

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2357

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10/22/03

Date

2003 SENATE FINANCE AND TAXATION

SB 2357

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2357

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 3, 2003

Tape Number	Side A	Side B	Meter #
1	X		1-3600
Committee Clerk Signature <i>May Kuylenstierna</i>			

Minutes:

Senator Urlacher opened the hearing on SB2357. All committee members are present. This bill relates to a sales and use tax exemption for construction materials and equipment for new production livestock facilities.

Senator Nichols (mtr #40) - As primary sponsor, introduced the bill. Written testimony attached. Urges favorable recommendation.

Senator Urlacher (mtr #478) - What is the local participation in the dairy farm as far as funding.

Senator Nichols - Quite a number of private individuals invested.

Representative Kenton Onstad (mtr #555) - Here to support SB2357 as a way to increase investments in livestock facilities across the state of ND. Further testimony clarifying the reason for his support.

Senator Wardner (mtr #1029) - Questioned the number of current and future employees at existing facility.

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10/22/03
Date

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2357

Hearing Date February 3, 2003

Representative Onstad - 17 employed now, at full capacity would be about 20. Gave dollar amount of payout to local feed suppliers for purchases.

Senator Syverson (mtr #1187) - Did this project utilize funding from other sources?

Representative Onstad (mtr #1210) - Listed sources of initial funding, reviewed business plan and other investors.

Orlin Hanson, Economic Development Director of Renville County JDA (mtr #1450) - Testified in support of 2357. Written testimony is attached. Urges careful consideration and Do Pass.

Senator Nichols (mtr #1875) - Asked a question regarding the numbers of slaughter hogs coming from out of the country.

Mr. Hanson (mtr #1895) - Many from Canada. Hogs from Canada keep Cloverdale going.

Sandy Clark, ND Farm Bureau (mtr #2029) - Testified in support for economic reasons. Urges a Do Pass.

Duane Hauck, NDSU Extension (mtr #2123) - Supports 2357. Ag income is vital to our state's economy.

Craig Jarolimek, Pork Producer, Manager of Market Development of Elite Swine (mtr 2140) - Supports 2357. Written testimony attached. Also provided testimony from Jim Tilton, PhD and Cloverdale Growers Alliance.

Senator Seymour (mtr #2828) - Why is concrete 25% higher?

Mr. Jarolimek - Lack of competition.

Richard Schlosser, ND Stockmans Association (mtr #2920) - Members support 2357.

Wade Moszer, ND Stockman's Association (mtr #2975) - Would support the bill, consider, that there is not a lot in brand new facilities, request consideration of relocating.

Page 3
Senate Finance and Taxation Committee
Bill/Resolution Number SB2357
Hearing Date February 3, 2003

Chuck Flemming, Market Coordinator, ND Dept of Ag. (mtr #3121) - Supports 2357. Written testimony is attached.

Senator Nichols (mtr #3344) - Request response from Gary Anderson of Tax Department on fiscal note with regard to other possibilities.

Gary Anderson, State Tax Department (mtr #3429) - Reviewed numbers used to prepare current note, not able to incorporate opportunities for expansion.

Senator Urlacher (mtr #3600) - Closed hearing on SB2357.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2357

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 4, 2003

Tape Number	Side A	Side B	Meter #
2	X		1538. 2104.538
Committee Clerk Signature <i>[Signature]</i>			

Minutes:

Senator Urlacher opened the discussion on SB2357. All committee members are present. The bill relates to a sales and use tax exemption for construction materials and equipment for new production livestock facilities.

Senator Nichols (mtr #1634) - Did request clarification of fiscal note during hearing. Restated that an operation that large will have a positive impact on the surrounding community.

Senator Urlacher (mtr #1746) - Would help the hog market, but is a large fiscal note.

Senator Nichols (mtr #1802) - End result would be a positive impact rather than negative.

Senator Urlacher (mtr #1852) - How soon could the exemption be used?

Senator Nichols (mtr #) - Effective date is July '03 would be available immediately and sunset in 2008.

Senator Urlacher - Cloverdale is on board with this proposal.

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10/22/03
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Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2357

Hearing Date February 4, 2003

Senator Tollefson (mtr #2045) - This bill would be no different than any business, a business plan should be in place.

Senator Wardner (mtr #2092) - Question regarding the type of operation that could take advantage of this exemption.

Senator Urlacher (mtr #2215) - Dollars generated from feed sales.

Senator Wardner (mtr #2240) - Tax can be made up in other economic activity.

