently refer to cases where the jurisdiction is attempting to shoot anything that flies, claim anything that falls.
Successful incentive programs also require regular evaluation and personnel training. Where impacts are poorly measured and evaluated, a jurisdiction deserves the wrath of the public and the media when it comes time for reelection, incentives budget requests or public acceptance of a package in support of a major new business coming to town. Since incentives are complex, and crafting development agreements are critical to the success of each package, routine staff and public official training is essential.

What can the federal government do?

Given that outlawing incentives would be anti-competitive, arbitrary, anti-local and biased against jurisdictions with a legacy of prior development problems, what can the federal government do?

1. Get its own fiscal house in order. Over and above incentives, smart states and localities know that a strong governmental balance sheet is a prerequisite to creating a competitive business climate. Businesses make location decisions for the long haul. They want to know they are locating in areas where fiscal problems and unfunded liabilities will not create future tax surprises. With increasing global choice for mobile investments, this applies as much to nations as to states and localities. Also, from the perspective of competitive strategy, does the $5 trillion public debt make the United States more vulnerable to factors outside its control?--approximately $550 billion of U.S. Treasuries are held by foreign central banks alone, including 40 percent in Japan.
2. By example, reduce corporate welfare in the federal tax code. Like the states, federal tax policy has become de facto industrial policy. Tax codes are replete with exemptions, allowances, credits, rate reliefs and tax deferrals that target particular types of firms or industries for special treatment. Cleanup of these preferential treatments at both federal and state levels is a far greater challenge than eliminating state and local incentives.
3. Eliminate major federal job subsidy programs. While the price per job created for large state economic development projects has escalated in recent years (now in the range of $20,000 to $160,000 per job), some federal programs are well above that, particularly those that seek to retain existing jobs. A recent report for the International Trade Commission puts the costs of American trade protectionism (anti-dumping and countervailing orders) at $420,000 per job. The job retention costs of agriculture price supports are also well above what states are willing to pay.
4. Eliminate place-based subsidies to states and localities. Programs that provide financial aid to places run the risk of adding fodder to interlocal bidding wars. For example, Indianapolis' recent success at retaining a long-term corporate citizen, American Trans Air at a price of $18.7 million, came after warding off a Floridian contender assisted by federal aid. For another example, the U.S. Department of Housing and Urban Development has approved the use of community development block grant funds for below market-rate loans to businesses in nonentitlement communities on a competitive basis. Potentially, this pits a HUD-favored small town against one without federal aid at a time when capital markets are flush and all low-interest subsidies to business are questionable.

All four recommendations fall directly under federal control. Each would significantly enhance the abilities of subnational units of government to compete on a level playing field, without undue interference with states rights to freely compete in a global marketplace.

Conclusion

Barring significant disruptions to worldwide growth and trade, cities, substate regions and states will increasingly become the locus of competitive advantage. Capital markets are now fully global and very efficient. It makes little sense for a national government to tie the hands of subnational units of government in seeking to attract investments to their areas. This is economic war, and states and localities need the flexibility to play it smart according to their economic strengths.

It makes little sense for 100 Midwest economists, mostly free market advocates, to argue in favor of the federal government curtailing competition, especially when the Midwest has been the beneficiary of strategic incentive practices by states over the '80s and '90s.

Incentives are a cost of doing business. They can and should be managed in a strategic and disciplined way so as to maximize upgrades to and synergies in the local/regional economy, while ensuring acceptable rates of return to taxpayers. Down the road it is conceivable that one or two states may adopt the contrarian strategy of competing without incentives. This tactic would hinge on having extremely efficient and fair tax and regulatory policies--something even more difficult to accomplish than a disciplined approach to incentives. But for the majority of states, an invisible hand will contain the bidding wars. The public will continue to demand no new taxes and greater accountability from government. At the same time, devolution of responsibilities by the federal agencies will add to the increasing demands for state resources. These factors, together, force economic development in the opposite direction of escalating incentives. Thus, the best federal intervention would be to eliminate preferential treatment within its existing tax and expenditure programs, while avoiding another mandate on the states.

Top - Introduction - The Economic War Among the States |

#8

January 27,2003
HB 1417

Chairman Keiser, members of Industry, Business and Labor Committee.

My name is George Barnes. I am from Jamestown, N.D. I have been a telephone cable splicer for 25 years. Myself and citizens from South Central N.D. have gotten together to form a Coalition. We are schoolteachers, blue-collar workers, farmers, ministers, business owner's retirees, and others that want to help North Dakota become a better place to live and work. We came here today to support HB 1417, and these are some reasons why.

North Dakota's economic policies have not had good results over many years of trying. We keep doing the same things and we keep having the same dismal results. It is time for a change. Remember what was said during the discussion of the youth initiative measure, "we need good paying jobs first." O.K. we want to see it. The proof is in the pudding.

Loss of population, low wages, low or no farm income, school closings, outside corporations taking advantage of us----these economic issues demand a clear vision of an economy that actually works for people who live and work here.

The people of our state (the many I have talked to) want economic development that results in higher incomes. Many of these people are working two or three jobs and are tired or it. They are tired of hearing, "we'll start you out at $6.00 or $7.00 an hour."

We need real jobs with real pay. We need businesses that say they are going to create economic development to help the whole community not just themselves. We need businesses to give back, not just take. The economic development process needs to be equitable to all. This bill makes that possible.

Disclosure of who gets what and how much, this is the only way the investors (you and I) can know if the programs are working or not working.

Will Rogers said, "the business of government is to keep the government out of business---that is, unless the business needs government aid." If government dollars are given to help a business then it is O.K. to give government dollars to enhance job standards.

A business friend of mine, Dean Remboldt, who could not be here today, asked me to tell you this too.

"Why don't we listen to our kids? They're telling us the answer. It's good paying jobs! It's good paying full benefits jobs! Why is it that we are

P.2 #8

so eager to fund colleges and universities, yet we don't have a plan to employ, with good jobs, the resulting product that we fund? Our children are intelligent and will educated. That same intelligence allows them to see how we, their parents, are struggling to make ends meet, and want a better life for themselves, preferably here in North Dakota, if not, somewhere else. Why is that we know what the problems are and the answers are but we refuse to acknowledge or act on them? All we have offered ourselves is fluff and gimmicks, at the same time knowing what we need to do, but are too stubborn to or timid to do what's right. Why do we use tax payers' money to create jobs that after you get your paycheck, you are eligible for heat and food assistance, funded by the same tax payer? What does that do for, or rather to us? It's time we take off our political gloves, put on our chore gloves, roll up our sleeves and do the right thing. Let's get together to make North Dakota a state which we and our kids, can say that's where we live, not where we were from. The research has been done, we have a proven template, let's follow it to success for our children, and our children's future."

Please vote do pass on HB 1417.
Thank you for your time and thank you for listening.

#9

Testimony for HB 1417

By Shelley Seeberg

Chairman Keiser and Committee Members, I am Shelley Seeberg a resident of Bismarck, advocate for workers and co-owner of a small business in Bismarck.

Approximately 10 years ago I was asked to participate in a National Wage Study group sponsored by the National Employment Law Project. At this meeting, North Dakota was commended for being a pro-worker State and including in its economic development laws, provisions for workers to be paid a living wage.

Several years after that meeting, I provided testimony before a similar body asking that the living wage provisions not be deleted from the law. I remember being told by Legislators not to worry that the market would drive the wages. And the Republican Legislative body voted to delete the living wages provisions.

Well here we are today, the market has not driven the wages up and North Dakota's Economic Development programs and laws are absent from provisions to boost and maintain wage standards.

As taxpayers, we do nothing to further our economy by allowing government officials to provide government subsidies to businesses without standards for wages and benefits.

In 1998 we had this debate in Bismarck over whether to provide Sykes Enterprises another $2.5 million in subsidies, that was after the corporation had already received $3.8 million in subsidies to create $7 to $10 dollar an hour jobs.

A new 2003 Legislator, Rep. Margaret Sitte wrote an interesting article in the Bismarck Tribune regarding this debate, in 1998, which essential said enough is enough, P2 #9

no more subsidies should be provided to a business that claimed, at that time, $16 million in profits and $313 in revenue.

Sykes ended up not taking the additional $2.5 million because of "criticism" from the community.

In 2000, Sykes announced that 316 jobs would be eliminated in Bismarck. Bismarck officials when asked couldn't provide a figure of how many people worked at Sykes or what the wages were. There was no provisions regarding clawbacks for subsides already provided to a business that was now laying off most of its workforce.

This kind of economic development for low paying jobs is unwise and causes a downward spiral on average wages for the city. We need to begin calling it what it is corporate welfare. While our governments provide corporate welfare, taxpayers continue to pay their share of taxes and end up picking up the share of taxes that the corporations were granted exemptions for, essentially the corporation is subsidized on the backs of the average homeowner.

Taxpayers need to be protected with economic development programs that provide for quality job standards, public participation, disclosure and clawbacks. Our communities have a right to be involved in the debate and discussion it is our money.

#83.10

Dakota Resource Council

P. O. Box 1095, Dickinson ND 58602-1095
(701) 483-2851; www.drcinfo.com

TESTIMONY: HB 1417
January 27, 2003

Dakota Resource Council submits this testimony in support of HB 1417, which would enact a comprehensive and much-needed system to evaluate the success of North Dakota's program of offering business incentives as a method of developing the state's economy.

Over the past decade, North Dakota has joined many other states in an attempt to lure business activity through the use of taxpayer funds for state and local business incentive packages that include low-interest loans, tax abatements, and direct grants. Has this initiative been successful? Should it be continued? The state currently lacks a comprehensive method of collecting data that would help answer these questions.

