

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1019

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

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

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

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

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

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

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

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

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

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

Page 2, after line 11, insert:

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

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

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

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

SECTION 10. ACCOUNTABILITY MEASURES - BUDGET SECTION

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

1. North Dakota's number of primary sector jobs, average annual income, and gross state product reported as of December thirty-first of each year beginning in 2000.
2. The number of jobs created as a result of each of the department's economic development and finance programs and the state's investment, the average salary of the jobs created, private investment related to the jobs created, and the estimated related economic impact to the state.
3. The number of individuals trained and the number who become employed as a result of each of the department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the amount of additional private investment in the state.

SECTION 11. LEGISLATIVE INTENT - PARTNERSHIPS WITH INDIAN

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

SECTION 12. LEGISLATIVE INTENT - TOURISM LEARNING VACATIONS.

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

SECTION 13. LEWIS AND CLARK INTERPRETIVE CENTER GRANT.

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

SECTION 14. VISITOR RESCUE GRANTS.

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

SECTION 15. DEPARTMENT OF COMMERCE - NEW ECONOMY INITIATIVE

RESTRICTION. The department of commerce may not spend any funds from any source in support of the new economy initiative during the biennium beginning July 1, 2003, and ending June 30, 2005.

SECTION 16. AMENDMENT.

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

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

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

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

2. In any taxable year, a taxpayer may claim no more than ~~fifty percent~~ one-third of the credit under this section which is attributable to investments in a single taxable year.
3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to four taxable years after the taxable year in which the investment was made.
4. A partnership that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a partnership's investment in a qualified business must be determined at the partnership level. The amount of the total credit determined at the partnership level must be allowed to the partners, limited to individuals, estates, and trusts, in proportion to their respective interests in the partnership.
5. The investment must be at risk in the business. An investment for which a credit is received under this section must remain in the business for at least three years.
6. Tax credits for investments in one qualified business may not exceed two hundred fifty thousand dollars.
7. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.
8. A taxpayer who owns a controlling interest in the qualified business or whose full-time professional activity is the operation of the business is not entitled to a credit under this section. A member of the immediate family of a taxpayer disqualified by this subsection is not entitled to the credit under this section. For purposes of this subsection, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.
9. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under section 57-38-45, must be paid by the taxpayer.

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

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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

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

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

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

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

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

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

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

- 3 Funding for Work Force 2000 is reduced by \$1,000,000, from \$2,002,861 to \$1,002,861 from the general fund. The funding provided is to be used only in support of new businesses locating in North Dakota.
- 4 Funding is provided for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. The department may require matching funds to be provided from targeted industries.
- 5 The funding source for the administrative costs of the development fund is changed from the general fund to the development fund.
- 6 Funding recommended by the Governor for the New Economy Initiative is removed. A new section is added precluding the department from spending any funds in support of the New Economy Initiative.
- 7 Funding for marketing in the Tourism Division is reduced by \$200,000 from the general fund.
- 8 Funding for operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance is reduced by \$200,000 from the general fund.
- 9 Funding from the highway tax distribution fund for ethanol incentive payments is reduced by \$1,285,000, from \$3,785,000 to \$2,500,000.

Sections are added:

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