Senator Nichols - Clarified the type of operation that would be able to take advantage of this exemption.

Senator Tollefson - Supports the bill

Senator Nichols moved a Do Pass and Rerefer to Appropriations. 2nd by Senator Tollefson.

Roll call vote 6 yea, 0 nay 0 absent. Carrier Senator Nichols.

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10/22/03
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FISCAL NOTE
Requested by Legislative Council
01/28/2003

BH/Resolution No.: SB 2357

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			(\$782,000)	(\$68,000)		
Expenditures						
Appropriations						

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

SB 2357 provides a sales and use tax exemption for construction materials and equipment for new livestock facilities. If enacted, SB 2357 is estimated to reduce revenues by \$850,000 during the 2003-05 biennium.

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

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

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

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

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/01/2003

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Date: 2.4.03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2357

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Re-pass and Refer to Appropriations

Motion Made By Sen. Nichols Seconded By Sen. Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	<input checked="" type="checkbox"/>		Senator Nichols	<input checked="" type="checkbox"/>	
Senator Wardner - Vice Chairman	<input checked="" type="checkbox"/>		Senator Seymour	<input checked="" type="checkbox"/>	
Senator Syverson	<input checked="" type="checkbox"/>				
Senator Tollefson	<input checked="" type="checkbox"/>				

Total (Yes) 6 No 0

Absent _____

Floor Assignment Senator Nichols

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

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10/22/03
Date

REPORT OF STANDING COMMITTEE (410)
February 4, 2003 4:19 p.m.

Module No: SR-21-1655
Carrier: Nichols
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2357: Finance and Taxation Committee (Sen. Uriacher, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2357 was rereferred to the Appropriations Committee.

(2) DESK, (3) COMM

Page No. 1

SR-21-1655

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2003 SENATE APPROPRIATIONS

SD 2357

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2357

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 13, 2003

Tape Number	Side A	Side B	Meter #
#1		x	1,238-end
#2	x		0-347
Committee Clerk Signature <i>Jan Lundrucks</i>			

Minutes:

Senator Ron Nichols, District 4 (#1303), sponsor of SB 2357. No written testimony. This bill relates to a sales & use tax exemption for construction materials and equipment for new production livestock facilities in this state. A new dairy facility has been constructed in his area which was made possible by many people, including Representative Onstad who spearheaded the project. Both private and public sectors helped with this project. It will have a very positive impact on the Parshall area plus the other parts of that area. A number of new jobs have been developed because of the project, grain and hay have also been used by this facility which has helped the farmers in that area. With the provisions in this bill, towns, companies, and individuals, who want to construct these types of facilities will have the necessary tools to do so. Currently there is a provision in the Century Code for a value added facilities, this bill is patterned after that law. NDSU has done studies that concluded that livestock agriculture has the biggest multiplier effect, including mining, manufacturing and value added processing. It is

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10/22/03
Date

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB 2357

Hearing Date February 13, 2003

greater than any of those. He felt that it only made sense to offer the same incentive that value added processing does, since livestock agriculture had a bigger impact on the economy. Both the private and public sector believe that there are a lot of opportunities to strengthen our economic base with regard to animal agriculture. Statistics, over the last few years, show that production is going down, dairy operations - less and less all the time, and most of the beef cattle is sent out of the state to feed them. He felt that the state was not making as much progress as the state should. He stated that the bill was drafted so that it should not be confusing to the retailer, sales tax will be collected by the retailer and the responsibility of the owner of the facility to provide the tax commissioner with the appropriate information to receive the sales tax back.

Questions: (#1600)

Senator Grindberg: He stated that a bill was heard by this committee that would establish and promote the beef industry from calf to the consumer under the name of a Center of Excellence, which would change our way of looking at beef industry in this state, which NDSU presented to this committee. He wanted to know if this bill he presented or the beef industry bill was more important. He felt that it had to be one or the other, he felt that putting money into a long term business was more important than giving a tax-exemption. Senator Nichols replied that both avenues could be considered, because both are important. Senator Bowman: He wondered if when the business plan was made, if sales tax was not included, as it should have been. He wondered if the cash flow wasn't as good as they thought it would be and this is a way to help get them through. There is a lot of difference in helping and giving away all of the states taxes on growth. Profit is the ultimate goal in any business and if the business plan is sound in the first place, there should have been enough profit to take care of sales taxes. He just wanted to know if