Statistics reported in *Road Map 2001* and *2002*, North Dakota's award-winning annual economic report prepared by the Labor Market Information Center, suggest reasons to be skeptical. For example, North Dakota average wages as a percentage of U. S. wages (excluding federal workers) has declined steadily from about 83% in 1984 to less than 70% today (*Road Map 2001*, p. 125; *Road Map 2002*, p. 19). According to *Road Map 2001*, these lower wages are not compensated by a lower cost of living (pp. 24-25). These statistics suggest that the state is worse off economically than before we made business incentives the centerpiece of our economic development program.

It should be clear to everyone by now that job creation alone is not the answer to North Dakota's economic problems. We already have low unemployment and the nation's highest rate of persons holding two jobs. Holding multiple jobs is a sign of poverty, not wealth. It means that there are too many jobs in the state whose pay is insufficient to pay the cost of living. Many of those who hold multiple jobs are our state's farmers and ranchers, who are buried in low commodity prices as a result of our nation's disastrous trade policies. The last thing farmers need is another job. The obvious truth is that we don't need more jobs in the state. We need more income. And there is really no evidence that our current economic development program is leading the state in that direction.

It is time to re-evaluate our economic development strategies in North Dakota. To do that we need the comprehensive date that would be compiled under HB 1417. We also need to take immediate action to make sure that our economic development incentive programs do not drive our state even more deeply into poverty. Sections 6, 7 and 8 of HB 1417, on recapture and job quality standards, will go a long way toward preventing the worst potential immediate abuses of our current incentive programs while the state undertakes a much-needed re-evaluation of its economic strategy.

DRC urges that the committee vote a "do pass" on HB 1417.

#11

7-17-98

After $3.8 million, i

Everybody likes Sykes. Bismarck residents are glad they're operating here, providing hundreds of jobs for young people.

What citizens repeatedly told the City Commission Tuesday night is that this one business has received $3.8 million in subsidies paid through tax revenues, and that's enough. They don't want to give Sykes another big check. If Sykes likes being here, it's time the company pays its own way.

Though the City Commission voted to give Sykes $2.5 million more, many thought-provoking issues raised by citizens deserve to be debated in the community before the next economic development deal arises.

■ Unfair taxes.

Shelly Seeburg of Bismarck brought up the issue of unfair taxation, saying, "My husband and I pay about $2,500 in property taxes, and as far as I know Sykes has paid zero in property taxes. My elderly low-income mother-in-law pays her property taxes. My sister who is the sole provider of two young boys pays her property taxes. My neighbors all pay their property taxes. ...this corporation is being subsidized on the backs of the average homeowner."

She said she checked Securities and Exchange Commission records to find that Sykes Enterprises had revenues of $313 million last year with profits of $16.6 million. John Sykes owns $380 million in shares. Calling the gift to Sykes "corporate welfare," Seeburg said, "Sykes can certainly pay its own way, and I hope there is a third and fourth building, but I hope it is built with that $16 million profit that Sykes earned last year, not with our tax base."

Margaret Sitte

■ Low wages.

Chris Runge of the AFL-CIO said Sykes pays its employees an average full-time salary of about $20,000 per year, but the living wage for a mother and child is $26,000. The company should be required to pay a living wage to keep the women and children off subsistence. She said, "At some point we have to say, 'If you're going to take this money from the state, do you have to make sure that the jobs that you provide are such that we don't have to have

P2 #11

t's time Sykes paid own way

subsistence over here for the workers?'"

■ Less money for public projects.

John Risch of Bismarck said giving tax dollars to private businesses means less money for schools and other public projects. "Every dollar you take out of public investment use for private investment, that's one less dollar you have for public investments," he said.

■ Giving money to individuals.

Bismarck businessman Curly Haugland said the tax dollars are paid directly to Sykes Realty, solely owned by John Sykes, not to Sykes Enterprises, which rents the buildings from Sykes Realty. Haugland said, "There is no connection between the job creation and the grant. You are basically paying a bribe to a guy that controls a company."

Mayor Bill Sorenson interrupted to remind Haugland, "They have to have so many jobs in place before they get the money."

Yet Haugland replied, "Yes, but there is nothing that says they have to stay there more than a day."

■ The question of constitutionality.

Haugland continued, "It's not legal to do this. ...The Constitution prohibits political subdivisions from giving direct cash grants of public money. It's a taking; it's an unlawful taking of private property. Money is property. You're taking the property by levying a tax for a non-public purpose."

■ Government picks winners and losers

Haugland also disagreed with the city picking certain companies to subsidize. He said he offered to pay market price on some land near Sykes, and he was told the property was not for sale. "The point is that the government decided, 'No, we're going to pick a different company to be a winner in this property. We're going to give it to somebody else. We won't sell it to you.'"

Haugland wondered why the city chooses Sykes so often, jokingly suggesting, "Couldn't we run an ad in the Wall Street Journal or the USA Today and say, 'Desperate city in the plains with $3 million in loose cash wants 500 jobs'? I bet you'd get all kinds of people."

■ Too much money in one business.

City Commissioner Dave Jensen warned that putting all of the city's eggs in one basket could be disastrous if something happened to the economy.

■ Taking out a loan to pay for a gift.

City Commissioner Sandi Tabor said she doesn't believe in the city getting a loan to pay for economic development. "Anyway you look at it," said Tabor, "there isn't enough money to pay for this incentive package without going to some other source of financing."

Tabor continued, "I think that we go to them (Sykes) and say, 'We simply don't have the money for this project. Keep us in mind for the next ones that come down the road. ... If our action of being prudent stewards of the city's money is that they're not going to do any more business with us, well then, I wonder how good of a corporate partner they've been.'"

With this gift, the city has given Sykes Realty $6.3 million in cash. In addition, taxpayers have provided free land, streets, sewer and water, job training funds, five-year property tax relief and assorted other costs that make the entire package approach $10 million. Divide that amount among the 55,000 residents of Bismarck, and every man, woman and child has given Sykes an average of $181 through sales tax and property tax revenue. How much is enough?

(Margaret Sitte is a free-lance writer and part-time teacher. Her Tribune column appears on Fridays.)

#12

I am in absolute favor of the House bill on economic development reform (H.B. 1417) for the following reasons:

1. The results of economic development in this state, if you can call it that, has amounted to little more that scam artists stealing sales tax dollars from communities all across the state. Laws are needed to stop this atrocity. We can not afford this type of spend-and-pray economic development.

2. Some say that placing regulations on prospective businesses would keep them away from North Dakota. I consider that a virtue, because it would keep out the riff-raff that we have attracted so far.

3. The few "successes" we have had have amount to legalized slavery. Wages at or below poverty level, poor working conditions, minimal, if any, benefits are the norm. North Dakota will die a slow and painful, but inevitable death if this type of economic development continues.

4. Our hard earned sales tax dollars are being diverted into thinly disguised welfare dollars for greedy corporate thieves, which can no longer be tolerated.

There is no rational, reasonable reason to be opposed to this bill. If it gets defeated, it will be a collective slap in the face of the hard working North Dakotans who are constantly patronized for their "work ethic".

Brad Mill
401 8th ST NE
Jamestown, ND
251-4334

attachment #13

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA

EDND

PO BOX 2639 • 2000 SCHAFER STREET • BISMARCK, NORTH DAKOTA 58502

January 27, 2003

To: Members of the House Industry, Business and Labor Committee

Re: HB 1417

Dear Honorable Members of the Committee:

The Economic Development Association of North Dakota is opposed to HB 1417. Our association is made up of over 100 members representing nearly 50 organizations all actively engaged in economic development for communities, counties and regions of the State of North Dakota. Our organization shares the same goals with local communities and the State as a whole; to create primary sector career opportunities and to raise the standard of living for all citizens of our state. We are North Dakota residents who pay taxes and we agree in accountability for public investments in economic development projects. At the same time, several parts of this bill will make it difficult for sound primary sector economic growth to continue.

Section 4 and Section 7 of this bill require that development assistance be limited to companies that pay wages exceeding the average in the state – less Metropolitan Statistical Areas - for their industry defined by two digit North American Industrial Classification codes. In the case of Metropolitan Statistical Areas (Bismarck, Fargo, and Grand Forks), companies must meet the state average. Significant problems arise with this requirement. First, this mandates requirements that each community should be free to make on their own. Each development project is unique and a given community may well desire to attract a business in an industry that is not present in its market area. Such a company may pay wages less than the state average in their industry, but still better than the wage rate in the community. Should a project like this be lost? Secondly, many companies start out at lower wage rates, simply because training and experience are lacking in the initial labor pool. Wages paid by the company may well rise above the state average after a period of time, but the company needs that time to bring the labor force up to performance standards. Finally, it is extremely difficult to mandate wage rates in a competitive business environment. A company simply will not pay more than it needs to attract a quality labor force. Market forces and individual choices determine that level of pay. To mandate artificial wage rates, based on statewide averages, will either stop companies from coming to an area or be meaningless because wages for the industry are already higher than the state average.

The accountability for economic development projects are a significant part of this bill. All local developers face this important issue in their own communities. Many development organizations and communities choose to have different reporting standards. So many good things come because of growing, diversified economies that it is difficult to select the most important issues or confusing if one tries to report on all of them. New companies bring new

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jobs, pay property and income taxes (even if granted abatements for the first few years), purchase goods and services from existing companies in the region, and attract or retain people in the community. They create new wealth. The employees of new companies pay taxes, live in the community, raise families and purchase goods and services from existing companies in the region. They create new wealth. It is impossible to measure the multiplier effect accurately. It is better to measure the overall economic activity of our state, identify the specific businesses that have been assisted, and the combined impact they have on job creation.

The purpose of this bill in terms of accountability and raising standards of living is a common goal of all citizens and economic development organizations. The details of this bill will do more to stifle economic development than to sustain and grow our economy. We ask your consideration in defeating this legislation.

Sincerely,

Jim Melland, President
Economic Development Association of North Dakota.

1417

In Search of the Great Pumpkin: Economic Development Accountability in North Dakota

by

Good Jobs First

Anne Nolan and Greg LeRoy

with

Philip Mattera, Mafruza Khan, Kristen Arant, and Este Griffith

October 30, 2002

IR

Good Jobs First
www.goodjobsfirst.org
1311 L Street NW
Washington, DC 20005
202-626-3780

Good Jobs Midwest,
A partnership of
Good Jobs First and the Midwest States Center
2105 1st Avenue South
Minneapolis, MN 55404
612-879-7515
E-mail: anolan@goodjobsfirst.org

Good Jobs First is a national non-profit resource center promoting best practices in state and local economic development. It was founded in 1998 by Greg LeRoy, author of *No More Candy Store: States and Cities Making Job Subsidies Accountable*.

This report was made possible by support from the Ottinger Foundation.

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Good Jobs First's partnership with the Midwest States Center is made possible in part by research support from the Ottinger Foundation to Good Jobs First. Additional support for our partnership comes from the Stern Family Fund and the Needmor Fund to the Midwest States Center.

We also wish to thank the North Dakota Progressive Coalition, especially Don Morrison and Gail Erickson, for their assistance and keen interest in the issue of economic development. We also would like to acknowledge labor economist Dr. Steve Huenneke of Minot State University for his helpful analysis of labor market dynamics in North Dakota.

We also wish to thank our many sources, especially the staff members of the Economic Development and Finance Division of the North Dakota Department of Commerce and the North Dakota Office of Tax Commissioner, and the staffs of the local economic development corporations and job development authorities who responded to our Open Records requests.

Executive Summary

A broad review reveals that North Dakotans are being asked to take it on faith that economic development subsidies are producing results. That's because state agencies typically measure success by the size and number of their investments, instead of the *results* of those investments. The programs are clear about their goals and intended corporate recipients, but they typically lack monitoring mechanisms to ensure that the programs are getting results.

Total dollars spent by each program are usually publicly available, and some programs disclose the amount allocated to each recipient, but others consider this information confidential. *Projected* jobs may be recorded, but no program discloses *actual* jobs created or wages paid. Some programs record job creation results but consider the information confidential, while others don't track job creation results at all. Either way, the public has no way of telling if taxpayer investments are paying off.

If North Dakotans want to achieve measurable outcomes, we suggest the following policy options:

- Job creation requirements attached to both programs and individual deals.
- Job quality standards — including wage requirements and healthcare benefits — as most states and many cities already encourage or mandate.
- Public participation in the process of setting standards and approving deals, as is done in Minnesota, where communities must hold public hearings about deals and job goals before granting subsidies.
- Disclosure, or annual company-specific reporting on the costs and benefits of each deal, including job creation, wages and benefits (Minnesota compiles such information and publishes it on the Web).
- Clawbacks, or money-back guarantee contracts, so that if, for example, a company pledged to create 100 jobs, but only created 50, it would be required to pay back 50% of the subsidy.

Accountability Measures in North Dakota Economic Development Programs

Program name	Job creation standards	Job quality standards	Public participation	Public disclosure	Clawbacks
North Dakota Department of Commerce Programs					
North Dakota Development Fund (includes NDDF and RDDF)	Yes	No	No	Yes	Accelerated obligation if moved out-of state
APUC	No	No	No	Yes	Yes
Bank of North Dakota Programs					
PACE	Yes	No	No	No	No
MATCH	No	No	No	No	No
Beginning Entrepreneur Loan Guarantees	No	No	No	No	No
Business Development Loans	No	No	No	No	No
Ag PACE	No	No	No	No	No
Tax Incentive Programs					
Investment Tax Credits	No	No	No	Aggregate only	No
Renaissance Zones	No	No	No	Aggregate only	No
New & Expanding Business Income Tax Exemptions	No	No	No	Applications, Aggregate Income	No
Other income tax deductions, exemptions, & credits	No	No	No	Aggregate only	No
Sales & Use Tax Exemptions	Limited, vague	No	No	Aggregate only	No
Property Tax Exemptions	No	No	No	Count only, not $ amt	No
Regional & Locally Funded Programs					
Regional Planning and Development Councils	Some	Some	Unknown	No	No
Local EDCs & JDAs	No	No	Unknown	No	No

Introduction

Economic development subsidies can be as prolific as pumpkins. As anyone who's ever planted a pumpkin vine knows, once you get one growing, it's hard to stop. But when taxpayers look at the wide variety of economic development programs in North Dakota, how do they know which ones are really working? Citizens don't have to just *believe*, like Linus in the pumpkin patch, that results will be forthcoming if only they are patient enough. There are proven ways to ensure that economic development programs are effective and accountable.

This topic is personally important to North Dakotans. They are concerned about low wages and underemployment that force some wage earners to take multiple jobs to support their families. They worry about how to stop the outmigration of the state's young people. Communities such as Minot have engaged in lively debate about whether the current approach to economic development is working. Advocates of the current programs argue that at least they are doing something (versus doing nothing), and that failures are a natural consequence of taking risks. But others look for best practices in other states, saying that it's not enough to do something, but urgent to do the right things. They are looking for ways to ensure measurable success, not just add up dollars invested.

Indeed, if policymakers are not careful, it is possible for development subsidies to make economic conditions worse. Too many tax breaks can deprive the state and communities of the resources they need to maintain the infrastructure and educational systems that support the high-quality workforce of which North Dakota is so proud. Bringing a high number of new low-wage jobs to a community can lower the community's average wage levels and increase dependency on social services. Low-wage jobs mean meager spending power and therefore low multiplier effects on other jobs and tax revenues. Finally, as Dr. Steve Huenneke, a labor economist at Minot State University, has argued: "the not very thoughtful strategy of public subsidy of most capital and land costs"[1] makes firms even more sensitive to competition from markets with lower wages. If a firm has no sunk costs that tie it to the community, that means it may be more sensitive to labor costs and therefore more prone to relocate for cheaper labor. (For an illustration of a company whose business model seems well-suited to take advantage of this phenomenon, see Spotlight Story #2 in this report.)

This report surveys how success is currently being measured in North Dakota's economic development programs. We have limited our investigation to programs that receive state or local funding (as opposed to federal or privately financed programs) and whose primary purpose is non-farm economic development. Programs that fit this description fall into four major categories:

North Dakota Department of Commerce Programs
- North Dakota Development Fund
- Regional Rural Development Fund
- APUC

Bank of North Dakota Programs
- PACE (Partnership in Assisting Community Expansion)
- MATCH
- Ag PACE
- Beginning Entrepreneur Loan Guarantees
- Business Development Loans

Tax Incentive Programs
- Investment Tax Credits
- Renaissance Zones
- New & Expanding Business Income Tax Exemption
- Other income tax deductions, exemptions, and credits
- Sales and Use Tax Exemptions
- Property Tax Exemptions

Regional and Locally Funded Programs
- Regional Planning and Development Councils
- Local Economic Development Corporations (EDCs) and Job Development Authorities (JDAs)

It is not our intent to enumerate every pumpkin in North Dakota's patch of programs. It's clear that the field is huge. Rather, we took a look at what varieties are growing there. Do the programs clearly define their goals? Does the public get to participate in defining those goals? Do the programs have job quality standards? Are there any public disclosure requirements? Are there clawbacks (money-back guarantees) if project goals aren't met? We examined the major categories of programs to inform a discussion among North Dakota's citizens about whether there are enough accountability measures to ensure a good bang for the taxpayer buck.

If it is true that you get what you measure, the prevailing practice of measuring success only by the size and number of *investments made* suggests the state will simply get more deals with unknown outcomes. If North Dakota citizens want to ensure that public investments increase the number of the state's quality jobs, they will need to add measurements of job creation and job quality to their economic development programs, make these measurements available to the public, and require that recipients refund the public's money if their goals are not met.

North Dakota Department of Commerce Programs

North Dakota Development Fund

The North Dakota Development Fund (the NDDF) is a statewide nonprofit development corporation, established by state statute (NDCC ◊ 10-30.3 et seq.), that administers two funds: the Development Fund and the Regional Rural Development Revolving Loan Fund ("Rural Fund"). Both funds make loans, loan guarantees, and equity investments.[2]

Performance Requirements

Both the Development Fund and the Rural Fund are limited to primary sector businesses in North Dakota. "Primary sector business" is defined by statute as one that "through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth. The term includes tourism, but does not include production agriculture."[3]

The Development Fund is limited to new or expanding primary sector businesses in North Dakota or relocating to North Dakota. The Rural Fund is limited to new or expanding businesses in rural areas.[4] The Development Fund may invest up to $10,000 per full time employee. The Rural Fund may invest up to $20,000 per full time employee.[5]

The total investment in one business is generally limited to $300,000, but the NDDF Board of Directors "may adjust the limit when deemed appropriate."[6] The largest investment listed in the 2000-2001 annual report was $800,000.

The NDDF includes a written condition in its agreements with recipients that if the company changes ownership, or the company's manufacturing process moves out of the state, then its obligation is immediately due and payable.[7] Other typical lending criteria apply regarding collateral, personal guarantees, and the entrepreneur's equity stake in the project.[8]

The NDDF's 2000-2001 annual report contains two charts labeled "PROGRESS," one which charts the growth in number of projects funded and the other which charts the growth in "Development Fund cash flow," which appears to be defined as total amount invested. This page also notes that "For every Development Fund dollar invested, $4.77 was invested from other sources."[9] Another way to look at this figure is that the public is providing at least 17.3% of the capital for projects assisted by the NDDF. Actually, the public could be providing a larger share if some of the "other sources" in the package are other varieties of public funding.