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Page 3
Senate Appropriations Committee
Bill/Resolution Number SB 2357
Hearing Date February 13, 2003

that was discussed when the project was put together or was it discussed that if we get it together then we will go into the legislature and see if we can get an exemption? Senator Nichols responded that this bill is not retroactive, it is not for the new building in Parshall. It is a bill for future facilities. It would not include an expansion unless it was an entirely new building. This is not for something that has been done already. When you are dealing with investors and bankers, etc., on these types of businesses, you need just about any kind of break you can get. Senator Mathern: He wondered if the two bills, this one and the one regarding the Center of Excellence could be combined. Senator Nichols responded that there was some possibilities of doing that. Senator Schobinger: He wondered if this could be expanded to include any project that would provide jobs? Senator Nichols stated that he knew it was being used for value added processing plants, it has been on the books, part of the code. He felt it might be a good idea to look at doing it for any business. Senator Andrist: He wanted to know how big the project was? Senator Nichols replied that he would prefer Rep. Onstad to visit with him about that, as he had all the figures. Senator Andrist continued, he wondered if the fiscal note was accurate. He stated that if you translate the \$782,000 in lost general fund revenue, that would be equal to \$13 million dollars of construction materials, he felt that would take care of a lot of projects. Representative Kenton Onstad, District 4 (Parshall). He stated that the \$13 million dollars in construction materials was right, it would fund about 8,000 dairy cattle operations. In his project, it was \$1.6 million to do a facility for 400 cows. He was only aware of 3 or 4 other dairy projects that were in the works for dairy, he know there was some hog facilities that are being considered in the Cando area, and some feed lots being considered. He was optimistic that in the next 2 years,

Page 4

Senate Appropriations Committee

Bill/Resolution Number SB 2357

Hearing Date February 13, 2003

there would be \$13 million dollars in facilities. It took 4 years to put his project together and to meet all of the requirements that were needed by lenders, etc. He stated that for his area to grow, it would have to be value-added. It will have to come from that portion of it whether it becomes dairy, or livestock facility or processing, it will have to be value-added because they are 99.9% agricultural. Senator Krauter: Wanted to know if this was a re-referral. Senator Grindberg replied that it was from Finance and Tax. Senator Krauter continued: He would like Legislative council to verify the fiscal note. Senator Robinson: He was considered about the fiscal note, if they built this facility or facilities, the state would have a \$782,000 loss, if the bill is approved. If we don't proceed, there is no loss, if the bill is killed and we have no facility. The other part of it, why is it not taken into consideration the economic activity on the fiscal note, it is a two way street, he felt. Senator Robinson also stated that it would bump income taxes, bump other economic activity, why is there only one side of the equation? He wondered why the big picture wasn't being looked at. Senator Schobinger wanted to know what Rep. Onstad thoughts were on this idea of tax exemption and to any new business. Rep. Onstad replied that they need the tools to get investment in North Dakota and to get it to grow. He was in agreement that if that is what it takes to get it going, and if you can show throughout the jobs, etc, dollars back into the economy, then the communities and the state is gaining.

Gary Anderson (#2918) Director of special taxes, Office of State Tax Commissioner. The fiscal note is correct. In the tax department, they have to look at the historical aspect. They have information that can look at past sales, etc that will give them some determinations. There is some impact that will occur with most legislation, but they are not in a position, nor have we tried, to identify what the possible effects would be to a bill. That has not been part of their fiscal

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Date

Page 5

Senate Appropriations Committee

Bill/Resolution Number SB 2357

Hearing Date February 13, 2003

note making. It is very difficult to identify those kinds of things. What they try to do is to identify the actual cost that we can see, based on the last year or two of activity. In regards to this bill, it does address an exemption for production livestock facilities, indicating building structures, equipment and fixtures. He went through the procedure that they use to determine the fiscal note. Senator Robinson (#3201) He was still struggling with the fiscal note is saying there is a loss to the general fund if the bill is passed, but if we don't pass the bill, have no construction, we have nothing. The loss would only occurs if we do in fact and go ahead build these new facilities, which will also generate income. He also felt that a file was needed on the impact these facilities would have on the state as well. Senator Krauter: Wanted to know if every little pole barn a farmer put up would be tax exempt. Gary answered that not every pole barn was considered, and that not all structures that farmers/ranchers put up would qualify for the tax-exempt. Senator Andrist (#3493): He stated that he lived in an area that just had their pasta plants go online and he wondered if they were sales tax-exempt. He also wondered if the Ag business qualified for the upfront income tax credit on the equity dollars? Gary stated that he didn't know but he would get the information to the Senator. Rep. Onstad stated that if the facility qualifies for a value-added facility, the investors would get a income-tax credit. Rep. Onstad's facility did qualify for the income tax credit.