Job Standards

The NDDF's agreements do not contain any conditions regarding actual job creation. The NDDF does monitor the jobs of each business that receives funding, but treats the information as confidential "commercial or financial information" under its enabling statute.[10] Limited information about the program's total job creation is available to the public in the NDDF's annual report. The annual report is required by statute to include "an estimate of jobs created and jobs preserved," but the report provides aggregate estimates only and does not break them out by recipient, except for selected success stories featured in the report.[11]

Amounts Spent

The NDDF publicly discloses the names of all recipients and the amount invested in each recipient. It publishes this information both in its Annual Report and on a web page under www.growingnd.com, the web site of the North Dakota Department of Commerce's Division of Economic Development and Finance.

In 2001, the NDDF made 24 loans totaling $3,971,633 and took three equity positions totaling $300,000.[12]

Agricultural Products Utilization Commission (APUC)

APUC is a research and marketing grant program funded by an agricultural fuel tax. APUC grants are intended to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. They assist basic and applied research, marketing and utilization, farm diversification, and agricultural prototype development. As of this writing, the Agricultural Products Utilization Commission has not responded in writing[13] to our Open Records request. However, some information about APUC is available on the web and in APUC's enabling statute, NDCC ◊ 4-14.1.[14]

Performance Requirements

APUC considers grant requests that lead to and result in development and marketing of new and/or expanded uses or technologies for processing the agricultural products of North Dakota; focus industry and jobs creation efforts in rural areas of the state; include funding from other sources, public or private; and include a framework for timely progress toward stated objectives.

APUC evaluates proposals by awarding points for each proposal's

- probability and extent of new wealth creation;
- credibility and merit;
- market potential and commercialization feasibility, including technical and financial feasibility;
- scientific merit;
- innovation;
- technical qualification and competence of project principals;
- probability of rapid commercialization and application of research;
- presence, source and level of matching funds; and
- geographic location of an applicant and of economic impact of the application of research results.

APUC enters into a formal grant contract with each grantee that specifies the objectives, tasks to be performed, timeline and budget, a fund release schedule, and any other conditions specific to the individual application. It requires the grantee to submit periodic interim reports outlining progress and timeline and budget compliance. Usually grant funds are released in installments, and non-compliance with the contract may result in withholding of further funds.

If the project appears to be in jeopardy, APUC may cancel the contract and seek to recover previously released funds. Before the last installment is released, a grantee must submit a final written report describing the work performed and the results obtained. This report is supplemented by a financial report of all expenses actually incurred and income generated by the project. APUC reserves the right to require repayment of a grant in whole or in part if the grant recipient does not fulfill the grant conditions. (This is a rare instance of a "clawback" in a North Dakota program.)

Job Standards

The APUC program does not involve any specific standards for job creation or retention or job quality.

Amounts Spent

APUC grants are awarded quarterly and announced in press releases from the governor's office. These are posted on the Economic Development and Finance website at http://www.growingnd.com/media/. These announcements include the name of each recipient, the amount awarded to each recipient, and a short description of the purpose of each grant. Three such releases show that a total of $645,877 was awarded to 19 projects in the first three quarters of 2001. (No press release was posted for the fourth quarter of 2001.)

MLT, originally known as Mainline Travel, Inc., is a wholly-owned subsidiary of Northwest Airlines that operates charter tours through its MLT Vacations unit and also operates Northwest WorldVacations. MLT has more than 500 employees, sells products through more than 32,000 travel agencies as well as directly to consumers, and serves more than 1.25 million vacationers annually.

In August 1999, MLT announced it was opening a new 600-person call and operations center in Minot. Some of the 600 jobs would replace positions at an existing facility in the Twin Cities suburb of Minnetonka. Employees at the Minnetonka facility were offered relocation assistance or severance pay. A February 20, 2000 story in the Minneapolis Star-Tribune reported that the company was receiving an incentive package from Minot worth $10.7 million, including:

- $3 million from the Minot MAGIC Fund
- $1 million from the State of North Dakota
- A $2 million PACE loan from the Bank of North Dakota
- A $180,000 job training grant from Job Service of North Dakota
- An estimated $640,000 job training grant from a North Dakota new jobs training program
- An estimated $225,000 value of property tax forgiveness over five years
- A $100,000 grant from the Minot Area Development Corporation (MADC) Jobs Development Fund

In addition to the public funding, the package also included \$3.55 million in low-interest loans from a consortium of local banks.

An Associated Press (AP) story the same day quoted an MLT executive as saying that trainees at the facility would start at \$8 an hour and quickly rise to \$8.50.

In September 2001, in the wake of the 9/11 terrorist attacks and the consequent slump in the tourism industry, MLT announced that it would cut about 20 percent of the workforce at Minot, which had by then reached a level of 400. But a December 30, 2001 AP story quoted a company executive as saying that business was rebounding and workers were being hired back.

The Minot Daily News reported in September 2002 that a state audit of Minot's MAGIC Fund had found that the city had no documentation on whether MLT had lived up to its job creation and investment commitments.

The audit followed a failed effort by the Minot city council to augment its funding stream for the MAGIC Fund. The MLT project and other projects had consumed all the money anticipated to come from the local sales tax through its expiration in 2006. Voters were offered a proposal to extend the city's one cent sales tax an additional 10 years to 2016 and to use some of the sales tax for the Northwest Area Water System for economic development instead. 68% of Minot voters rejected this proposal.

Jobs created with assistance from the MAGIC Fund are paying 75% of the average wage in Ward County, or 56% of the national average wage. Minot's cost of living is 94% of the national average.[15]

Bank of North Dakota Programs

As of this writing, the Bank of North Dakota has not responded to our Open Records request. However, some information about the BND is available on the web and in the Bank of North Dakota 2001 Annual Report.[16]

The Bank of North Dakota is the nation's only state-owned bank. The BND's 2001 Annual Report describes it as "a unique institution combining elements of banking and state government with a primary role in financing economic development."[17] Its deposits come primarily from interest-bearing accounts for the state and its political subdivisions. In its lending activities it does serve individuals and businesses, but usually as a "participation lender," acting in partnership with one or more local financial institutions or other sources of capital. Its loan portfolio is 31% business loans, 31% student loans, 20% residential loans, and 18% agricultural loans.[18]

BND offers the following business start-up and economic development incentive programs:

- PACE (Partnership in Assisting Community Expansion)
- MATCH
- Beginning Entrepreneur Loan Guarantees
- Business Development Loans
- Ag PACE

The first four are commercial loan programs, while the Ag PACE program is an agricultural loan program.[19] The BND also operates many other commercial and agricultural loan programs for purposes other than economic development; those are beyond the scope of this report.[20]

Below we discuss each of these five programs' performance requirements and job standards separately. The amounts spent can only be discussed as an aggregate because information provided in the annual report is not broken down by program.

PACE (Partnership in Assisting Community Expansion)

Performance Requirements

PACE is an interest rate buy-down program intended to help North Dakota communities expand their economic base by providing for new job development. The BND's buy-down must be matched by the community. A community's match may come from a local development corporation, contributions, community funds, or other community sources, either as a grant or a loan. PACE loans are used for the purchase of equipment or real estate or to provide working capital. The BND and community buy-downs together can reduce the borrower's rate of interest by as much as 5%.

PACE applications are made by the lead lender, which is responsible for servicing the loan. The borrower can be any business in manufacturing, processing, value-added processing, major destination tourist attractions, or targeted service industries. Targeted service industries are data processing, telemarketing, telecommunications and major destination tourist attractions.

If a borrower defaults, the interest rate on the loan changes from the buy-down rate to the original higher interest rate until the loan is brought current.

If a community fails to fund its portion, the PACE Fund's participation continues. However, that community cannot apply for another PACE loan until its original PACE contribution has been brought current, and on any new loan it must pre-fund its entire portion of the buy-down.

Job Standards

The borrower must create one new job in North Dakota for each $75,000 of total loan proceeds. However, there is no information about monitoring for compliance with this requirement either on the BND web site or in the 2001 Annual Report. Nor does there appear to be any job quality standard associated with this requirement.

MATCH

Performance Requirements

The MATCH program is intended to make investment in North Dakota attractive to companies that are very strong financially. It targets manufacturing, processing and value-added industries. Borrowers must have an "A" rating or better from a national credit rating agency. As in other BND programs, BND acts only as a participation lender; a lead lender applies for the program and is responsible for servicing the loan. For its portion of the loan BND charges a low interest rate equal to an equivalent term U.S. Treasury Note rate plus .25% - .50%.

Job Standards
The MATCH program does not involve any specific job standards.

Beginning Entrepreneur Loan Guarantee

Performance Requirements
Through this program, BND offers an 85% loan guarantee to lenders that loan up to $100,000 to finance the startup or expansion of a beginning entrepreneur's business. The borrower must be a North Dakota resident who has graduated at least from high school or received a general equivalency certificate, has had some training by education or experience in that type of revenue-producing enterprise, and has a net worth of less than $100,000 excluding personal assets (principal residence, one personal or family motor vehicle, and household items and personal belongings).

Job Standards
The Beginning Entrepreneur Loan Guarantee program does not involve any specific job creation, retention or quality standards.

Business Development Loans

Performance Requirements
Business Development Loans assist new or expanding businesses located in North Dakota that have a higher degree of risk than would normally be acceptable to a lender. A lead lender applies for and services the loan, which may not exceed $25 million; BND's portion is limited to $500,000. Business Development Loan proceeds can be used for real estate, equipment, working capital, the purchase or remodeling of an existing business, or to refinance an existing loan.

Job Standards
Business Development Loans do not involve any specific job standards of any kind.

Ag PACE (Agriculture Partnership in Assisting Community Expansion)

Performance Requirements
Ag PACE is an interest-rate buy-down program to encourage North Dakota farmers to develop businesses that can be integrated into their farming operations. The borrower's principal occupation before applying must be the production of agricultural commodities or livestock. The business financed can be any business, except traditional production agriculture, that is integrated into the farm operation and is used to supplement farm income. Such businesses include nontraditional agriculture, manufacturing, processing, value-added processing, and targeted service industries.

Ag PACE funds are used to buy down the interest on loans that finance the purchase of equipment, real estate, inventory, or equity shares or provide working capital. The buy-down can reduce the borrower's rate of interest by as much as 5%. Ag PACE applications are made by the lead lender, which is responsible for servicing the loan.

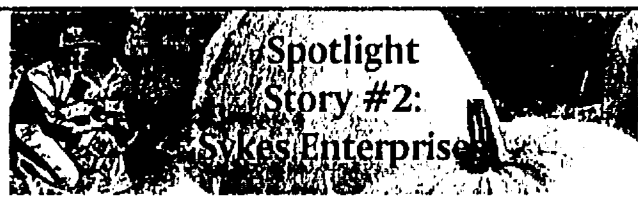
If a borrower defaults, the interest rate on the loan changes from the buy-down rate to the original higher interest rate until the loan is brought current.

Relocating the business away from its on-farm location can constitute a default unless the borrower first gets approval from BND.

Job Standards
The Ag PACE program does not involve any specific job creation, retention or quality standards.

Amounts Spent
The Bank of North Dakota 2001 Annual Report breaks its lending reporting into four major categories: residential, commercial and business, agriculture, and student loans.[21] The first four programs discussed above fall under

commercial and business; reporting for them is aggregated with other types of commercial and business lending.[22] The report states that the commercial and business loan category grew by $28 million in 2001 to a total of $370 million and that "BND loan programs financed 190 business and industrial projects."[23] The only program for which separate information is provided is the Beginning Entrepreneur Loan Program, because it was new in 2001. The note describing this program states that as of December 31, 2001, BND "has provided guarantees totaling $766,000 and has guarantee commitments outstanding of $37,000 included in commitments to extend credit."[24] BND's agricultural lending, which includes Ag PACE, increased $14 million to a total of $214 million in 2001.[25] BND's total loan portfolio across all categories was $1.27 billion at the end of 2001.[26]



Sykes Enterprises Inc. is a company that routinely expects the communities in which it locates to subsidize its capital and land costs. A Bismarck Tribune story on July 12, 1998, quoted Robin Smith, Sykes' vice president of corporate communications, as saying, "Every one of our locations is a result of some incentive plan . . . If a community is inviting Sykes to build a call center, they are expected to deed the land for two call centers to us, and give incentives of at least $2.5 million."

Sykes operates call centers in the U.S. and abroad that handle customer service and technical support. Sykes also offers consulting services on customer service management and order fulfillment services in Europe. As of December 31, 2001, Sykes operated about 40 customer support centers around the world with services in more than 30 languages; about half of the support centers were in the U.S., with the rest in Canada, Europe, China, Costa Rica, the Phillipines, South Africa, and Turkey.

In September 1995, Sykes received approval for incentives that included up to $2 million from the Bismarck Vision Fund, 18 acres of city-owned property near the airport, utility concessions, and a five-year property tax exemption. The following year the state granted Sykes a five-year exemption from corporate income taxes as well. Sykes' Bismarck call center was to provide 650 jobs when it reached capacity, at starting wages of $7.00-$7.50 per hour. At the time, the company was planning another call center in Minot and a second facility in Bismarck, a mirror image of the first. Bismarck offered another $2 million from the Vision Fund. Minot agreed to a $2.77 million subsidy package. Sykes was at the same time expanding its overseas call center operations.

Also in 1996, Sykes carried out its initial public offering of stock, after which John Sykes was added to the Forbes 400 list of the country's richest people, with a net worth of $520 million.

Sykes continued to build new call centers, each of which seemed to follow a standard design that included a full-capacity workforce of about 650. A July 12, 1998 Bismarck Tribune story reported that seeking subsidies in these projects was Sykes' standard operating procedure and that Sykes had received government assistance in every one of its domestic call center locations. The article said that in Sykes' most recent deal, Manhattan, Kansas had given Sykes an incentive package, land, and tax breaks worth a total of about $4.5 million.

That summer Bismarck offered Sykes $2.5 million in subsidies, plus land and improvements, to build a third call center. The vote to approve the package was a narrow 3-2, however, after a number of taxpayers spoke in opposition during an hour of testimony before the city commission on July 15, 1998. Bismarck mayor Bill Sorenson announced the following week that Sykes had pulled out, citing the criticism. Sorenson said he had received a call at home from Dave Reule, vice president of Sykes Realty. "He said John Sykes felt there was some criticism of him personally, that it wasn't worth it for them to take the corporate hits for this," Sorenson told the Bismarck Tribune.[27]

The company instead built new centers in Kentucky, Oregon, and Nebraska while also spending $46 million in stock to buy call center companies in Canada and Germany. The city of Scottsbluff, Nebraska agreed to spend $800,000 in public funds on construction and infrastructure costs for the center there.

In January of 2000 Sykes suffered a drop in its stock price after a low earnings warning, which prompted shareholder lawsuits and a change in management as Sykes brought in an outside CFO to restore investor confidence and made President and COO David Grimes the new CEO. In October 2000, Sykes had to restate revenues and earnings for two years because of what it called accounting errors. The following month John Sykes resumed his role as CEO after Grimes resigned from the company.

In December 2000, Sykes closed a small call center in Tampa, and the following month it shut down a computer order fulfillment business and a software translation operation. In January 2002 the company announced it would close a call center in Greeley, Colorado and one of its call centers in Bismarck. One of Sykes' European fulfillment/ distribution sites was also slated to be shut down.

Initial reports said no jobs would be eliminated in Bismarck, but in April 2002, Sykes responded to the loss of a key contract with Gateway Computer by announcing that there would be substantial layoffs in Bismarck and at other Sykes call centers. Sykes lost the Gateway contract to Service Zone, a company founded by a former Sykes employee, which had been frequently underbidding Sykes. Service Zone also sought subsidies from local governments but fewer than what Sykes demanded.

In late May, Sykes notified Bismarck officials that 316 jobs would be eliminated in the city. In July, a shareholder lawsuit was filed against Sykes directors, officers, and accountants, charging that some of the individuals benefited from insider selling and that all of them breached fiduciary duties and mismanaged the company.[28]

Sykes recently announced that it may be closing another facility that had been built with subsidies. On October 10, 2002, the Minneapolis Star Tribune reported that Sykes had informed the mayor of Virginia, Minnesota, that the company might close its call center in the Virginia-Eveleth Progress Park in December if it can't find a major new customer. The story quoted Mayor Carolyn Gentilini as stating that the cities of Virginia and Eveleth, along with the Iron Range Resources Rehabilitation

Agency, had granted the Sykes facility $2 million and 22 acres, with no provisions requiring Sykes to return the assistance if the plant closed. Gentilini said, "That I'm sure was a mistake, but we've been frantically trying to diversify our economy here." The 42,000 square-foot call center, which was built to employ more than 400 people at full capacity, would be vacated indefinitely. Hourly wages there typically range from $7.85 to $10.00. The story noted that Sykes had recently added new call centers in the Philippines and India, but said that Sykes' director of investor relations Kristin Wiemer had told the Associated Press that the Eveleth Center's possible closing was due to the loss of a major Minnesota-based client and "is not related to those expansions."

Tax Incentive Programs

The Office of State Tax Commissioner administers a variety of tax incentive programs, including a property tax exemption for new and expanding businesses and various sales and use tax and income tax exemptions. According to Tax Commissioner Rick Clayburgh, the sales and use tax and income tax "have specific confidentiality provisions that prohibit the disclosure of specific taxpayer information, and [even] prohibit disclosure of whether a return has been filed."[29] There is one exception—the New & Expanding Business exemption is not considered confidential, and information that applicants file with the State Board of Equalization in order to claim the exemption is considered an open record. Mr. Clayburgh provided names of recipients of this exemption in 2001 and their projected job and wage levels. We summarize this information below under "New & Expanding Business Income Tax Exemption."

For all other programs, in response to our requests for information about how many jobs each recipient business created, wage levels of the jobs and whether they have health care and other benefits, and monitoring of how well businesses met their goals, Mr. Clayburgh explained, "The statutes that created these programs did not grant the Office of State Tax Commissioner the authority to request this specific information from the taxpayer. Most of these statutes only allow us to provide the mechanisms for the taxpayers to claim the credits. *You may be interested to know that during various Legislative Sessions, bills have been introduced to allow the gathering of the specific data from [the] recipient taxpayer. To date all such bills have been defeated.* [Emphasis added.] A few of the programs require investment information to be furnished to this office. This is confidential information and cannot be disclosed."[30]

Investment Tax Credits

Performance Requirements

Investment tax credits are available for investing in qualified North Dakota venture capital corporations; investing in the North Dakota Small Business Investment Company; investing in a certified nonprofit development corporation by buying a membership, paying dues, or making a contribution; investing seed capital in a business certified by the Department of Commerce

Division of Economic Development and Finance; or investing in an agricultural processing facility certified by the Department of Commerce Division of Economic Development and Finance. Each of these programs has limits on the amount of the credit and some have limits on whether nonresidents can claim them.

Job Standards

None of these investment tax credits involves specific job standards of any kind.

Amounts Spent

The Office of State Tax Commissioner provided amounts allowable since each of the credits was created.[31] The venture capital corporation investment credit had a total allowable credit from 1987-1991 of $593,280. The small business investment company investment tax credit had a total allowable credit from 1994-1997 of $1,231,500. The other three credits report "no activity to date" as of January 24, 2002.