Orlin Hanson, (#3795) Renville County Job Development Authority. He apologized for the written testimony that is addressed to the Senate Committee on Finance & Taxation. He had them printed up for his testimony before that committee and he had so many left that he felt he could just give them out here. Mr. Hanson stated that he was a legislature in the 1980's. He is

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10/22/03

Date

Page 6

Senate Appropriations Committee

Bill/Resolution Number SB 2357

Hearing Date February 13, 2003

from Sherwood, ND. Written testimony is attached (Exhibit #1). He stated that the Renville County Job Development Authority had been approached by the ND Department of Agriculture to see if they would be interested in setting up a Pork Production unit in the area. The basic reason for supporting this type of industry was to help Cloverdale Pork Processing plant in Minot. He talked about the part of the state they are located in and the difficulties of being so close to Canada and Minot. He talked about their strategic plan that is in place and how this bill would help them get this project up and running. He felt that the state would not be losing taxes as right now they aren't even in the forecast for collectible taxes. If the project goes ahead the spin the spin off businesses and services could be quite a gain to the State income picture. He hoped that the committee would consider this piece of legislation and give it a "Do Pass".

Craig Jarolimek (#4623), Pork producer from Forest River, ND, which is 30 miles north of Grand Forks. Written testimony is attached to the minutes (Exhibit #2) He is also Manager of Market Development for Elite Swine, who has plans to establish a pork production with communities and farm families of North Central North Dakota in the near future. He talked about the advantages an individual is offered by entering the Elite Swine system. He talked about the problems of high costs for concrete which is 25% higher than neighboring states or that of Manitoba. Construction crews lack of experiences in hog barn construction is another problem. The last cost factor is the 5% sales tax that is added to equipment and building materials. He hoped that the committee would look favorably on this bill. He also brought testimony from Dr. Jim Tilton, NDSU, which is exhibit #3 which is attached to the minutes.

Questions: (#5437)

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10/22/03
Date

Page 7

Senate Appropriations Committee

Bill/Resolution Number SB 2357

Hearing Date February 13, 2003

Senator Mathern: What assurance would there be that it would be used for a family operation and not a big mega operation. Craig responded that the current farming laws protect us from that.

Corporations can not own facilities in this state. He thought that farmers would come together under a Triple L P type. They would be share holders. Senator Andrist: He wanted to know if a

Triple LP work for this model. Craig stated that he wasn't a lawyer, but he understood it as, a

Triple LP or LLP, each individual could then apply, as they are share holders and they would

have a portion of that facility, that was his understanding of the law. Kenton Holly testified

next. No written testimony. (#5794), he is a dairy farmer. He was in full support of SB 2357. He

thought of it as economic development for the state and he hoped the committee would look

favorably on this bill. He stated that the farmers would be going to their local lumber yards, etc to

get the needed supplies to put up the pole barns, etc which in turn would give the communities a

boost. Tape #1 ends, Mr. Holly's testimony continues on Tape #2, Side A.

Chuck Fleming (#151), Marketing director of the ND Dept of Agriculture. No written testimony.

He was in complete support of this bill. He spoke of the same things that the other speakers

spoke about, the need for the tax-exemption and the long term effect it would have on the state.

He also stated that this bill has a 5 year sunset clause on it, and that each person must apply to

the tax department to get this refund.

With no other testimony on SB 2357, the hearing was closed. (#349)

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2357 - Votes

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 13, 2003

Tape Number	Side A	Side B	Meter #
#2	A		997-1511
Committee Clerk Signature <i>Jan Hendrickson</i>			

Minutes:

SB 2357--relating to sales & use tax exemption for construction materials and equipment for new production livestock facilities.

Senator Grindberg moved for a DO NOT PASS on SB 2357, seconded by Senator Christmann.