Renaissance Zones

Performance Requirements

Credits against income tax are available for the following activities in a North Dakota renaissance zone: purchasing or rehabilitating a single-family residence, investing in the preservation or renovation of historic property, or investing in a renaissance fund organization. Exemptions from taxable income are available for businesses or investors that purchase, lease, or rehabilitate property in a renaissance zone; under certain conditions an individual business owner in a city under 2500 in population can take a credit rather than an exemption.

Job Standards

The renaissance zone programs do not involve any sort of job standards.

Amounts Spent

The single-family residence credit had "no activity to date" as of January 24, 2002. The historic property preservation or renovation credit activity was "too small to report (due to confidentiality concerns)." The renaissance fund organization investment credit had a total of eight investors with a total allowable credit of $290,000 in 2001, but the amount of actual credit claimed was not reported. No 2001 information was reported for the business or investment income exemption, but in 2000 six returns claimed a total of $3,901 in exemptions.[32]

New & Expanding Business Income Tax Exemption

Performance Requirements

A new or expanding North Dakota primary sector or tourism business can receive a corporate income tax exemption for up to five years, covering all the income from the qualifying project. "Primary sector business" means "an enterprise that creates wealth by using knowledge or labor to add value to a product, process, or service; "tourism" means "all tourism related business and activities."[33] Project operators apply to the State Board of Equalization for the exemption, and the information on that application is an open record. Businesses are ineligible for this exemption if they have received tax increment financing exemptions, have delinquent tax liens, or the exemption would foster unfair competition or endanger existing business.

Job Standards

While there are no specific job standards involved in this program, the applicants estimate to the State Board of Equalization their projected number of jobs created and the average wage per hour of those jobs. Ten businesses received this exemption in 2001. Their number of projected new jobs ranged from five to 30; the total for all ten businesses was 140 new full-time jobs and seven new part-time jobs. Estimated average wages ranged from $6.00 per hour (the seven part-time jobs) to $21.37 per hour (27 jobs).[34] The actual number of new jobs and their wage levels are "unknown."

Amounts Spent

The Office of Tax Commissioner did not provide the dollar amount of 2001 exemptions. However, it did report that as of December 31, 2001, a total of 294 exemptions had been approved, and that in 1998, 30 corporations exempted a total of $6,425,545 in income, in 1999, 20 corporations exempted a total of $10,901,025, and in 2000, 16 corporations exempted a total of $1,674,544.[35] Because these are exemptions from income rather than credits against tax, the actual lost tax revenue is much smaller than the amount of the exemptions. The Office of Tax Commissioner reports that the tax lost "is less than 10% of the amount of the exemption."[36]

Other income tax deductions, exemptions, and credits

Performance Requirements

Other "miscellaneous tax incentives" include tax deductions for selling or leasing to a beginning farmer or beginning businessperson, an exemption for gains from selling stock in certain corporations that relocate to North Dakota, a credit for corporate expenses on research conducted in North Dakota, a credit for certain manufacturing-related corporations doing business in North Dakota for the first time (1% of wages and salaries paid during each of the first three years and 0.5% of wages and salaries paid for the fourth and fifth years), and a job training assistance program in which the training is partially or entirely paid for by income tax withheld from the new employees.

Job Standards

None of these miscellaneous tax incentives involves specific job creation, retention, or quality standards.

Amounts Spent

The beginning farmer and beginning businessperson deductions have had "minimal use" and amounts are not reported for them. The relocated corporation exemption has had "no activity to date" as of January 24, 2002. The Office of Tax Commissioner did not report any 2001 information about the research expense credit, but in 1998, six corporations claimed $557,703 of this credit, in 1999, six corporations claimed $402,440 of this credit, and in 2000, fewer than five corporations claimed the credit and the amount was not reported. The Office of Tax Commissioner does not report statistics about the wage and salary credit "due to confidentiality." The job training assistance program was used by 66 companies from its inception in 1993 through December 31, 2001; they received a total of $4,784,695.[37]

Sales and Use Tax Exemptions

Performance Requirements

Businesses can receive exemptions from sales and use tax for materials used to construct an agricultural processing facility, for equipment and materials used in constructing a power plant, for equipment and materials used in constructing wind-powered electrical generating facilities, for computer and telecommunications equipment required by a primary sector business, or for new or expanding businesses' machinery and equipment used primarily for manufacturing or agricultural processing or solely for recycling.

Job Standards

The manufacturing/ag processing/recycling exemption requires that the expansion must increase production volume, employment, or the types of products that can be manufactured or processed. Except for this vague requirement, none of these programs involve specific job standards.

Amounts Spent

The Office of Tax Commissioner reports that most of the requests for these exemptions involve the manufacturing machinery and equipment exemption, and that "1,588 requests for a total of $66,154,193 have been granted for manufacturing and agricultural commodity processing facilities between July 1, 1989 and June 30, 2001."[38] The fiscal year 2001 portion of that total was $7,365,479.[39] The recycling exemption is less frequently requested and amounted to a total of $210,548 from July 1, 1993 to June 30, 2001. Figures for the other exemptions were not reported.[40]

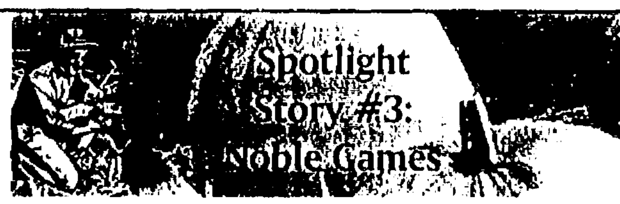
Property Tax Exemptions

Performance Requirements

New or expanding businesses in North Dakota can be exempted from property tax for up to five years. Buildings and structures qualify for the exemption, but not land. Projects are not eligible if they have received a tax exemption under tax increment financing, or if the exemption would foster unfair competition or endanger existing business. Agricultural processors and projects located on property leased from a government entity can obtain extensions for an additional five years.

Job Standards
The property tax exemption program does not involve any specific job standards.

Amounts Spent
The Office of State Tax Commissioner reports the number of exemptions but not the amounts. From the program's enactment in 1969 to January 24, 2002, the number of projects that had received property tax exemptions was 1,104.[41]



NDC Holdings, Inc., doing business as Noble Games, was founded in 1993 in Oklahoma and moved to North Dakota in 1995, when the company sought subsidies from the Bismarck Vision Fund. The company proposed to open a manufacturing facility in a former bowling alley in Hazen, North Dakota, for which the community of Hazen assembled a package of subsidies including:

- A $25,000 loan from the Mandan Growth Fund
- A seven-year property tax exemption plus three years of property tax abatements (the exemption is reduced by 25% each successive year)
- Funding from the Lewis and Clark Regional Development Council
- A loan, building, and land from Hazen Community Development
- A loan from the Minot MAGIC Fund

The company also obtained a five-year, 100% corporate tax exemption from the state Board of Equalization.[42]

In 1998 the company made a $3 million stock offering, with shares sold in North Dakota and six other states. At that time the company expanded from board games to home furnishings and launched a web sales operation.[43]

In 2000 the company then received $880,000 in assistance from the city of Jamestown and Stutsman County to move its headquarters from

Bismarck to Jamestown. $680,000 of this assistance was a purchase of preferred stock by the Jamestown-Stutsman Development Corporation, to be repaid over 7 years at 5% interest, with the first two years deferred. The other $200,000 was a grant for relocation costs and expenses. 80% ($704,000) of the assistance came from the city of Jamestown with the other 20% ($176,000) coming from Stutsman County.[44]

The Associated Press reported in October of 2001 that a venture strategy company called NRG was overseeing the restructuring of Noble Games.

Noble Games is not currently in production in Jamestown. The company plans to be operating by November, 2002.[45]

Regional and Locally Funded Programs

The North Dakota Legislature has provided several ways that regions and localities can raise funds for economic development, and has provided for the chartering of non-profit development corporations to administer them. Among these are 8 regional planning councils and at least 50 local economic development corporations (EDCs) and job development authorities (JDAs).[46] As was mentioned above, a community can fund its EDC by selling memberships, for which the state will give a tax deduction to the buyers. Communities can also vote for a local sales tax of up to 1%, and dedicate some or all of the proceeds to economic development. Cities and counties may also impose a mill levy (property tax) for job development.[47]

The Legislature did not provide a great deal of guidance about performance requirements for recipients of these funds. The one requirement the statute does make is that for a membership or contribution to be deductible, the EDC receiving it must intend to assist primary sector businesses.[48] But EDCs may package funding from multiple sources, not just memberships, and each EDC sets its own criteria for whom it will fund and how. One good source of information about these criteria is the "planning and development" section of the Marketplace of Ideas web site, www.marketplaceofideas.com/directory/planning. This section has a page for each of the eight regional planning and development councils describing the services available, the eligible applicants, the geographic area served, the sources of funding, and the persons to contact. Some of them also contain links to local EDCs within the region. The regional councils typically offer free technical assistance and a revolving loan fund or a grant program that requires the borrower to have other sources of capital. Regional councils can combine state and local funding with federal sources of funding such as HUD Community Development Block Grant monies.

Seeking information about the performance requirements of and amounts spent by local EDCs and JDAs, we mailed an Open Records[49] request to 47 of them, whose addresses we obtained from the web site of the Greater North Dakota Association (GNDA), the state's chamber of commerce.[50] As of this writing six weeks later, while responses are still trickling in, the results do not reveal great enthusiasm for openness to public scrutiny. Eight communities responded by letter, one by phone, and one by phone followed up with a letter. One letter was returned because the addressee had left no forwarding address. The remaining 36 communities (76% of the total) have not responded. Of the ten communities that did respond, four (9% of the total) gave us at least some of the information we requested, while the other six gave either various explanations of why the information was unavailable or promises to supply the information at a later date.

Regional Planning and Development Councils

Performance Requirements

Each of the eight regional councils sets it own requirements for its grants or loans; a quick summary of them can be found on the web at www.marketplaceofideas.com/directory/planning. These typically include creditworthiness standards, restrictions on what the proceeds may be used for, and documentation requirements such as a business plan. At least one region requires that the applicant be unable to meet its capital needs entirely through other sources. Another requires a community match, either in cash or in "other incentives."

Job Standards

The Souris Basin Planning Council requires that borrowers from its revolving loan fund be "new or expanding primary sector businesses resulting in job creation and/or retention," and that "51% of jobs created/retained should benefit low to moderate income persons." The Lewis and Clark Regional Development Corporation requires that borrowers from its CAPITAL and CAPITAL II funds "must create or retain jobs" and that borrowers from its CDLF Fund use the funds for "infrastructure that support business for low income job creation."

Amounts Spent

Amounts spent by the regional councils are not reported on the Marketplace of Ideas site. The site's intended audience is entrepreneurs seeking resources, so its focus is on what is available and how to apply.

Local Economic Development Corporations (EDCs) and Job Development Authorities (JDAs)

Performance Requirements

Two of the communities disclosed their performance requirements to us. One has a set of specific "Loan Program Guidelines."[51] These state that eligible businesses include but are not limited to manufacturing, processing, service industries, and retail sales; that loan proceeds may be used to establish a new business, purchase an existing one, provide working capital, or finance real estate, equipment, or construction costs; and that the EDC "will require a 15% tangible balance sheet equity position on most projects."

The other local EDC has a revolving loan fund of $4,152.50, raised entirely by sales of memberships and by loan interest. The funds are repeatedly loaned to local businesses "to keep them in operation." From 1986 through 1997, these funds were successively loaned to a service station, a hardware store, a funeral home, three caf s, and a pr oject to purchase caf equipment for a bar. All but one recipient repaid their loans, but all of them "have since closed" and the EDC "has not done much in the past two years because we have had no projects on which to work." The funds remain in the EDC's bank account, awaiting an opportunity.

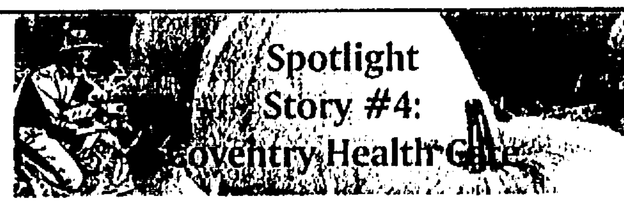
Job Standards

None of the responding local EDCs have any specific job quality standards.

Amounts Spent

The EDC with the specific loan guidelines did not do any lending in 2001, the year for which we requested information, and did not volunteer any information about other years. The EDC with the revolving loan fund typically loaned $4,000 each time, although three of its recipients borrowed less; it did not do any lending in 2001. Another EDC that has a revolving loan fund gave us a list of its nine borrowers in 2001, and estimated the interest savings that each had received from borrowing from the EDC at 0% interest instead of from conventional sources at a market rate of 7%; the total "incentive amount" this community estimated for 2001 in this fashion was $9,185, which suggests that the total amount loaned may have been about $131,220. One community's JDA provided us the minutes of its monthly board meetings, which reflected that the JDA made $55,000 in grants and loans in 2001.

News accounts of major deals suggest that larger communities are granting subsidies in much larger amounts; however, only one such EDC responded to our survey. That was the Bismarck-Mandan Development Association, which described its role as "serv[ing] as a facilitator in identifying growth opportunities . . . not a funding agency," and stated that therefore the information we requested "is not available . . ." from the BMDA.[52]



Coventry Health Care Inc. is a publicly traded managed health care company with approximately 1.84 million members under health plans Coventry Health Care, Coventry Health and Life, Carelink Health Plans, Group Health Plan, HealthAmerica, HealthAssurance, HealthCare USA, Southern Health, and WellPath. The company operates in 14 states, primarily in the Mid-Atlantic, Midwest and Southeast regions, generally in small to mid-sized metropolitan areas. It has grown rapidly through a series of acquisitions and ranks # 487 among the Fortune 500 companies.

In May 2002 Harvey DeMovick, Coventry's senior vice president for customer service operations, announced that the company expected to hire about 400 workers over the next three years, at jobs with a minimum starting pay of $9.50 per hour at its service center in the Bismarck-Mandan area. The center was scheduled to open in July 2002 and was expected to hire about 150 workers the first year.

A May 2002 Associated Press article reported that the committee that oversees Bismarck's city sales-tax-supported Vision Fund had recommended that the City Commission approve $1.2 million for Coventry. The Vision Fund also would invest $250,000 in Coventry stock. According to the Bismarck-Mandan Development Association, with workforce training assistance from Job Service of North Dakota, the University of Mary and Bismarck State College, and possible property and state income tax breaks, the financial package could total $2.5 million. Another May 2002 article in the Bismarck Tribune reported that the chairman of the Vision Fund and the president of the Bismarck-Mandan Development Association confirmed that the financial package included $1.2 million in employment incentives, $250,000 in stocks, $750,000 for workforce training and a five-year exemption from corporate income and property taxes.[53]

Since the announcement, local residents have had many questions about the company's social responsibility record. Criticisms about the company include the fact that the starting pay of $9.50 an hour was not a living wage. In an August 8 letter to the editor of the Bismarck Tribune, a medical student at the University of North Dakota wrote that to cover basic living expenses in the area required a wage of at least $17 an hour, almost double what some employers such as Coventry were paying. The writer asked why politicians were spending taxpayer money on companies whose jobs do not pay a living wage to most people in the area.

The Vision Fund has defended its award of incentives to Coventry. In a May 20 letter to the editor of the Bismarck Tribune, Merv Heinert, chairman of the Vision Fund, wrote that the proposed incentives to Coventry were contingent on the 400 jobs being located in Bismarck. He said those jobs would probably not all be filled by existing Bismarck residents, but neither would they be filled by people that Coventry would transfer from other places to Bismarck. He said he expected the jobs to be filled by local graduates and other western North Dakota schools, and perhaps some people returning to North Dakota who had previously left the state to find work. Heinert's letter said the jobs would pay a minimum of $9.50 per hour plus benefits, which would include health, dental, vision, short-term disability, long-term disability and a 401(k) plan with an employer match. He said the company expected to pay $40,000 or more per year to about 60 employees, and that the center's annual payroll could reach $10 million when it was fully staffed. He said the company was required to certify its payroll quarterly to North Dakota Job Service to collect its incentive payments, and that at the end of five years, if Coventry had reduced its employment below the incentive levels, it would have to pay the incentives back to the Vision Fund. He said Coventry's lease for the service center building was structured so that the company would pay for all the costs of improving and owning the building over the life of the lease, but would not gain title to the real estate.[54]

Coventry has been subject to a number of fines, penalties and lawsuits. In July 2002, the Pennsylvania Dept. of Insurance fined Coventry subsidiary HealthAmerica $70,000 for late claims payments and for improperly denying mental health claims on the basis that they were incorrectly submitted directly to the company instead of being submitted to a third party administrator.[55] In July 2002, the Louisiana State Medical Society announced that it would join a federal class-action suit by several states' medical societies against a number of managed care companies, including Coventry, alleging that the health plans routinely save money by manipulating medical bills, that insurers violate state laws by frequently not paying providers on time, and that they don't provide fee schedules as required by contracts. The medical societies allege insurance companies are conspiring in mail and wire fraud by systematically avoiding their obligations to pay providers.[56]

In May 2002, Georgia Insurance Commissioner John Oxendine fined Coventry Healthcare of Georgia $10,000 for violating the state's prompt-payment law. The law requires companies to pay claims within 15 working days of receiving them or notify the provider or policyholder why a claim can't be paid within that time.[57]

In March 2002, the company said that it could face fraud claims after a U.S. government audit questioned $31.1 million in company fees. According to an SEC filing by the company, Coventry said that it may have overcharged the Federal Employees Health Benefits Program from 1993 through 1999 because it allegedly didn't offer discounts to the federal health program that were provided to other customers.

In February 2001, state lawmakers in North Carolina, angered by Coventry subsidiary WellPath Select's plan to drop HMO coverage for nearly 11,000 state employees, retirees and their families, introduced legislation to block the move. State officials charged that WellPath was violating prevailing laws by "cherry-picking" members and failing to give 180 days' notice before dropping coverage. The bill in the General Assembly would give the Department of Insurance more authority to stop WellPath from dropping members if the company couldn't settle its dispute with the state employees' health plan. Specifically, the proposed law would give the Department of Insurance the power to issue a cease and desist order if an HMO doesn't comply with existing laws.[58]

In April 2000 the company was fined $50,000 by the Maryland Insurance Administration for not supplying updated provider directories.[59]

The company has been involved in a number of other lawsuits with other HMOs and providers over pricing and antitrust issues. In September 2000 Bayhealth Medical Center, a Delaware hospital, threatened to terminate its contract with Coventry after a dispute over late payments. Bayhealth claimed that its records indicated that for months Coventry owed the health-care provider between $1 million and $5 million in a rolling balance of late, unpaid claims.[60]

Public Policy Recommendations

The most striking feature of the performance requirements of North Dakota's economic development programs is how similar they are to those of conventional lending institutions. They seem designed to insure that any loan funds will be repaid or that there will be adequate collateral or guarantees if there is a default.

While that is certainly a responsible requirement, the public is no ordinary investor. Taxpayers have larger goals than just repayment. If taxpayers want to purchase a stake in a new venture, they can do so as individuals rather than with their tax dollars. Yet the requirements of the programs rarely state what the public's larger goals are or measure how they will be achieved. Consider the MATCH program at the BND, targeted at businesses that surely don't need the help, those that are "very strong financially" and carry an "A" rating or better. One might expect such businesses could create better or more stable employment in North Dakota communities. However, the MATCH program doesn't require or attempt to measure such a result; its requirements are all designed to verify creditworthiness.