Discussion: Senator Tallackson stated that the presenters of the bill stated that if we didn't do anything and they didn't build anything, the state wouldn't receive anything anyway. Senator Grindberg stated that he agreed, he has fought for tax-exemption also, and he agrees that if you don't do anything, you aren't losing anything, the fact is that the fiscal note and a huge budget challenge in front of the legislators, he had other cities in the state approach him about tax exemptions and he refused to back them. This is not the session to be putting in sales tax-exempt bills. He could understand the sense that it makes that if you don't do anything, you won't having anything, but he felt that the legislatures have a budget to balance. Senator Mathern felt that he saw this bill as a follow up what they have learned in related industries, we do have some of

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Page 2

Senate Appropriations Committee

Bill/Resolution Number *Click here to type Bill Number*

Hearing Date *Click here to type Hearing Date*

these incentives in place, in some of these value-added processes, and this is just saying this fits in these other areas. The other thing is it might fit well with the bill on the Centers for Excellence. He wanted support for this bill. Senator Bowman stated that if the other bill on Center for Excellence got through, there would probably be enough profit in the livestock industry to pay the taxes for the first time. The bottom line for any business is profit and if you are on the edge when you start, you are probably going to go over the edge and if this is the only reason you are in business if for this exception, you are not going to make anyway. The other bill is for a state of the art center going where the state farmers/ranchers can learn about marketing, etc. so that they can get the business back in the state. He didn't feel that there was any relationship between this bill and the one on the Centers for Excellence. Senator Tallackson stated that that bill (Center for Excellence) takes directly out of the general fund \$1.Million dollars. He stated that this bill for the tax exempt doesn't take any thing out of the general fund unless it is used. Senator Grindberg stated that the Governor's budget included \$5 Million dollars in there for Centers for Excellence and if that bill comes over this committee will have to debate it, there is money in the executive budget already for the Centers for Excellence. Senator Tallackson stated that it may not make it over and Senator Bowman agreed.

With no other discussion, roll call vote was taken, which is attached to the minutes. **Total: DO NOT PASS: 9 yes 5 no.** Motion passed. Senator Grindberg will carry it to the floor.

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Date: 2/12/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2357

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken do not Pass

Motion Made By Grindberg Seconded By Christmann

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

Total (Yes) 9 No 5

Absent 0

Floor Assignment Grindberg -

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

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Deanna Tallackson 10/22/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
February 13, 2003 5:59 p.m.

Module No: SR-28-2662
Carrier: Grindberg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2357: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO NOT PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). SB 2357 was placed on the Eleventh order on the calendar.

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Deanna Wallis
Operator's Signature

10/22/03
Date

2003 TESTIMONY

SB 2357

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Deanna Walker
Operator's Signature

10/22/03
Date

Testimony

Senate Bill 2357 Senate Finance and Taxation Committee By Senator Ron Nichols

I am here as the prime sponsor of Senate Bill 2357 and urge your favorable recommendation. It is a bill that would allow for a repayment on sales and use taxes for the construction of new production livestock facilities in the state.

Let me summarize the provisions of the bill:

- In section 1 of the bill, livestock is defined as beef and dairy cattle, sheep, hogs, or poultry.
- An owner is defined simply as any person owning a NEW production facility.
- Production livestock facility is defined as "new buildings, structures, equipment, and fixtures constructed for livestock production.
- Subsections 2 and 3 on page one of the bill is implementation language very similar to the current law which provides refunds for value added facilities in our state.
- Subsection 4 requires that the owner must supply the tax commissioner with a copy of any environmental permits that are required.
- Subsection 5 on page 2 of the bill requires the full repayment of the taxes if the facility has not been used for five years from the time of the exemption or refund.
- Section 2 of the bill provides for an effective date of July 1, 2003 and calls for the statute to expire after 5 years x- July 1, 2008.

Many of you know that a new dairy facility has been constructed and is now operating in my district. It became a reality only after an enormous effort and involvement of people from both the public and private sector. It was a tremendously difficult challenge putting together the equity that made the project possible.

This project will have a very positive impact on the Parshall community and surrounding area, providing both jobs and opportunities for our farmers to supply feed.

To make these projects a reality it is important that communities and prospective investors have all the tools we can find to get these projects off the ground. The provisions in this bill can make a significant difference.

Currently, we have a provision in the Century Code for value added facilities. This bill is patterned after that law.

NDSU did a study that looked at the multiplier effect to the economy on various economic activity in the state. That study revealed that livestock production had the highest multiplier effect on the North Dakota economy than any other activity including mining, manufacturing, and value added agriculture processing.

It makes sense that we should offer the same incentive that value added processing facilities have since they have an even greater positive effect on our economy.

Everyone in both the public and private sector believe that there are opportunities to strengthen the economic base of North Dakota by increasing animal agriculture. Yet the statistics in the past few years are alarming. Hog production is down. Dairy numbers continue to fall. Most of our cattle continue to be fed in other states. Any incentive that we can provide to reverse that trend ought to be considered.

We have drafted this bill so it is not confusing to the retailer. The sales tax will be collected by the retailer.

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10/22/03

It is the responsibility of the owner to provide the tax commissioner with the appropriate information to get his refund.

In conclusion:

- The bill is straightforward and easy to administer
- It brings equity with value added processing facilities
- It has a sunset provision so that it can be re-addressed by the legislature
- We will be able to track the growth in animal agriculture production easily
- Because of stagnation of growth in this area and the obvious benefits if production is increased, it is a wise investment for the state of North Dakota

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Deanne Walling
Operator's Signature

10/22/03
Date

RENVILLE COUNTY

JOB DEVELOPMENT AUTHORITY

Orlin Hanson, EDD

205 Main Street E. P.O. Box 68, Minot, North Dakota 58761

Testimony before Senate Committee on Finance & Taxation Senate Bill 2357

Chairman Urlacher and members of this distinguished committee. My name is Orlin Hanson, from Sherwood, ND. I know it's a distinguished committee because I was a member of this committee in the 1991 session. A lot of good memories still linger from those days.

I'm here today on some business connected with our Renville County JDA of which I am the Economic Development Director. We have been approached by the ND Department of Agriculture to see if we would be interested in setting up a Pork Production unit in our area of North Central North Dakota. Their basic reason for supporting this type of industry was to help Cloverdale Pork Processing plant in Minot be successful.

Renville County is situated in North Central North Dakota. We have the Canadian Border to the north of us and then Minot on the south side. Not bad place to be except when it comes to improving the economic climate in that area. We only have a half of a trade circle especially with the rate the Canadian Dollar trades at today. Then Minot on the other side is somewhat of a deterrent when trying to bring in a business of some kind. The business usually wants to stay in Minot and let us come to them. Under these kinds of situations we find that we are better off pursuing Industries such as this Pork Production unit. We don't have to worry about Minot wanting that in their mid town section.

We were looking seriously about putting up some Feeder barns to begin with and utilizing the facilities across the border in Manitoba. Now with this plan being offered us and Elite Swine still willing to manage it for us and sell the Pork produced to Cloverdale Pork Processing in Minot it has become very attractive proposition.

We are organized formally as a Champion Community, we have our Strategic Plan in place and Strategic Action Teams set up and operating. We have several projects already going and we are looking at this one with extreme interest. We use the USDA Benchmark program to monitor and access our success in each of these projects.

Now is where SB 2357 becomes very attractive. We will be constructing several new buildings and furnishing them with equipment. An exemption from the Sales & Use tax on this material could be quite attractive to the organization putting it in Place. It just might be the factor in putting the whole project in a positive financial picture and creating some new Economic Development in North Central North Dakota.

Page 2 Orlins testimony before Senate Finance and Taxation Com. 2/03/03

Senate Bill 2357:

In five years we could be looking at a complete Pork Production Setup including

- 2-3000 hd Sow Barns
- 8-2500 hd Nursery Barns
- 16-2000 hd Finishing Barns
- 4- 2000 hd Quality Control Barns
- Would produce over 100,000 hd/year of Market Hogs

Our goal would be to produce 100,000 hogs that can be slaughtered at Cloverdale plant in Minot each year. The complete 5000-6000-head facility would produce these hogs.

The capital requirement for this unit would be around \$15,000,000 so you see the Sales & Use Tax exemption is quite attractive and the issue that just might make it profitable.

The State of North Dakota won't be losing these taxes as right now they aren't even in the forecast for collectable taxes. If the project goes ahead the spin off businesses and services could be quite a gain to the State income picture. Taking into consideration this project and then what it could do for Cloverdale in Minot. It's a win-win situation all the way around.

We would urge you to consider this piece of legislation very carefully and then give it a "Do Pass" and forward it to the full Senate and then on to the House for passage.

*Identical
testimony given to
Sen. C. J. ...*

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Deanna Hall
Operator's Signature

10/22/03
Date


Members of the Committee;

My name is Craig Jarolimek. I come here this morning to voice support the Senate Bill 2357.

My wife and I are Pork Producers from Forest River North Dakota, which is 30 miles North of Grand Forks. We have been involved in all aspects of pork production, starting out as selling feeder pigs, growing to a farrow to finish operation, to currently operating a small finishing operation.