North Dakota measures mostly inputs—dollars invested and projects assisted. If North Dakotans want to measure outcomes, we suggest the following would be useful:

- Job creation—programs should define the number of jobs to be created.
- Job quality standards—programs should define the wage and benefit status of the jobs created.
- Public participation—the public should be able to participate in setting standards, as they do in Minnesota, where communities must hold public hearings about wage goals before granting subsidies.
- Disclosure—the public should be able to obtain basic information about subsidy recipients, as they can in Minnesota, where each year subsidy recipients file reports that the Minnesota Department of Trade and Economic Development posts on the web.
- Clawbacks—programs should verify that standards are being met and have a money-back guarantee built into the agreement that allows the community to get its money back if a recipient falls short of its promises or moves away within a few years.

Without safeguards such as these, North Dakotans will be leaving themselves vulnerable to more "spotlight stories" in the future.

Endnotes

[1] From a web page of highlights from Dr. Huenneke's participation in a Minot State University economic development panel discussion on September 26, 2002, found at http://warp6.cs.misu.nodak.edu/econclub/panel2.html.
[2] Letter from Mr. Dean Reese, CEO, North Dakota Development Fund, dated September 25, 2002, in response to our Open Records request; North Dakota Development Fund 2000-2001 Report, available at www.growingnd.com.
[3] North Dakota Century Code ◊ 10-30.5-01(4).
[4] North Dakota Development Fund 2000-2001 Report, p. 23.
[5] Reese letter, op cit.
[6] North Dakota Development Fund 2000-2001 Report, p. 5.
[7] Reese letter, op cit.
[8] North Dakota Development Fund 2000-2001 Report, p. 5.
[9] Ibid., p. 6.
[10] Reese letter, op cit., citing NDCC ◊ 10-30.5-07(1).
[11] Reese letter, op cit.; North Dakota Development Fund 2000-2001 Report, pp. 8-17.; NDCC ◊ 10-30.5-09.
[12] Reese letter, op cit.
[13] John Schneider from APUC did respond to our request with a voicemail he left for researcher Anne Nolan. However, as of this writing we had not yet concluded our "telephone tag."
[14] All of the information in this section is from the APUC pages in the ED&F Services section of www.growingnd.com, or from NDCC ◊4-14.1, unless otherwise noted.
[15] Minot wage information is from "Facts on Wages in Ward County," from materials prepared by Dr. Steve Huenneke, Minot State University, for the Economic Development Panel Discussion at Minot State University on September 26, 2002.
[16] All of the information in this section is from Lending Services section of www.banknd.com, or from the Bank of North Dakota 2001 Annual Report, unless otherwise noted.
[17] Bank of North Dakota 2001 Annual Report, p. 14.
[18] Ibid., p. 5.
[19] The first four are listed on the commercial loans page of the Lending Services section of the BND website, www.banknd.com/ls/ls_commercial1.jsp; the Ag PACE program is listed on the farm loans page of the same section, www.banknd.com/ls/ls_farmloan1.jsp.
[20] The programs included in this report are those that appear in the Lending Services section of the BND website under either the "Business Start-Up" link, www.banknd.com/ls/ls_startup1.jsp, or the "Economic Development Incentive Programs" link, www.banknd.com/ls/ls_edprograms1.jsp.
[21] Bank of North Dakota 2001 Annual Report, p. 5.
[22] The Annual Report does not detail which individual programs are commercial and which are farm lending. This categorization comes from www.banknd.com/ls/ls_commercial1.jsp and www.banknd.com/ls/ls_farmloan1.jsp.
[23] Bank of North Dakota 2001 Annual Report, p. 5.
[24] Ibid., p. 22.
[25] Ibid., p. 5.
[26] Ibid., pp.4-5.
[27] "City says yes again to Sykes," Bismarck Tribune, July 15, 1998; "Sykes calls off Bismarck deal," Bismarck Tribune, July 24, 1998.
[28] "Sykes officials, accountants named in shareholder suit," Jerome Stockfisch, Tampa Tribune, July 4, 2002.
[29] Letter from Mr. Rick Clayburgh, Tax Commissioner, State of North Dakota dated September 20, 2002, in response to our Open Records request.
[30] Clayburgh letter, op cit.
[31] Included as an attachment to Mr. Clayburgh's letter was a report previously submitted to the North Dakota legislature, "Office of State Tax Commissioner, Report to the Interim Commerce Committee, January 24, 2002, Tax Incentive Programs" ("Tax Incentive Programs Report").
[32] Ibid., pp. 3-4.
[33] Ibid., p. 6.
[34] Spreadsheet provided as an attachment to Clayburgh letter, September 20, 2002.
[35] Tax Incentive Programs Report, p. 6.
[36] Ibid., p. 6.
[37] Ibid., pp. 6-7.
[38] Ibid., pp. 8-9.
[39] Table provided as an attachment to Clayburgh letter, September 20, 2002.

[40] Tax Incentive Programs Report, pp. 8-9.
[41] Ibid., p. 10.
[42] "Hazen lets the games begin," Bismarck Tribune, October 26, 1995; "Region roundup: Hazen," Bismarck Tribune, November 6, 1995; "Game company gets tax reprieve," Bismarck Tribune, February 2, 1996; "Mandan says no to measure," Bismarck Tribune, April 3, 1996.
[43] "Investors go for Noble Games stock," Bismarck Tribune, March 13, 1998.
[44] Telephone interview by North Dakota Progressive Coalition researcher Gail Erickson with Mr. Jeff Fuchs, City Administrator, City of Jamestown, October 24, 2002; telephone interview by Ms. Erickson with Mr. Larry Olson, Stutsman County Auditor, October 24, 2002.
[45] Ibid., Olson interview.
[46] All eight regional councils and some of the local EDAs and JDAs are listed at www.marketplaceofideas.com/directory/planning; a list of many regional and local development corporations is available at www.gnda.com/resource_guide/resources.asp?ID=3.
[47] Telephone interview with Mr. Cory Finneman, Vice President of Research, Economic Development and Finance Division, North Dakota Department of Commerce, August 8, 2002. Mr. Finneman noted that more than 80 communities in North Dakota use the sales tax for their economic development efforts, including Bismarck, Grand Forks, and Minot.
[48] NDCC ◊ 10-33-124.
[49] Open Records and Meetings Laws, NDCC ◊◊ 44-04-17.1 through 44-04-21.3.
[50] http://www.gnda.com/resource_guide/resources.asp?ID=3.
[51] We appreciate the cooperation of the staffs of the local EDCs and JDAs who responded to our request and would like to acknowledge their responses. They were: a letter and enclosures from Mr. Richard M. Peterson, Minnewaukan Area Development Corporation, September 5, 2002; a letter from Ms. Cori Otto, WAEDA Director, Washburn Area Economic Development Association, September 5, 2002; a letter from Ms. June Enget, Powers Lake Economic Development Committee, September 6,2002; a letter from Mr. Russ Staiger, Bismarck-Mandan Development Association, September 9, 2002; a phone call from Mr. Duke Rosendahl, Hazen Community Development, September 10, 2002; a letter and enclosure from Mr. Bruce A. Melby, Larimore Economic Development Corporation, September 12, 2002; a phone call and letter from Mr. David S. Olson, Divide County JDA, Crosby, September 16, 2002; a letter from Ms. Becky J. Meidinger, Coordinator, Carrington Development Organization, September 24, 2002; a letter with enclosures from Ms. Carol Goodman, Executive Director, Cavalier County Job Development Authority, Langdon, North Dakota, October 9, 2002; and a letter and enclosures from Mr. Gaylon Baker, Stark Development Corporation, Dickinson, North Dakota, October 15, 2002.
[52] Letter from Mr. Russ Staiger, Bismarck-Mandan Development Association, September 9, 2002, sent in response to our Open Records request. Mr. Staiger stated, "In direct response to your request, I must tell you the information you requested is not available from the Bismarck-Mandan Development Association (BMDA). For your information, the BMDA's function is to serve as a facilitator in identifying growth opportunities, and then presenting them to the various entities (both public and private) who may provide financial and/or business incentives such as various tax exemptions. We are not a funding agency. The BMDA does not set the standards by which the various incentives are provided, nor do we monitor the respective projects once they have been granted. This responsibility is left to the particular public or private participating entities granting the incentives." Mr. Steiger's letter did not mention any specific entities, nor did it provide any information about the Bismarck Vision Fund or the Mandan Growth Fund.
[53] "Coventry confirms Bismarck plans," Bismarck Tribune, May 10, 2002; "Fortune 500 company to open center in Bismarck," Associated Press State & Local Wire, May 9, 2002.
[54] Letters to the editor, Marv Heinert, "Coventry committed to Bismarck," Bismarck Tribune, May 20, 2002.
[55] "The Pennsylvania Department of Insurance last month fined two HMOs a total of $100,000 for violations of the state's prompt-pay law," Managed Care Week, No. 25, Vol.12, Pg. 6, July 22,2002.
[56] "Medical society joining lawsuits," The Advocate (Baton Rouge, Louisiana), July 17, 2002; "Insurance regulators seek help from courts," The Advocate, July 4, 2002.
[57] "Georgia fines more health plans for claims delays," BestWire, A.M. Best Company, Inc., May 30, 2002.
[58] "N.C. senator wants to block WellPath from dropping 11,000 members," BestWire, A.M. Best Company, Inc., February 26, 2001.
[59] "Md. Fines 11 HMOs, agent for violations; Companies agree to pay $1.7 million, correct problems; Insurance industry," The Baltimore Sun, April 27, 2000.
[60] "Slow pay cited in HMO, hospital dispute," The News Journal (Wilmington, Delaware), September 30, 2000