I have another role as a Manager of Market Development for a company called Elite Swine. Plans are to establish pork production with communities and farm families of North Central North Dakota in the near future.

By entering the Elite Swine systems approach to pork production an individual is offered, secure marketing contracts, owner participation, access to high quality genetics, increased specialization, better information and management skills, and the opportunity for private ownership.

The communities from Mohall, to Cando, to Langdon have embraced an opportunity for them to add value to their grain production, stabilize fertilizer prices, create economic activity and jobs, and most important, provide an opportunity for our young people to prosper in rural North Dakota, by becoming involved in the pork industry. We have only to look north of the border to see the revitalization the animal agriculture has provided to rural communities of Manitoba. That same opportunity now exists in the North Central Region.

In exploring construction costs for North Dakota Pork production, there are three items that stand out that puts us at a disadvantage in cost of construction of hog facilities.

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10/22/03
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Concrete price and availability is one. Lack of competition and distance between plants, adds to costs. North Dakota concrete is as high as 25% more than neighbor states or that of Manitoba.

Construction crews lack of experience in hog barn construction add additional costs as they are hesitant to bid competitively because of their fear of unknown costs.

The last cost factor is the 6% sales tax that is added to equipment and building materials.

We have made some headway on concrete and construction crew comfort, but the sales tax still hurts the bottom line.

The tax refund will allow a lower equity entrance and lower bank payments as the overall construction costs are reduced allowing more dollars stay on the family farm.

For example on a two barn site, the dollars from the reduction of construction costs coupled with lower bank payments means almost \$33,000.00 to that farm family. Dollars for equity requirements are lowered by nearly another \$8,000.00.

It must be understood that this alternation of the current policy will not impact the current budget challenges that this state faces. In the drafting of the current budget projections for the state, additional building of livestock facilities was not part of the equation. The tax dollars collected if this refund is not accepted, are outside the current budget.

The tax dollars will still be collected, coming back to the individual after completion and operation of the facilities is complete.

This tax relief will spur more development, which will generate more taxes from income, and actually generate more sales tax from purchases by a growing population, and repairs and maintenance in the barns. The trucking industry and other spin off jobs will add to the regions economy as well as taxable income.

This initiative is not a cost to the budget, but an investment in the future.

If North Dakota is serious about adding value to grain production, creating jobs, providing opportunity for young people to prosper in this state, then this tax refund is one of the steps to that goal.

I thank you for the opportunity to speak for the consideration of acceptance of Bill 2357.

I urge you to vote in favor of moving this bill forward.

If you have time for questions, I am willing to try and answer them.

Letter from Dr. Jim Tilton.

Support from Cleveland Atkinson.

Support from NDPPC

Members of the Committee;

*To Senate
approve*

*Exhibit
#2*

My name is Craig Jarolimek. I come here this morning to voice support the Senate Bill 2357.

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Operator's Signature

10/22/03
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The last cost factor is the 5% sales tax that is added to equipment and building materials.

We have made some headway on concrete and construction crew comfort, but the sales tax still hurts the bottom line.

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For example on a two barn site, the dollars from the reduction of construction costs coupled with lower bank payments means almost

\$33,000.00 to that farm family. Dollars for equity requirements are lowered by nearly another \$8,000.00.

It must be understood that this alternation of the current policy will not impact the current budget challenges that this state faces. In the drafting of the current budget projections for the state, additional building of livestock facilities were not part of the equation.

The fiscal note of \$850,000.00 attached to the bill is based on "pole barn" construction and the projection that one large animal unit will be built in the next two years.

The new policy would still allow the tax to be collected on the pole barn construction, as it would not fit the definition of a single use building. That challenges \$650,000.00 of the \$850,000.00 in the fiscal note. *Q*

This tax relief will spur more development, which will generate more taxes from income, and actually generate more sales tax from purchases by a growing population, and repairs and maintenance in the barns. The trucking industry and other spin off jobs will add to the regions economy as well as taxable income.

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I urge you to vote in favor of moving this bill forward.

If you have time for questions, I am willing to try and answer them.

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Deanna Walcott
Operator's Signature

10/22/03
Date

To: ND Senate Tax & Finance Committee
Re: Possible tax considerations for new livestock enterprises

Recent state wide attention has been brought to bear on the outward migration that North Dakota continually must face. Efforts to stem this migration pattern of some of our "best and brightest" provides an ongoing problem the state legislature as a body must address. The concept of "Saving North Dakota" becomes more critical with each passing legislative session. Past legislatures have appraised the situation but in many avenues failed to substantially provide solutions that could be pointed to as having a major impact. Over the past several administrations joint committees of concerned citizens, including many legislators and community leaders, have pondered the problem but all in all not developed any major recipe for overcoming the dilemma.

As a long term member of academia, I have strenuously supported efforts to facilitate animal agriculture as a major facet of value added procedures for the continuance of a strong rural population and associated employment opportunities. At the present time, under consideration by your committee is a bill (SB # 2357) that conceivably could have future positive impacts on livestock production in North Dakota. The possibility of passing a plan for a 6% tax refund of dollars spent for materials and equipment to construct new livestock facilities would be a significant step in the right direction. Passage of said tax refunds would promote potential construction of feedlot, dairy and swine operations in this state. These monies as such would not impact the present Governor's proposed budget as they would likely affect future revenues, thus offering opportunities for expansion of animal agriculture in our state and strengthening our rural employment situation. With the constraints of time needed to obtain permits to establish said operations, this tax refund would be a stimulus package for future growth. We should recognize that crop agriculture can provide only a share of the real dollars through production and limited employment needed for maintenance of our rural population. Bold efforts are needed to maintain the continued strong vitality of agriculture in North Dakota. Thus, the leadership must come from organizations such as this legislature if continued success is to occur.

Thank you!!

Sincerely,

Jim Tilton, PhD
Professor Emeritus
North Dakota State University/ALL THE BEST,
Jim Tilton, Ph.D.
Swine Physiologist
174 Hultz Hall
Fargo, ND 58105
office (701)231-7664
fax (701)231-7590
jtilton@ndsuent.nodak.edu

Feb.1, 2003

Senate Bill 2357

**Sales tax exemption for production livestock facility construction materials
Refund- Repayment**

Finance and Tax Committee:

Cloverdale Growers Alliance encourages a due pass on SB2357.

Cloverdale Growers Alliance is groups of active hog producer's that deliver 75,000 hogs annually to Cloverdales slaughter plant in Minot. Most of these hogs are produced in North Dakota. Our long-range goal is to deliver 150,000 hogs annually to Cloverdale by 2006. To achieve this there will have to be additional hogs feed with in our State.

As you all already know we produce vast amount of feed grains with in our state and would be adding value to these grains by utilizing the grain for livestock feed. North Dakota's rural agriculture economy has been struggling for some time and needs a boost to get it moving forward again.

What better way for the family farm to have a chance to get a small break when they build a new livestock feeding facilities? We believe with the passage of this bill the monies refund could be used as additional working capital or even as a way of adding equity to the new facilities.

Cloverdale Growers Alliance,
Daryl Dukart General Manager

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Dennis Dalka
Operator's Signature

10/22/03
Date

Roger Johnson
Agriculture Commissioner
www.agdepartment.com



Phone (701) 328-2231
Toll Free (800) 242-7535
Fax (701) 328-4567

600 E Boulevard Ave., Dept. 602
Bismarck, ND 58505-0020

Testimony of Charles Fleming
Marketing Coordinator
North Dakota Department of Agriculture
Senate Bill 2357
Senate Finance and Taxation Committee
Lewis and Clark Room
February 3, 2003

Chairman Urlacher and members of the Senate Finance and Taxation Committee. I am Chuck Fleming, Marketing Coordinator for the North Dakota Department of Agriculture and I am here today on behalf of Agriculture Commissioner Roger Johnson in support of Senate Bill 2357.

Commissioner Johnson is in Washington DC today attending the winter meeting of the National Association of State Departments of Agriculture. But he wanted me to convey to you his support for this measure.

It is quite obvious that livestock can and should play a major role in the expansion of the North Dakota economy. It is a tremendous way to market the abundance of grains and other feedstuffs we have in the state. And that includes the large amount of co-products coming from our ag processing facilities.

Yet with all the advantages, we continue to have difficulties expanding production. There are all kinds of barriers such as lifestyle choices, poor profit margins in some years, erratic markets, and the availability of nearby processing facilities. But also big on the list is the large financial outlay to start most livestock enterprises.

We need to address all the reasons that we have not expanded the livestock industry, and one by one, help remove the barriers and obstacles.

This bill is similar to the refund offered value added facilities that is now state law. Livestock production, which actually boosts our economy more than value added facilities, can certainly use the boost that this legislation will provide.

On behalf of Commissioner Johnson, I urge passage of Senate Bill 2357.

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